

*Colorado Legislative Council Staff Fiscal Note*  
**STATE, LOCAL, and STATUTORY  
 PUBLIC ENTITY FISCAL IMPACT**

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<b>Drafting Number:</b> LLS 14-0432 <b>Prime Sponsor(s):</b> Sen. Grantham Rep. Priola	<b>Date:</b> January 28, 2014 <b>Bill Status:</b> Senate Finance <b>Fiscal Analyst:</b> Alex Schatz (303-866-4375)
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**SHORT TITLE:** GREENHOUSES & NURSERIES OTHER AG PROP

Fiscal Impact Summary	FY 2014-2015	FY 2015-2016
<b>State Revenue</b>		
<b>State Expenditures</b> General Fund	Increased workload and expenditures. See State Expenditures section.	
<b>FTE Position Change</b>		
<b>Appropriation Required:</b> None		

*\* This summary shows changes from current law under the bill for each fiscal year.*

**Summary of Legislation**

For property tax years starting on January 1, 2015, this bill specifies that greenhouses, nurseries, and other horticultural and agricultural operations are classified as "all other agricultural property." Under the bill, this classification is assessed according to the market value of agricultural land in the county within which a property is located.

**Background**

Under current law, "other agricultural property" is assessed as commercial property for property tax purposes, unless the property has a direct nexus to the land (i.e., the soil) on which the horticultural operation resides. Greenhouses, nurseries, and other above-ground production do not generally have such a nexus, or have such a nexus for only a portion of the property.

Agricultural land is assessed based on the earnings or productive capacity of the land while commercial property is assessed using sales, income, and market data. However, specific implementation of property tax assessment guidance varies by county; some counties apply the market value of agricultural land to greenhouses, nurseries, and other agricultural operations. Other counties apply market value from a broader category of agricultural and commercial property. While assessors also consider the income and cost approaches to value, the market approach is common. For properties classified as "all other agricultural property," the Real Property Valuation Manual states, "Comparison of sales of similar agribusiness properties must be used in the market approach."

**State Expenditures**

The bill will increase state General Fund expenditures, although the actual impact is unknown. The bill increases costs in the Department of Local Affairs (DOLA) and for the state's school finance obligations.

**Assumptions.** The bill applies to property tax years starting January 1, 2015. Implementation of the bill requires administrative changes in FY 2014-15, with tax consequences initially accruing in FY 2015-16.

**Department of Local Affairs.** To update Division of Property Taxation (DPT) technical materials and practices with a specific property tax procedure for greenhouses, nurseries, and other horticultural and agricultural land, costs and workload in DOLA will increase. Manuals, publications, and training materials will be updated to reflect changes in the bill. In addition, rules and software may require modification to accommodate a new abstract code for the classification of affected properties. These changes are expected to fall within the scope of DOLA's current budget for periodic updates in the DPT. To the extent the bill drives greater than anticipated costs, these costs may be addressed in the annual budget process.

**School finance impact.** Based on a net reduction in property tax revenue, this bill increases the amount of state contributions to school finance.

### **Local Government, School District, and Statutory Public Entity Impact**

The bill increases workload and potential costs for county assessors that do not currently value "all other agricultural property" based on the market value of agricultural land. In affected counties, revenue to government agencies that levy property taxes will be reduced.

**County assessors.** Assessors that have not distinguished agricultural land from other commercial or vacant land, or who have not collected information on the market for agricultural land, may be required to perform studies or modify procedures to comply with the bill's direction concerning valuation of "all other agricultural property." Workload and costs may also increase for assessors to modify procedures for creating the abstract of assessment data.

**Property tax base.** The market value of commercial land usually exceeds the value of the same amount of agricultural land. Limiting comparable properties to only agricultural land will reduce the valuation of greenhouses, nurseries, and other horticultural operations, especially in locations where the subject property is adjacent to retail or effectively functioning as a commercial land use. Government agencies affected by the potential reduction in valuations include counties, municipalities, special districts, school districts, and statutory public entities (e.g., Urban Drainage and Flood Control District). The assessed value of properties affected by this bill cannot be quantified for this fiscal note.

### **Effective Date**

The bill takes effect August 6, 2014, if the General Assembly adjourns on May 7, 2014, as scheduled, and no referendum petition is filed.

### **State and Local Government Contacts**

Local Affairs

Property Taxation

Agriculture