

**Final Rule**  
LSA Document #12-274(F)

DIGEST

Adds [50 IAC 29](#) to establish uniform income capitalization tables and procedures to be used for the assessment of golf courses. Effective 30 days after filing with the Publisher.

**[50 IAC 29](#)**

SECTION 1. [50 IAC 29](#) IS ADDED TO READ AS FOLLOWS:

**ARTICLE 29. PROCEDURES FOR THE ASSESSMENT OF GOLF COURSES**

**Rule 1. General Provisions**

**[50 IAC 29-1-1](#) Purpose**

Authority: [IC 6-1.1-4-42](#)

Affected: [IC 6-1.1-4-42](#)

**Sec. 1. The purpose of this article is to establish uniform procedures to be used for the assessment of golf courses under [IC 6-1.1-4-42](#).**

*(Department of Local Government Finance; [50 IAC 29-1-1](#); filed Aug 30, 2012, 2:00 p.m.: [20120926-IR-050120274FRA](#))*

**[50 IAC 29-1-2](#) Applicability**

Authority: [IC 6-1.1-4-42](#)

Affected: [IC 6-1.1-4-42](#)

**Sec. 2. Under [IC 6-1.1-4-42](#), this article applies to the assessment of golf courses, as defined in [50 IAC 29-2](#).**

*(Department of Local Government Finance; [50 IAC 29-1-2](#); filed Aug 30, 2012, 2:00 p.m.: [20120926-IR-050120274FRA](#))*

**Rule 2. Definitions**

**[50 IAC 29-2-1](#) Applicability**

Authority: [IC 6-1.1-4-42](#)

Affected: [IC 6-1.1-4-42](#)

**Sec. 1. The definitions in this rule apply throughout this article.**

*(Department of Local Government Finance; [50 IAC 29-2-1](#); filed Aug 30, 2012, 2:00 p.m.: [20120926-IR-050120274FRA](#))*

**[50 IAC 29-2-2](#) "Department" defined**

Authority: [IC 6-1.1-4-42](#)

Affected: [IC 6-1.1-4-42](#)

**Sec. 2. "Department" means the department of local government finance.**

*(Department of Local Government Finance; [50 IAC 29-2-2](#); filed Aug 30, 2012, 2:00 p.m.: [20120926-IR-050120274FRA](#))*

**[50 IAC 29-2-3](#) "Golf course" defined**

Authority: [IC 6-1.1-4-42](#)

Affected: [IC 6-1.1-4-42](#)

**Sec. 3. "Golf course" has the meaning set forth in [IC 6-1.1-4-42\(b\)](#).**

*(Department of Local Government Finance; [50 IAC 29-2-3](#); filed Aug 30, 2012, 2:00 p.m.: [20120926-IR-050120274FRA](#))*

**[50 IAC 29-2-4](#) "Market value-in-use" defined**

Authority: [IC 6-1.1-4-42](#)

Affected: [IC 6-1.1-4-42](#)

**Sec. 4. "Market value-in-use" means the market value-in-use of a property for its current use, as reflected by the utility received by the owner or by a similar user, from the property.**

*(Department of Local Government Finance; [50 IAC 29-2-4](#); filed Aug 30, 2012, 2:00 p.m.: [20120926-IR-050120274FRA](#))*

**Rule 3. Procedures for the Assessment of Golf Courses**

**[50 IAC 29-3-1](#) Duties of assessing officials**

Authority: [IC 6-1.1-4-42](#)

Affected: [IC 6-1.1-4-42](#)

**Sec. 1. Assessing officials must use the procedures adopted by the department in this article to:**

- (1) assess;**
- (2) reassess; and**
- (3) annually adjust;**

**the value of golf courses.**

*(Department of Local Government Finance; [50 IAC 29-3-1](#); filed Aug 30, 2012, 2:00 p.m.: [20120926-IR-050120274FRA](#))*

