



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado’s Legislature

SB 25-029: RANCH PROPERTY TAX CLARIFICATIONS

Prime Sponsors:

Sen. Roberts; Pelton B.
Rep. McCluskie

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Fiscal note status: The fiscal note reflects the introduced bill, as recommended by the Water Resources and Agricultural Review Committee.

Summary Information

Overview. The bill changes the definition of “ranch” for property tax purposes, broadening it to include land used for raising livestock. The bill also removes a narrow definition of livestock that is used in the definition of ranch.

Types of impacts. The bill is projected to affect the following areas on an on-going basis:

- State Expenditures
- Local Government

Appropriations. No appropriation is required.

**Table 1
State Fiscal Impacts**

Type of Impact	Budget Year FY 2025-26	Out Year FY 2026-27
State Revenue	\$0	\$0
State Expenditures (School Finance) ¹	\$0	\$5.3 million
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$0
Change in State FTE	0.0 FTE	0.0 FTE

¹ The state share of school finance may be paid out of the General Fund, State Education Fund, State Public School Fund, or a combination of these.

Summary of Legislation

The bill changes the definition of a ranch for property tax purposes from a parcel of land used only for grazing livestock to a parcel of land that can also be used to raise livestock. The bill also removes a narrow definition of livestock from the definition of ranch.

Background

The valuation of agricultural lands is specified in the Colorado Constitution and statute. Agricultural lands are valued based on their earning or productive capacity. For agricultural land valuation, the 10-year average price of the commodity or grazing rental rate, the subject property's soil classification, the typical landlord's crop share, net income, and statutory capitalization rate all factor into determining actual value. Further, an agricultural classification requires land to be used as a farm or ranch during a three-year period, and also that it presently be used as a farm or ranch. Property transitioning to an agricultural use must wait until the third year to receive the agricultural classification. Agricultural land is typically valued well below the value of land for other property classifications.

State Expenditures

The bill increases workload for state agencies and increases expenditures for the state share of school finance by an estimated \$5.3 million in FY 2026-27, with similar amounts in later years.

The fiscal impact will vary depending on how many properties become eligible for an agricultural land classification under the bill and is highly uncertain. Further, the timing of when newly eligible properties under the bill could be classified as agricultural land is also uncertain and could vary from the impacts detailed in this analysis.

School Finance

The bill decreases property tax collections from school district total program mills beginning with the 2026 property tax year, requiring an equivalent increase in the state share of total program funding for school finance beginning in FY 2026-27. In FY 2026-27, the state aid obligation is estimated to increase by \$5.3 million under assumptions detailed in the Local Government section. In later years, there will be larger impacts if more land owners are incentivized to use their land for raising animals and obtain an agricultural classification. The state aid obligation may be paid from the General Fund, the State Education Fund, the State Public School Fund, or a combination of these sources.

Department of Local Affairs – Division of Property Taxation

The bill requires the Division of Property Taxation (DPT) to update manuals, teaching materials, and brochures to reflect the changes in the bill. The bill will also require the division to provide technical assistance to county assessors. Increased workload is expected to be accomplished within existing appropriations.

Local Government

Local Government Revenue

The bill decreases revenue to local governments compared with current law, on net, beginning with 2026 property taxes payable in 2027. Property tax reductions are partially offset by state funds to school districts from state aid payments for school finance.

The fiscal impact is highly uncertain and could vary from the impacts detailed in this analysis. Actual impacts depend on how many properties become eligible for an agricultural land classification under the bill, and the timing of when newly eligible properties under the bill could be classified as agricultural land. Local government revenue impacts are summarized in Table 2.

Table 2
Change in Local Revenue

Type of Impact	Budget Year FY 2025-26	Out Year FY 2026-27
Property Tax Revenue	\$0	-\$14.9 million
State Expenditures (School Finance)	\$0	\$5.3 million
Net Change	\$0	-\$9.6 million

Property Tax

The bill decreases local government property tax revenue compared with current law by an estimated \$14.9 million in FY 2026-27, and by larger amounts in later years if property owners are incentivized to use their land for raising animals and obtain an agricultural classification. The analysis assumes property tax revenues will be reduced because newly eligible agricultural land will have lower actual value of land compared with a property's prior assessment. To the extent the bill expands eligibility for the agricultural equipment property tax exemption in current law, it will further decrease local revenue relative to the estimates in this analysis.

State Aid for School Districts

The School Finance Act requires the state to pay the difference between a district's property tax revenue collected from its total program mill levy, and the amount of total program funding calculated for the district. The bill decreases school district property tax revenue, thereby increasing the state aid requirement, as detailed in the State Expenditures section. Other mill levies assessed by school districts, such as override mills, are not reimbursed and may generate less revenue as a result of the bill. To the extent the bill expands eligibility for the agricultural equipment property tax exemption in current law, it will further increase the state aid obligation relative to the estimates in this analysis.

Assumptions

The analysis assumes 90 percent of the acreage for the all-other-agricultural subclass and 1 percent of single-family residential land parcels could become eligible under the bill for a reduced agricultural land valuation. The analysis assumes each residential parcel that could be eligible for an agricultural land classification under the bill is an average of 0.5 acres. Estimated decreases in assessed value under the bill assume that the value of newly eligible agricultural land equals the average value of agricultural land per acre in each county. If actual amounts of residential land, all-other-agricultural land, or other property classes that obtain an agricultural classification under the bill differ from the assumptions in the analysis it will change the estimated fiscal impacts.

Reduced assessed values are assumed to reduce property tax revenue for local governments that levy fixed mills, including most counties, municipalities, and special districts. School districts are assumed to experience reductions in revenue generated from their total program mills, as well as from override mills in districts where voters have approved fixed mill overrides.

Some levies are not expected to generate less revenue from reduced assessed values. These include bond indebtedness mills for many local governments, metropolitan districts, and school districts.

Local Government Expenditures

The bill will increase workload for county assessors for reclassifications and administering changes under the bill. Workload increases are expected to be minimal.

Effective Date

The bill takes effect January 1, 2026, assuming no referendum petition is filed. It applies beginning in property tax year 2026.

State and Local Government Contacts

Counties	Local Affairs
County Assessors	Property Tax Division - Local Affairs
Information Technology	

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).