

Colorado Legislative Council Staff Fiscal Note

**FINAL
FISCAL NOTE**

Drafting Number: LLS 15-0128	Date: June 12, 2015
Prime Sponsor(s): Rep. Hamner Sen. Roberts	Bill Status: Signed into Law
	Fiscal Analyst: Alex Schatz (303-866-4375)

BILL TOPIC: AG LAND DESTROYED BY NATURAL CAUSES

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017
State Revenue		
State Expenditures	Workload increase. Potential school finance impact. See State Expenditures section.	
FTE Position Change		
Appropriation Required: None.		

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

Summary of Legislation

This bill provides that when the productivity of agricultural land is destroyed by a natural cause on or after January 1, 2012, the land will retain its agricultural classification for a rehabilitation period consisting of the year of destruction and the next four property tax years. During the rehabilitation period, the bill specifies that the owner must make progress toward restoring agricultural use or, in the case of forest land, must comply with an approved forest management plan.

The classification of an affected agricultural parcel must change to reflect current use if:

- rehabilitation for agricultural use has not occurred by the end of the rehabilitation period;
- the original agricultural classification was erroneous; or
- a change of use has occurred, other than destruction by a natural cause.

The county assessor may extend the rehabilitation period when the property owner submits evidence that additional time is required to complete rehabilitation despite good faith efforts in the original rehabilitation period.

Background

Undeveloped land that is not suitable for agricultural production is generally classified as vacant. Colorado's method for valuing agricultural land is based on agricultural production, whereas vacant land is valued based on the property as a whole and bears a relatively greater tax burden for a property otherwise similar to an agricultural parcel.

Eligibility for agricultural classification is based on a number of factors, including the property owner's efforts to earn income from agricultural activity. In practice, many county assessors in Colorado find that rehabilitation efforts on former agricultural land after a natural disaster are sufficient to maintain the agricultural classification. For example, an estimated 2,300 agricultural parcels in Weld County were impacted by the 2013 flood, but their classification remains agricultural.

State Expenditures

The bill results in a minimal increase in workload for the Division of Property Taxation in the Department of Local Affairs. In addition, the bill may increase state expenditures for school finance to the extent properties are assessed at a lower value (changing from vacant land to agricultural), or it may decrease state expenditures on school finance to the extent properties are assessed at a higher value (changing from agricultural to vacant land).

Assumption. For the following reasons, the fiscal note assumes that a minimal number of tax parcels will be reclassified as a result of the bill:

- Based on current practice, a minimal number of parcels classified as vacant land under current law are believed to be eligible for remedial classification under the bill.
- The bill mandates reclassification of general agricultural land if rehabilitation is unsuccessful after 5 years, but the number of parcels that would fail to meet rehabilitation standards is anticipated to be minimal.

Department of Local Affairs. Manuals, publications, and training materials produced by the Division of Property Taxation (DPT) in the Department of Local Affairs will be updated to reflect changes in the bill. These changes are expected to fall within the scope of DOLA's current budget for periodic updates in the DPT and will not require new appropriations.

School finance impact. To the extent that the bill results in a net reduction in property tax revenue, this bill increases the amount of state contributions to school finance. A net increase in property tax revenue will decrease state contributions to school finance.

Local Government and School District Impact

The bill has a minimal impact on county assessor workload and local property tax revenue. To the extent that the bill results in vacant land being reclassified to the lower agricultural property tax rate, the bill reduces property tax revenue to local governments and school districts.

County assessors. Minor changes to assessor training and systems may be required to implement the bill. Specifically, county assessors will incorporate statutory criteria from the bill into procedures for monitoring and valuing agricultural parcels affected by natural disaster. County assessors will also review occasional submissions from property owners seeking an extended rehabilitation period. These efforts are not expected to significantly increase county expenditures, as workload under the bill is expected to be similar in scope or consistent with current training and procedures.

Local property tax base. As noted above, the fiscal note assumes that a minimal number of tax parcels will be reclassified as a result of the bill. In general, county assessors have exercised some discretion to find rehabilitation efforts consistent with agricultural classification after past natural disasters. The effect of the bill on local property tax revenue in future years cannot be estimated, as the location and scope of natural disasters is unpredictable.

Effective Date

The bill was signed into law by the Governor and took effect on April 10, 2015.

State and Local Government Contacts

Local Affairs
Regulatory Agencies
Public Trustees

Property Taxation
Natural Resources

Agriculture
Assessors