
STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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TO: Assessing Officials
FROM: Barry Wood, Assessment Division Director
RE: Golf Course Guidance
DATE: December 26, 2018

Per Indiana Code 6-1.1-4-42(e), the Department of Local Government Finance (“Department”) is required to establish uniform capitalization tables and procedures to be used for the assessment of golf courses (also referred to as golf facilities or golf enterprises). These tables and procedures were formally promulgated in 50 IAC 29 (<http://www.in.gov/legislative/iac/T00500/A00290.PDF>).

Assessing officials must use the tables and procedures adopted by the Department to assess, reassess, and annually adjust the value of golf courses. The Department has previously issued guidance regarding the assessment of golf courses.

Determining the Net Operating Income (“NOI”) is a key factor in the income approach. The other key component is the capitalization rate. The Overall Capitalization Rate (“OAR”) expresses the relationship between NOI and the market value of the property. The OAR reflects risk, liquidity (or lack thereof), potential for growth in net income, and general requirements of the investor. **The OAR to be used statewide for the January 1, 2019 assessment date is 11.97%.** To determine the value of the property (simplistically), divide the NOI by the OAR.

Indiana Code 6-1.1-4-42(c)(3) excludes from the true tax value of a golf course the value of personal property, intangible property, and income derived from personal or intangible property, such as course naming rights. The Department understands the statute to also exclude pro-shop income and golf cart rental income.

Per 50 IAC 29-3-3(d), “[a]ssessing 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.” The Department realizes it may be extremely difficult to obtain the financial data from the immediately-preceding three years. Hence, the Department believes that for the January 1, 2019 assessment date, an assessor could rely on financial data from 2015, 2016, and 2017. Although an assessor would not be prohibited from requesting financial data from 2018, the assessor should understand that such information may not be available. If a golf course was sold, the sale would provide a base line assessment grounded in the previous ownership.

If a golf course features multiple parcels that constitute the course, ideally the various parcels will be combined into one parcel pursuant to IC 6-1.1-5-16. An assessing official must consolidate more than one existing contiguous parcel into a single parcel if the assessing official has knowledge that an improvement to the real property is located on or otherwise significantly affects the parcels.

Most golf courses feature multiple tracts of land, a club house, maintenance building, housing for irrigation pumps and/or controls, and a driving range. The aggregate income capitalization valuation of these parcels contributes to the NOI of the course and generally cannot be separated out. The market value-in-use of the facility would therefore include all of the parcels.

Finally, the income capitalization method for golf courses includes revenue from multiple sources, including greens fees, membership fees, food and beverage sales, the driving range, etc. Consequently, the clubhouse, banquet center, driving range, maintenance building, housing for pumps and/or controls, etc., are not to be assessed separately and are included in the assessment for the golf course using the income capitalization method.

Please note that in April 2018, the Indiana Board of Tax Review stated in an appeal determination: “The parties are in the position where the rule-making agency and adjudicatory agency have taken conflicting interpretations of the statute. Ultimately, however, the dispute between “land and yard improvements” and golf course enterprise is not reached in this case.”

The Department is in the process of reviewing and updating 50 IAC 29. However, the current version of 50 IAC 29 should be used for the January 1, 2019 assessment date.

For specific instructions concerning golf course assessment, please refer to the tables and procedures prescribed by 50 IAC 29.

If you have any questions, please contact your Assessment Division Field Representative or Assessment Division Director, Barry Wood, at Bwood@dlgf.in.gov or (317) 232-3762.