


Colorado Legislative Council Staff Fiscal Note
STATE and LOCAL
REVISED FISCAL IMPACT
 (replaces the fiscal note dated January 31, 2011)

Drafting Number: LLS 11-0248	Date: March 30, 2011
Prime Sponsor(s): Rep. Levy Sen. Nicholson	Bill Status: Senate Appropriations
	Fiscal Analyst: Kate Watkins (303-866-6289)

TITLE: CONCERNING THE CLASSIFICATION OF RESIDENTIAL LAND WHEN THE RESIDENTIAL IMPROVEMENT IS TEMPORARILY REMOVED.

Fiscal Impact Summary	FY 2011-2012	FY 2012-2013
State Expenditures School Finance Act*	<i>Indeterminate Increase</i>	
FTE Position Change		
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2011-2012: None required.		
Local Government Impact: See Local Government Impact section.		

*School Finance Act expenditures could be from the General Fund, State Education Fund, or a combination of both.

Summary of Legislation

This fiscal note has been revised to incorporate amendments made in the House and the Senate Local Government Committee. Under current law, assessors have some discretion to determine if and when residential properties are reclassified as vacant when a residential improvement (home) is destroyed, demolished, or relocated. The current Division of Property Taxation's administrative and assessment procedures manual provides county assessors guidance on when residential land should be reclassified based on partial or complete demolition of a residential improvement and a landowner's intent to rebuild.

As amended, this bill specifies land as residential where a residential improvement is destroyed, demolished, or relocated as a result of a "natural cause" in the year in which the destruction, demolition or relocation occurred plus two subsequent property tax years. Under the bill, land may maintain the residential classification for up to five additional property tax years if the county assessor determines that there is evidence that the owner intends to rebuild or locate a residential improvement on the land. This bill is effective for residential improvements destroyed, demolished, or relocated by a natural cause on or after January 1, 2010.

A "natural cause" includes fire, explosion, flood, tornado, action of the elements, act of terror, or a similar cause beyond the control of and not caused by the homeowner.

When determining an owner's intent to rebuild or relocate, the assessor may consider, but is not limited to considering, the following for the property:

- a building or land development permit;
- construction plans for a residential improvement;
- efforts to obtain financing for residential improvement; or
- ongoing efforts to settle an insurance claim related to the destruction, demolition, or relocation of the residential improvement due to a natural cause.

State Expenditures

School finance impact - indeterminate increase. Property classified as residential is assessed at a rate of 7.96 percent, whereas vacant land is assessed at a rate of 29 percent. This bill will reduce property tax revenue to local governments to the degree that assessors that would have reclassified residential land as vacant instead classify the land as residential as a result of this bill. A portion of local government revenue from property taxes funds the local share of K-12 public education. Under current law, the state must replace reductions in the local share of funding for K-12 public education with state aid.

Data are not available to quantify the amount of land that has been or will be reclassified as residential instead of vacant as a result of this bill. Therefore, the state backfill required under this bill cannot be quantified at this time.

Department of Local Affairs, Division of Property Taxation. The division would need to update procedural manuals and educational course materials to reflect the provisions of this bill. These materials are updated regularly within the current budget for the division. Therefore, updates resulting from this bill could be done within existing appropriations.

Local Government Impact

This bill will reduce property tax revenue to local governments to the degree that assessors that would have reclassified residential land as vacant classify the land as residential as a result of this bill.

Departments Contacted

Local Affairs

Colorado Counties, Inc.