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 27, 2021**

Per Ind. 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.

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.

In 2020, the Indiana General Assembly passed legislation addressing the assessment of golf courses. House Enrolled Act ("HEA") 1113-2020 specifies that the term "golf course" is defined to mean an area of land that is predominantly used to play the game of golf and includes any associated yard improvements. Additionally, HEA 1113 defines the term "yard improvements" to include a clubhouse, irrigation systems, a pro shop, a maintenance building, a driving range, a structure for food and beverage services, or any other buildings that are associated with the operation of and included in the net operating income of a golf course.

Ind. Code § 6-1.1-4-42 (e) requires that the income capitalization approach be used to assess 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), the potential for growth in net income, and the general requirements of the investor. **The OAR to be used statewide for the January 1, 2022, assessment date is 11.03%.** To determine the value of the property (simplistically), divide the NOI by the OAR.

Ind. 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 the income derived from personal or intangible property, such as course naming rights. Thus, income derived from a pro-shop and income from golf cart rentals is excluded from income. This is specific to golf course valuation because of the statute.

On or before December 31 of each year, golf course owners must provide gross income and allowable operating expenses from golf for use in determining the overall assessed value of a golf course. In order to obtain the average net operating income, local assessing officials must examine three (3) years of income and expense data. The three (3) year average should include the most current completed financial records. Assessing officials may use filed federal tax returns for the golf course. Indiana Code § 6-1.1-4- 42(g) specifies that golf course owners or operators are required to provide the requested data to the assessing official.

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

Contact Information

Questions may be directed to your Assessment Division Field Representative.