



**Colorado  
Legislative  
Council  
Staff**

**SB16-012**

**REVISED  
FISCAL NOTE**

(replaces fiscal note dated January 26, 2016)

**FISCAL IMPACT:**  State  Local  Statutory Public Entity  Conditional  No Fiscal Impact

**Drafting Number:** LLS 16-0423  
**Prime Sponsor(s):** Sen. Heath  
Rep. Singer

**Date:** February 11, 2016  
**Bill Status:** House Local Government  
**Fiscal Analyst:** Larson Silbaugh (303-866-4720)

**BILL TOPIC:** TIME TO RECONSTRUCT RESIDENTIAL IMPROVEMENTS

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018
State Revenue		
State Expenditures	Minimal workload increase	
<b>Appropriation Required:</b> None.		
<b>Future Year Impacts:</b> None.		

**Summary of Legislation**

This bill allows residential property to maintain its property tax classification for an indefinite period of time if the county assessor determines the property owner is making a good faith effort to rebuild an improvement destroyed by a natural disaster. A residential improvement is a home or other structure that has been built on residential property. Under current law, the property can maintain its residential classification for up to four years after the improvement has been destroyed if, in the assessor's judgement, the owner intends to repair or replace the structure.

**Background**

When a residential improvement is destroyed by a natural disaster, current law allows the property to maintain its residential property tax classification for the year in which the destruction occurred and up to four additional tax years. The local assessor determines if sufficient progress is being made towards rebuilding or replacing the structure to justify the residential property tax classification. This law was enacted in response to the 2010 forest fire season.

Residential property has a lower assessment rate than other classes of property in the state. If a property owner does not intend to rebuild a residential improvement then the land is classified as vacant land and a higher assessment rate is applied.

In 2015, the legislature passed a similar provision for agricultural land in response to the 2013 floods. Agricultural property damaged by a natural disaster can maintain its agricultural classification for an indefinite amount of time if the county assessor determines that the owner intends to return the land to agricultural use. This bill aligns the treatment of residential property following a natural disaster with the current law treatment of agricultural property.

### **State Expenditures**

The Division of Property Taxation within the Department of Local Affairs will need to update assessment manuals and revise the guidance provided to county assessors. This will have a minimal one-time workload increase for the division.

### **Local Government Impact**

**Local property tax revenue.** This bill has the potential to result in a reduction in property tax revenue received by local governments. There are very few residential improvements that require longer than five years to repair or replace, so the revenue impact is likely to be minimal. The actual impact on property taxes depends on the value of the homes, the number of homes, and the mill levies that apply to the property.

**County assessor's workload.** The county assessor determines if the property owner is actively attempting to repair or replace the residential improvement. This may increase the workload for county assessors but similar judgements about a property's tax classification are routinely made by county assessment staff.

### **Effective Date**

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

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

Assessors  
Information Technology

Local Affairs  
Property Tax