Cite as 6 WTD 209 (1988)

BEFORE THE DIRECTOR
DEPARTMENT OF REVENUE
STATE OF WASHINGTON

In the Matter of the Petition For Correction of Assessment of)	SUPPLEMENTAL FINAL DETERMINATION
. . .	No. 88-160A Registration No. . . .

[1] **RCW 82.29A.020:** LEASEHOLD EXCISE TAX--VALUATION OF PROPERTY--GOLF COURSE--MARSHALL AND STEVENS. The determination of value of a golf course on leased property is properly made using Marshall and Stevens valuations.

Headnotes are provided as a convenience for the reader and are not in any way a part of the decision or in any way to be used in construing or interpreting this Determination.

NATURE OF ACTION:

Taxpayer petitions for an adjustment of Final Determination 88-160 to exclude the value of its golf course.

FACTS AND ISSUE:

Coyle, D.D. -- Taxpayer has requested an adjustment of Final Determination 88-160 insofar as it includes the value of a nine-hole golf course in the valuation of the property subject to the leasehold excise tax. Taxpayer argues that the golf-course question was not specifically addressed in that determination and that taxpayer's golf course is "similar to the Twin Lake golf course and other golf courses, which the courts have found to be exempt." As a result, taxpayer requests Departmental review of the question.

DISCUSSION:

The facts and circumstances surrounding this matter are set forth in Final Determination 88-160, which is incorporated by reference in its entirety into this Determination.

In Final Determination 88-160, we stated, in Footnote 1:

> Lessee [taxpayer] further objected to the valuation of the golf course under the Marshall and Stevens approach, arguing that under Twin Lakes Golf Club v. King Co., 87 Wn.2d 1 (1976), the golf course should have a zero valuation. However, we are not persuaded by Lessee, and believe that the position taken by the Department in Determination No. 86-242, 1 WTD 139 (1986), is on point.

We adhere to the above statement. Det. No. 86-242, supra, (. . .) held that the valuation of a non-profit golf course using the Marshall Valuation Service was a reasonable approach and upheld leasehold excise tax on a rate of return calculated on that figure. Further, in Sahalee Country Club, Inc.v. The Board of Tax Appeals, 108 Wn.2d 26 (1987), the Washington Supreme Court stated:

> Once again, we must reiterate that the Twin Lakes focus is on the subject property's market value, not on other considerations. Other considerations, such as restrictions on property use, unprofitability, and neighboring property values, are relevant only insofar as they affect the subject property's market value.

Sahalee at 32.

The Sahalee golf course was owned by a non-profit corporation, and was part of a residential community which nearly completely surrounds the course. There are no recorded restrictions on alienation of the club, but the residential lots were sold with the promise that the club would remain perpetually in existence. Residential lot owners had to join the club to use it. It was sited on property zoned for single-family residential use. The King County Assessor appraised the course at approximately $3.3 million for assessment purposes. Sahalee appealed, and the Board of Tax Appeals adjusted the figure to $3.1 million, which broke down to approximately $75,000 per hole, plus buildings. The court affirmed the Board's decision and allowed the assessor's cost analysis in valuing the club.

[1] The auditor appraised the golf course on taxpayer's property by using Marshall and Stevens, giving the course a value of $35,000 per hole. Marshall and Stevens lists four classes of cost ranges to use in valuing golf courses. Taxpayer's course was priced at the bottom end of the lowest class. This is not an unreasonable valuation. Taxpayer has argued only that its golf course is "similar to the Twin Lakes golf course" and thus should be exempt. The golf course in Twin Lakes was determined by the Washington Supreme Court to have no fair market value, due to several factors, including the unprofitability of the course and the complete restrictions on usage. Taxpayer has provided no factual or

theoretical support for its assertion that its course should be treated like the course in Twin Lakes other than the above statement, nor can we find any support for such a conclusion in any of the materials before us.

We find that in this situation, the golf course's valuation is analogous to that in Sahalee, supra, and in Det. No. 86-242, cited above, than in Twin Lakes.

DECISION AND DISPOSITION:

Taxpayer's petition is denied. The value of the golf course is properly included as a separate item in the valuation of the property for leasehold excise tax purposes.

DATED this 20th day of July 1988.