

**STATE and LOCAL  
FISCAL IMPACT**

**Drafting Number:** LLS 13-0729  
**Prime Sponsor(s):** Sen. Grantham  
Rep. Wilson

**Date:** February 8, 2013  
**Bill Status:** Senate Agriculture  
**Fiscal Analyst:** Alex Schatz (303-866-4375)

**TITLE:** CONCERNING THE AUTHORITY OF THE COUNTY ASSESSOR TO DETERMINE WHETHER TWO ACRES OR LESS OF REAL PROPERTY ON WHICH A RESIDENTIAL IMPROVEMENT IS LOCATED SHOULD BE CLASSIFIED AS AGRICULTURAL LAND FOR PROPERTY TAX PURPOSES.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue		
State Expenditures	See State Expenditures section.	
FTE Position Change		
<b>Effective Date:</b> January 1, 2014.		
<b>Appropriation Summary for FY 2013-2014:</b> None required.		
<b>Local Government Impact:</b> See Local Government Impact and School District Impact sections.		

**Summary of Legislation**

Under current law, agricultural classification for the purposes of property taxation of a parcel of land two acres or less in size with a residential improvement depends on a determination that the residential improvement is integral to agricultural operations on the property. Beginning in tax year 2012, this bill allows the county assessor to make this determination at his or her sole discretion.

**Background**

House Bill 11-1146 required the exclusion of two acres of residential property from agricultural land where the residence is not integral to an agricultural operation on the overall parcel of land. This acreage and the residence would be assessed as residential property. That bill took effect for the 2012 tax year, but implementation is on a county-by-county basis. The Division of Property Taxation (DPT) in the Department of Local Affairs (DOLA) has to date received reports of changes in valuation based on reclassification under HB 11-1146 from 37 of Colorado's 64 counties. Under HB 11-1146, a taxpayer who objects to the application of the term "integral to an agricultural operation" may appeal to the assessor and then to the county board of equalization.

Based on the higher value of residential land compared to agricultural land in most counties, the net effect of HB 11-1146 is to increase property tax revenue to local governments.

The bill allows county assessors to implement HB 11-1146 at their sole discretion, with the net effect that fewer properties will be reclassified from agricultural to residential status. Because the bill provides discretion, some reclassifications could follow the opposite trend, increasing property tax collections in rare instances. However, the primary effect of additional discretion is to limit the number of residential reclassifications, reducing local property tax collections from residential improvements on agricultural land below the level required by HB 11-1146.

### **State Expenditures**

As detailed below, state expenditures in the DOLA may increase based on workload to implement the bill. The net reduction in local property tax collections may increase state expenditures on school finance.

**DOLA.** The duties of two DOLA agencies, the DPT and the Board of Assessment Appeals (BAA), both encompass issues related to equalization (*i.e.*, the uniform taxation of property within the jurisdiction of a taxing authority). These DOLA agencies may receive inquiries or cases based on the disparity in the treatment of similar agricultural properties. This increase in workload can not be quantified for the fiscal note.

The DPT in the Department of Local Affairs (DOLA) will incur minimal increased workload to update its technical guidance, including publications and training materials. Updates related to the assessment process are performed routinely and require no new appropriations.

**School finance impact.** Based on a net reduction in property tax revenue, this bill may imply an increase in the amount of state General Fund contributions to school finance. Alternatively, the General Assembly may adjust school funding through other mechanisms, including the potential for overall school district financing to be decreased due to reduced local revenue.

### **Local Government Impact**

A net reduction in local property tax collections under the bill is the result of assessors that reverse or no longer undertake a residential determination under the provisions of HB 11-1146. Potential subject parcels include both rural, unincorporated land and estate-type properties within municipal boundaries. The actual change in property tax collections due to such reclassification depends on a number of factors, including the number and value of subject properties, the local mill levy, and local status under constitutional and statutory revenue limits. Consequently, the local revenue impact of the bill can not be estimated.

County government expenditures may increase to the extent that the bill prompts taxpayers to file property tax protest or abatement cases, increasing county assessor and board of equalization workload.

### **Departments Contacted**

Local Affairs  
Counties

Property Taxation  
Municipalities

Revenue  
Agriculture