

Real Estate LAW

New York takes dead aim at golf course valuations in dispute with Trump

An ongoing legal dispute over a golf course owned by President Donald Trump has opened the door for New York State legislators to propose what many are calling the “Golf Tax Bill” — a bill that could result in significant real property tax increases on golf courses.

The proposed legislation, Senate Bill S4420 and Assembly Bill A6444, sponsored by Senator David Carlucci and Assemblywoman Sandy Galef, respectively, would give local governments the option to assess and tax golf courses at their “highest and best use.”

Under the current law, property taxes on golf courses are based on their present use. In other words, a golf course is assessed for property tax purposes based on its value as a golf course. If the Golf Tax Bill is adopted, local governments could choose to tax golf courses based on their value as developable land, potentially resulting in significantly higher property taxes.

Proponents of the legislation argue that such a change in law is necessary because the current method of assessment often results in golf course owners not paying their “fair share” of taxes, leaving the rest of the community to pick up their slack.

This proposed legislation is the product of particular challenges local governments face when assessing golf courses for property tax purposes. Factors unique to golf courses, such as the varying types of golf courses (e.g., private, public, not-for-profit, etc.),



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the varying business models, and the fact that golf courses do not often sell on the open market make them difficult to value. In addition, when assessing property for property tax purposes, the assessor may only consider the value and attributable income from the real estate alone.

In the context of golf courses, this often means that the only income considered is the income derived from greens fees. It does not include, for example, income attributable to membership fees, initiation fees, restaurants, fitness centers or sports shops.

Proponents of the Golf Tax Bill argue that basing a golf course's assessment solely on greens fees frequently produces an inaccurate representation of the true value of the golf course, and results in many affluent golf courses, often consisting of hundreds of acres of land, paying a disproportionately low share of property taxes.

The legal dispute over the Trump National Golf Club's property taxes between the Town of Ossining and the Trump Organization illustrates the discrepancy well.

The Trump National Golf Club is a well-known private club located in Westchester County. Members of the

club pay a \$250,000 fee to join, where they can enjoy its 147-acre course, world-class dining, a state-of-the-art fitness center, and luxury suites, condominiums and villas overlooking the beautifully-manicured fairways, complete with waterfalls. In Trump's own words, the golf club is home to “the single most expensive hole in the United States.” In fact, during his presidential campaign, Trump valued the golf club above \$50 million in his financial disclosure to the federal government.

However, when the Town of Ossining valued the golf club at \$14 million for tax assessment purposes, the Trump Organization sued claiming that it is worth only \$1.4 million. If the Trump Organization wins the lawsuit, the golf club's town tax bill would be reduced by \$424,176 per year.

Opponents of the Golf Tax Bill argue that the above scenario is a small price to pay for a sport that has an economic impact of \$5.3 billion a year in New York state and that employs nearly 57,000 state residents. If enacted, many golf courses across New York could be forced out of business and thousands of New York state residents could potentially lose their jobs. Opponents also warn that although the government is targeting golf courses today, this change in tax assessment philosophy could just as easily be applied to other categories of property, such as farmland.

The legislation could also have a devastating impact locally. Western New

York is home to several of New York's most renowned golf courses, many of which would experience significant tax increases if assessed based on the course's "highest and best use."

If adopted, the municipality in which a golf course resides will have the ulti-

mate say in how that golf course is valued for property tax purposes.

To be enacted, the Golf Tax Bill would have to pass both the Senate and the Assembly and then be signed into law by the governor. The bill is currently in committee in both houses and it is un-

clear whether it will pass before the end of the legislative session in June.

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