

SUPPORT SB 233
“Entrepreneurial uses of property for property tax purposes”
Senate Committee: Finance

This bill was endorsed by the Joint Select Committee on Job Creation and Economic Growth as an opportunity to support small start-up businesses and for unemployed and underemployed individuals to have the ability to work at home. Often times the increased tax obligation makes it prohibitive for these new small home entrepreneurs to be successful. SB09-233 allows a mixed-use residential property in which less than 25% of its square footage is used for nonresidential purposes to be assessed entirely at the residential assessment rate.

The residential assessment rate is currently 7.96%
The nonresidential assessment rate is usually 29%

Under current law, only the portion of the property used for residential purposes is assessed at the *residential assessment rate (7.96%)*. On the other hand, any portion of the property used for other purposes is assessed at the *nonresidential rate (29%)*.

Qualifications:

- Less than 25% of square footage is used for nonresidential purposes
- The portion used for nonresidential purposes must not exceed 2,000 square feet

Expenditure Impact

- There is *no* expenditure impact on DOLA Division of Property Taxation.

Local Government Impact

- Local governments will experience a **\$568,000 decrease** in property tax revenue, representing **0.009% of total property taxes** in the state.
- County assessor offices will experience an indeterminate increase in expenditures due to the need to determine each mixed-use property’s eligibility under the bill and the accurate methodology for its valuation.
 - In some instances, assessors may experience savings by not identifying, calculating and taxing these minimal uses.
- Fiscal impact does **not** incorporate increased revenue from potential job creation.