

Colorado Legislative Council Staff Fiscal Note
**STATE and LOCAL
 FISCAL IMPACT**

Drafting Number: LLS 11-0248
Prime Sponsor(s): Rep. Levy
 Sen. Nicholson

Date: January 31, 2011
Bill Status: House Finance
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

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. However, reclassification from residential to vacant land typically occurs within about one year of when a residential improvement is destroyed.

This bill specifies land where a residential improvement is destroyed, demolished, or relocated as residential land for two property tax years after the destruction, demolition, or relocation has occurred. After this two year period, unless a new residential improvement is constructed or placed on the property, the property will be reclassified as vacant. This bill is effective for residential improvements destroyed, demolished, or relocated on or after January 1, 2010.

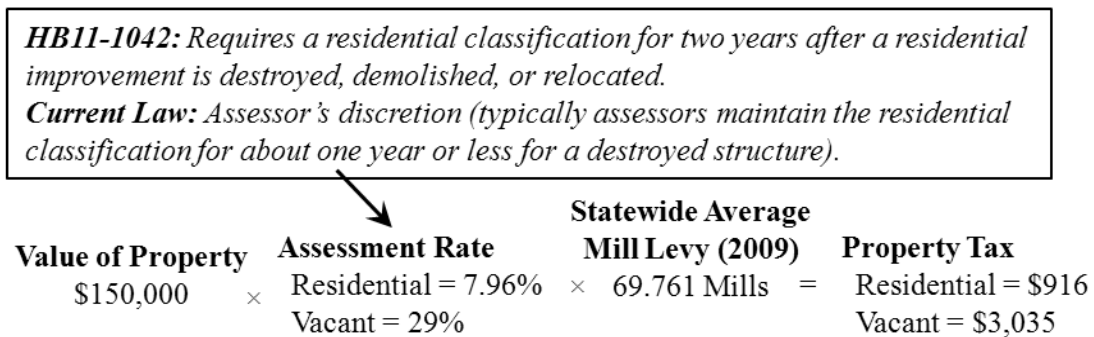
State Expenditures

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.

For illustrative purposes, Figure 1 compares property taxes paid when a property is assessed at the residential versus vacant assessment rate.

Figure 1. Comparison of Property Taxes Paid for Residential versus Vacant Land



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.