**[50 IAC 29-3-2](#) Exceptions to the valuation of golf courses**

Authority: [IC 6-1.1-4-42](#)

Affected: [IC 6-1.1-4-42](#)

**Sec. 2. The value of personal property, intangible property, and income derived from personal or intangible property is excluded from the valuation of golf courses. Excluded from the income capitalization approach to valuation is income derived from pro shop merchandise sales and the income derived from the rental of golf carts.**

*(Department of Local Government Finance; [50 IAC 29-3-2](#); filed Aug 30, 2012, 2:00 p.m.: [20120926-IR-050120274FRA](#))*

**[50 IAC 29-3-3](#) Income capitalization**

Authority: [IC 6-1.1-4-42](#)

Affected: [IC 6-1.1-35-9](#)

**Sec. 3. (a)** In assessing golf courses by means of the income capitalization method, an assessing official shall derive a value indication for income-producing property by converting the anticipated benefits of ownership of the property.

**(b)** Through use of income capitalization, an assessing official shall rely on the economic principles of the following:

- (1)** Anticipation.
- (2)** Change.
- (3)** Supply and demand and competition.
- (4)** Substitution.
- (5)** Balance and contribution.

**(c)** Because a golf course may generate multiple sources of income, including greens fees, membership dues, and concessions, assessing officials shall solicit data for gross income and allowable operating expenses from the golf course operators and use federal tax returns or similar evidence as verification that the submissions are correct.

**(d)** Assessing officials may examine multiple years of financial records and federal tax returns, up to and including the most current financial records and federal tax returns of the taxpayer as of March 1 of the year of assessment, to ensure that the appropriate income and expense information for the subject property is utilized. Under [IC 6-1.1-35-9](#), all income and expense information provided to the assessing official is confidential.

*(Department of Local Government Finance; [50 IAC 29-3-3](#); filed Aug 30, 2012, 2:00 p.m.: [20120926-IR-050120274FRA](#))*

**[50 IAC 29-3-4](#) Income and expense statement**

Authority: [IC 6-1.1-4-42](#)

Affected: [IC 6-1.1-4-42](#)

**Sec. 4.** Income and expense information, which may include the following, should be arranged and evaluated by the assessing official in this order:

- (1)** Gross income (potential gross income).
- (2)** Miscellaneous income.
- (3)** Effective gross income.
- (4)** The following allowable expenses:
  - (A)** Operating.
  - (B)** Replacement reserves.
  - (C)** Real estate taxes deducted under certain conditions.
  - (D)** Management fees/expense.
  - (E)** Insurance.
  - (F)** Salaries.
  - (G)** Benefits.
  - (H)** Utilities.
  - (I)** Advertising.
  - (J)** Repairs.
  - (K)** Supplies.
  - (L)** Legal and accounting fees.
  - (M)** Miscellaneous expenses.

**(5) The following nonallowable expenses:**

- (A) Depreciation (reflected in the recapture rate).**
- (B) Capital improvements.**
- (C) Franchise fees and special corporation costs.**
- (D) Owner's personal expenses.**
- (E) Debt service (principal and interest on mortgage).**
- (F) Payments on loans for capital improvements.**
- (G) Real estate taxes not deducted as an expense under certain conditions (reflected in the effective tax rate).**

*(Department of Local Government Finance; [50 IAC 29-3-4](#); filed Aug 30, 2012, 2:00 p.m.:  
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**[50 IAC 29-3-5](#) Calculating value of property**

**Authority:** [IC 6-1.1-4-42](#)

**Affected:** [IC 6-1.1-4-42](#)

**Sec. 5. (a) In reliance on the golf course's income and expense information, the assessing official shall determine the valuation of the property through the following steps:**

**STEP ONE: Determine potential gross income.**

**STEP TWO: Add miscellaneous income.**

**STEP THREE: Add the potential gross income to miscellaneous income to determine the effective gross income.**

**STEP FOUR: Deduct expenses and replacement reserves from the effective gross income to determine the net operating income.**

