

# 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, 2017**

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 (see <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 Net Operating Income 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, 2018 assessment date is 11.69%.** To determine the value of the property (simplistically), divide the Net Operating Income by the Overall Capitalization Rate.

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), “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.” 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, 2018 assessment date, an assessor could rely on financial data from 2014, 2015, and 2016. Although an assessor would not be prohibited from requesting financial data from 2017, 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.

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](mailto:Bwood@dlgf.in.gov) or (317) 232-3762.