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## Golf Course Property Tax

Golf course property taxes are a political issue in many states, including Iowa. This I-CAN research report summarizes many of the key issues concerning golf course property tax classification and assessment.

### **Classification**

Golf courses are generally classified into one of three property categories: commercial property, agricultural property, or open space. Categorization varies both across states and at the county level within states

- **Commercial property** is used for the sale of goods or services. Golf courses can be classified in this category because they are selling a good, the ability to play a round of golf on their course.
- **Agricultural property** is used for the cultivation of crops or livestock. Golf courses can be classified as agricultural property because many of them were originally farms and converted into golf courses. Because the golf course land exists as it did while being farmed, it is sometimes classified as agriculture.
- **Open space** (also known as recreational green space) is a property classification that several states have created to acknowledge that golf courses are neither commercial nor agricultural property. Although definitions vary by state, open space classification typically refers to golf courses, skiing areas, and other recreational properties that operate

as commercial enterprises but have characteristics different from other commercial properties. The open space classification is generally created to provide tax relief to recreational properties.

How states tax open space:

- **Minnesota's** legislature passed the Minnesota Open Space Property Tax Law<sup>1</sup>, which calls for a **deferral** of a portion of the taxes payable for certain properties that fit its "open space" definition.
- **Nevada** divides golf courses into open space and non-open space parcels. Land on the course dedicated to playing golf is classified as open space, while commercial entities on golf courses, such as clubhouses, parking lots, and restaurants, carry no special open space designation. Nevada values the open space portion of golf courses on a **per acre** basis. A **tax cap** of \$2680 for each acre is in place, so that if the value of an acre of golf course open space land exceeds \$2680, the golf course is only taxed on the first \$2680 of the value.<sup>2</sup>

### **Assessment**

Property assessment refers to the methods and standards used by assessors to determine property value. Property assessment is generally handled at the county or municipality level. Assessment methods vary, but assessors generally use one of three methods of valuation to determine golf course value: the income method, the cost method, or the comparable sales method.

- The **income method** of valuation means that golf courses are assessed based on their earnings.
- The **cost method** of valuation means that golf courses are assessed based on the cost of the development and construction of the course.
- The **comparable sales method** of valuation means that golf courses are assessed based on the price that similar golf courses are being sold for on the market.

### **Uniform Assessment**

Some states have moved to enact uniform assessment measures across all counties and municipalities. The Arizona Legislature adopted legislation in 2006<sup>3</sup> to provide uniform golf course assessment measures for all of its county assessors. The legislation presents guidelines for all county assessors to follow when assessing golf courses. It also calls for reassessment of Arizona golf courses based on the new standards.

This report was prepared in November, 2006 by the Iowa Civic Analysis Network (I-CAN), a non-partisan public policy undergraduate research group at the University of Iowa. For additional research on this or other issues, please visit our website at <http://www.uiowa.edu/~ican> or contact us at [studorg-i-can@uiowa.edu](mailto:studorg-i-can@uiowa.edu)

<sup>1</sup> Minnesota Statute 273.112. <http://www.revisor.leg.state.mn.us/stats/273/112.html/>

<sup>2</sup> Nevada Department of Taxation. *Golf Course Open-Space Classification and Valuation Manual*. 9/11/2006. Available online at <http://www.tax.state.nv.us/documents/Golf%20Course%20Manual.pdf/>

<sup>3</sup> Available online at [www.azleg.gov/legtext/47leg/2r/bills/sb1461h.pdf](http://www.azleg.gov/legtext/47leg/2r/bills/sb1461h.pdf)