**STEP FIVE: Divide the net operating income by the overall capitalization rate to determine the assessed value.**

**(b) For golf courses for which detailed income and expense information is unavailable, information such as ordinary income, depreciation, interest expenses, entertainment (if any), and golf cart income (less expenses) shall be utilized to determine the assessed value.**

*(Department of Local Government Finance; [50 IAC 29-3-5](#); filed Aug 30, 2012, 2:00 p.m.:  
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**[50 IAC 29-3-6](#) Capitalization rate**

**Authority:** [IC 6-1.1-4-42](#)

**Affected:** [IC 6-1.1-4-42](#)

**Sec. 6. (a) The overall capitalization rate expresses the relationship between net operating income and the market value of the property and shall be developed using the following:**

**(1) Market extraction.**

**(2) Effective tax rate.**

**(3) Mortgage and equity.**

**(4) Discounted cash flow.**

**(b) The department may disseminate the overall capitalization rate, based on market verifiable information, for each county annually.**

*(Department of Local Government Finance; [50 IAC 29-3-6](#); filed Aug 30, 2012, 2:00 p.m.:  
[20120926-IR-050120274FRA](#))*

**[50 IAC 29-3-7](#) True tax value and zero or negative assessments**

**Authority:** [IC 6-1.1-4-42](#)

**Affected:** [IC 6-1.1-4-42](#)

**Sec. 7.** Where there is a negative net operating income, therefore, producing an assessed value of zero (0), the assessing official shall first ensure that all income and expense information is accurate. Where, despite a review of the information, the assessed value is still negative or zero (0), the assessing official shall determine the market value-in-use that results in a liability of five percent (5%) of the adjusted gross income, as illustrated by the following example:

Assuming a 12% Overall Capitalization Rate

Assuming \$300,000 in Expenses

Gross Income = \$500,000

Less Golf Cart Income = <\$150,000>

Less Pro Shop Income = <\$50,000>

Adjusted Gross Income = \$300,000

Less Expenses = <\$300,000>

Net Operating Income = \$0

Multiply Adjusted Gross Income by 5% = \$300,000 × 5% = \$15,000

Divide above result by 12% Overall Capitalization Rate = \$15,000/12% = \$125,000 Assessed Value

(Department of Local Government Finance; [50 IAC 29-3-7](#); filed Aug 30, 2012, 2:00 p.m.:  
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#### **[50 IAC 29-3-8](#) Assessed value from base capitalization rate and net operating income**

Authority: [IC 6-1.1-4-42](#)

Affected: [IC 6-1.1-4-42](#)

**Sec. 8.** When using the income capitalization approach, the assessed value of real property is found by dividing the net operating income by the overall capitalization rate. The following table, which is for illustrative purposes only and does not reflect all possible scenarios, shows assessed values rounded to the nearest one hundred dollars (\$100), where an assessed value (AV) is given where the column for a net operating income (NOI) amount intersects with the row for an overall capitalization rate:

Capitalization Rate Table

Overall Capitalization Rate	NOI \$20,000	NOI \$40,000	NOI \$60,000	NOI \$80,000	NOI \$100,000
8%	AV \$250,000	AV \$500,000	AV \$750,000	AV \$1,000,000	AV \$1,250,000
9%	AV \$222,200	AV \$444,400	AV \$666,700	AV \$888,900	AV \$1,111,100
10%	AV \$200,000	AV \$400,000	AV \$600,000	AV \$800,000	AV \$1,000,000
11%	AV \$181,800	AV \$363,600	AV \$545,500	AV \$727,300	AV \$909,000
12%	AV \$166,700	AV \$333,300	AV \$500,000	AV \$666,700	AV \$833,300

(Department of Local Government Finance; [50 IAC 29-3-8](#); filed Aug 30, 2012, 2:00 p.m.:  
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