STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE

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TO: Assessing Officials

FROM: Barry Wood, Assessment Division Director BJW

RE: Golf Course Guidance

DATE: May 5, 2011

In 2009, the Department of Local Government Finance (the "Department") issued two memorandums regarding golf courses: One on the assessment of golf courses as a result of legislative changes (see http://www.in.gov/dlgf/files/090817_-_Wood_Memo_-_Valuation_of_Golf_Courses_-_Legislative_Changes.pdf); and the other on additional valuation guidance (see http://www.in.gov/dlgf/files/091215_-_Wood_Memo_-_Golf_Course_Valuation_Guidance_Supplement.pdf). In meetings with representatives of the Indiana Golf Course Owners Association (IGCOA), and conversations with assessing officials from throughout the state, there are several issues that have developed related to the legislative changes. The purpose of this memorandum is to review current assessment practices, identify changes for the March 1, 2012 assessment date, and address these aforementioned issues.

Current Assessment Practices

Per Indiana Code 6-1.1-4-42, for assessment dates after January 15, 2010 (i.e., for the March 1, 2010 and March 1, 2011 assessment dates), the true tax value of real property regularly used as a golf course is the valuation determined by applying the income capitalization appraisal approach. For assessment dates after January 15, 2010, and before March 1, 2012, a township assessor (if any) or the county assessor shall gather and process information from the owner of a golf course in accordance with the rules adopted by the Department under IC 4-22-2.

For assessment dates after February 28, 2012 (i.e., the March 1, 2012 assessment date), per IC 6-1.1-4-42 (e), the Department shall establish uniform income capitalization tables and procedures to be used for the assessment of golf courses. The Department may rely on analysis conducted by a state educational institution to develop the income capitalization tables and procedures required. Assessing officials shall use the tables and procedures adopted by the Department to assess, reassess, and annually adjust the assessed value of golf courses.

Income and Expense Information

The leadership of the IGCOA has pledged to assist the assessing officials in getting income and expense information by contacting members in their area if there is difficulty. Please contact Department Assessment Director Barry Wood at bwood@dlgf.in.gov with specific golf course names and he will forward that information on to the IGCOA.

In the "Golf Course Valuation Guidance Supplement" linked above, it was requested that counties forward copies of the income and expense statements in an electronic format to the Department. To develop comprehensive tables and procedures that are representative and reflective of golf courses throughout the state, assessing officials are again requested to electronically submit income and expense statements for 2008, 2009, and 2010 to Director Wood at bwood@dlgf.in.gov. The data and information collected by the assessing official and subsequently forwarded to the Department is considered **confidential** to facilitate full disclosure by the golf course owner.

If an assessor cannot obtain income and expense information for golf course(s) in their jurisdiction, to derive a value, prior year information may have to be used. Additionally, other resources, such as appraisals, which may contain information like capitalization rates, may be used in the process to derive an estimated assessed value.

To help with the assessment process, a sample spreadsheet is attached. This spreadsheet utilizes information derived from the golf course entity's tax return or financial statements to calculate the golf course assessment. Although the sample is not required to be used, it is provided to assist in the income valuation process

Golf Course Personal Property

Per IC 6-1.1-4-42 (c) (3), the income capitalization approach excludes the value of personal property, intangible property, and income derived from personal or intangible property. In both prior memos, it was indicated that golf carts are considered to be personal property; hence, the income and expenses derived from the rental of golf carts should be excluded from the income approach to valuation.

Zero or Negative Assessments

As a result of the economic recession, the issue of a zero or negative assessment has also caused confusion. Although each situation is different, great deference is given to local control. In other words, the assessing official will make a determination on what assessed value should be placed on the property. If a zero or negative assessment exists, the assessor should first carefully review the financial information to ensure that all income and expense information is accurate, and also review the capitalization rate. If the assessment is still a zero or negative value after the review, the assessor should at least assess the land value of the property, as the land would carry some value the golf course owner tried to sell the property.

Annually Adjusted Assessed Values for Golf Courses

There apparently have been some instances in which an assessing official has not changed the assessed value even though the income valuation approach warrants a change. As part of the annual adjustment process, each assessment year stands on its own. Although there may be instances in which the assessed value does not change from one year to the next, the assessing official should review the income and expense information (if available) to determine if a change is warranted, not simply carry-over the assessed value from year to year.

Please contact Barry Wood, Assessment Division Director, at 317-232-3762 or Bwood@dlgf.in.gov, or an Assessment Field Representative. (For a complete list of field representatives, their counties, and cell phone numbers, see http://www.in.gov/dlgf/files/Assessment_Field_Repsby_County.pdf).

Using the Capitalization Method for Golf Course Assessments – Example

(Tax Return Lines are for an S Corporation)

Golf Courses fill in the gray shaded area with their own numbers from their tax returns.

Please note that ordinary income could be negative

Column A	B	C **Year 1**	D **Year 2**	E **Year 3**
Ordinary Income*(Line 21)*				
Depreciation*(Line 14)*				
Interest Expense(*Line 13)*				
Entertainment (*If any)*				
Cart Income *(Revenue less expenses)*				
		$	$	$
Total		$		
Average	3	$		
Capitalization Rate			*please insert a cap rate in Column B*	
Total Market Value		$		
Personal Property Value *This figure is from the Business Tangible Personal Property Return.*				
Real Property Gross Value		*$*		