



Legislative Council Staff

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Fiscal Note

Drafting Number: LLS 21-0211
Prime Sponsors: Rep. Gray
Sen. Hansen

Date: February 16, 2021
Bill Status: House Trans. & Local Govt.
Fiscal Analyst: Greg Sobetski | 303-866-4105
Greg.Sobetski@state.co.us

Bill Topic: RESIDENTIAL LAND PROPERTY TAX CLASSIFICATION

Summary of Fiscal Impact:

- | | |
|---|--|
| <input type="checkbox"/> State Revenue | <input type="checkbox"/> TABOR Refund |
| <input checked="" type="checkbox"/> State Expenditure | <input checked="" type="checkbox"/> Local Government |
| <input type="checkbox"/> State Transfer | <input type="checkbox"/> Statutory Public Entity |

The bill modifies the definition of “residential land” for the purpose of property tax classification. It increases state workload for administration and may decrease the state aid requirement for school finance. Property tax revenue may increase or decrease for individual local governments; across the state, local government revenue is expected to increase on net.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This fiscal note reflects the introduced bill.

Summary of Legislation

Under current law, “residential land” is defined to include contiguous parcels of land under common ownership, provided that at least one of the parcels includes a residential improvement, such as a house, garage, or shed, and that the other parcels are used as a unit in conjunction with the residential improvement.

The bill clarifies that a land parcel is residential only if it contains a related improvement, such as a driveway, that is essential to the use of a residential improvement on a contiguous parcel. To qualify, the parcel must have identical ownership to the parcel containing the residential improvement, not merely an owner in common. It also clarifies that contiguity is not interrupted by the presence of a local street or alley.

State Expenditures

Administration. The Division of Property Taxation in the Department of Local Affairs updates procedures, forms, and various materials quarterly and provides training and support to county assessors' offices. The bill creates workload for the division to update the definition of residential land and train and support county assessors. The workload increase is assessed as minimal and can be accomplished within existing appropriations.

School finance. To the extent that the bill changes the local share of total program funding for school finance, the state aid requirement will inversely change. Changes are expected to be bidirectional; on net, the state aid requirement is expected to decrease.

Local Government

Expenditures will increase for county assessors' offices that conduct property reclassifications as a result of the definitional change.

The bill is expected to result in reclassifications of land parcels from residential to nonresidential, and vice versa. Residential property is assessed at the 7.15 percent statewide residential assessment rate, while nonresidential property is assessed at 29.00 percent. For local governments where more property is reclassified as nonresidential, property tax revenue will increase, and vice versa. On net, more property is expected to be reclassified as nonresidential and local revenue is expected to increase.

While property taxes are administered at the county level, all jurisdictions that levy property taxes, including counties, municipalities, school districts, and special districts, will be affected. Any change to property tax revenue from the levy of school finance total program mills will affect the local share of total program funding for school finance.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State and Local Government Contacts

Counties	County Assessors	Education
Information Technology	Local Affairs	Municipalities
Property Tax Division	School Districts	Special Districts