BILL TOPIC: Lodging Property Tax Treatment

A BILL FOR AN ACT

CONCERNING THE PROPERTY TAX TREATMENT OF REAL PROPERTY

THAT IS USED TO PROVIDE LODGING.

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at http://leg.colorado.gov/.)

Legislative Oversight Committee Concerning Tax Policy. The bill establishes that for property tax years commencing on or after January 1, 2026, a short-term rental unit, which is an improvement that is designated and used as a place of residency by a person, family, or families, but that is also leased for overnight lodging for less than 30 consecutive days in exchange for a monetary payment (short-term stay)
and is not a primary residence, and the land upon which the improvement is located, may be classified as either residential real property or lodging property. If, during the previous property tax year, a short-term rental unit was leased for short-term stays for more than 90 days then it is classified as lodging property, otherwise it is classified as residential real property. Actual value for a short-term rental unit that is classified as lodging property is to be determined solely by application of the market approach to appraisal.

The bill also specifies, with an exception for a property that qualifies as a bed and breakfast, that a building or portion of a building designed for use predominantly as a place of residency by a person, a family, or families but that is actually used, or available for use, to provide short-term stays only is a hotel and motel.

Additionally, the property tax administrator is required to establish and administer a pilot program to develop a statewide database and uniform reporting system to track short-term rental units.

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Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. In Colorado Revised Statutes, 39-1-102, add (5.5)(b.5), (15.7), and (15.8) as follows:

39-1-102. Definitions. As used in articles 1 to 13 of this title 39, unless the context otherwise requires:

(5.5) (b.5) "HOTELS AND MOTELS" ALSO MEANS A BUILDING, OR THAT PORTION OF A BUILDING, DESIGNED FOR USE PREDOMINANTLY AS A PLACE OF RESIDENCY BY A PERSON, A FAMILY, OR FAMILIES, BUT THAT IS ACTUALLY USED, OR AVAILABLE FOR USE, TO PROVIDE SHORT-TERM STAYS ONLY; EXCEPT THAT THE TERM EXCLUDES ANY IMPROVEMENT THAT QUALIFIES AS A BED AND BREAKFAST.

(15.7) "SHORT-TERM RENTAL UNIT" MEANS AN IMPROVEMENT THAT IS DESIGNED AND USED AS A PLACE OF RESIDENCY BY A PERSON, A FAMILY, OR FAMILIES, AND THAT IS NOT A PRIMARY RESIDENCE BUT THAT IS ALSO LEASED OR AVAILABLE TO BE LEASED FOR ONE OR MORE SHORT-TERM STAYS. THE TERM ALSO INCLUDES THE LAND UPON WHICH
THE IMPROVEMENT IS LOCATED AND A PARCEL THAT WOULD OTHERWISE
BE CLASSIFIED ONLY AS RESIDENTIAL LAND UNDER SUBSECTION
(14.4)(a)(I)(C) OF THIS SECTION.

(15.8) "SHORT-TERM STAY" MEANS OVERNIGHT LODGING THAT IS
PROVIDED TO AN INDIVIDUAL OR BUSINESS FOR LESS THAN THIRTY
CONSECUTIVE DAYS IN EXCHANGE FOR MONETARY PAYMENT.

SECTION 2. In Colorado Revised Statutes, 39-1-103, add (10.8)
as follows:

39-1-103. Actual value determined - when - legislative
declaration. (10.8) (a) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION
(10.8)(c) OF THIS SECTION AND NOTWITHSTANDING ANY OTHER PROVISION
OF THIS ARTICLE 1, FOR PROPERTY TAX YEARS COMMENCING ON AND
AFTER JANUARY 1, 2026, A SHORT-TERM RENTAL UNIT MUST BE
CLASSIFIED AS EITHER RESIDENTIAL REAL PROPERTY OR LODGING
PROPERTY BASED ON THE USE OF THE PROPERTY DURING THE PREVIOUS
PROPERTY TAX YEAR AS FOLLOWS:

(I) IF, DURING THE PREVIOUS PROPERTY TAX YEAR, THE TOTAL
NUMBER OF DAYS THAT A SHORT-TERM RENTAL UNIT WAS LEASED FOR
SHORT-TERM STAYS WAS LESS THAN OR EQUAL TO NINETY DAYS, THEN THE
SHORT-TERM RENTAL UNIT IS CLASSIFIED AS RESIDENTIAL REAL PROPERTY;

AND

(II) IF, DURING THE PREVIOUS PROPERTY TAX YEAR, THE TOTAL
NUMBER OF DAYS THAT A SHORT-TERM RENTAL UNIT WAS LEASED FOR
SHORT-TERM STAYS WAS GREATER THAN NINETY DAYS, THEN THE
SHORT-TERM RENTAL UNIT IS CLASSIFIED AS LODGING PROPERTY.

(b) NOTWITHSTANDING THE PROVISIONS OF SUBSECTION (5) OF
THIS SECTION, THE ACTUAL VALUE OF A SHORT-TERM RENTAL UNIT
CLASSIFIED AS LODGING PROPERTY IS DETERMINED SOLELY BY APPLICATION OF THE MARKET APPROACH TO APPRAISAL.

(c) (I) ON OR BEFORE JANUARY 15, 2026, AND JANUARY 15 OF EACH YEAR THEREAFTER, AN OWNER OF A SHORT-TERM RENTAL UNIT SHALL SUBMIT TO THE ASSESSOR OF THE COUNTY IN WHICH THE PROPERTY IS LOCATED AN AFFIDAVIT SIGNED BY THE OWNER UNDER THE PENALTY OF PERJURY IN THE SECOND DEGREE IDENTIFYING THE TOTAL NUMBER OF DAYS DURING THE PREVIOUS PROPERTY TAX YEAR THAT THE SHORT-TERM RENTAL UNIT WAS LEASED FOR SHORT-TERM STAYS. IN THE ABSENCE OF CONTRARY INFORMATION, THE ASSESSOR SHALL USE THE INFORMATION IN THE AFFIDAVIT FOR PURPOSES OF APPLYING SUBSECTION (10.8)(a) OF THIS SECTION.

(II) THE ADMINISTRATOR SHALL ESTABLISH THE FORM OF THE AFFIDAVIT REQUIRED UNDER SUBSECTION (10.8)(c)(I) OF THIS SECTION, AND A TAXPAYER MUST USE THIS FORM.

(d) IF A SHORT-TERM RENTAL UNIT ALSO QUALIFIES AS A BED AND BREAKFAST, THEN IT IS ASSESSED AS A BED AND BREAKFAST IN ACCORDANCE WITH SUBSECTION (10.5) OF THIS SECTION.

SECTION 3. In Colorado Revised Statutes, 39-1-104, amend (1.6)(a) as follows:


(1.6) (a) Hotels, motels, bed and breakfasts, SHORT-TERM RENTAL UNITS AS SET FORTH IN SECTION 39-1-103 (10.8)(a)(II), and ALL personal property located at a hotel, motel, or bed and breakfast, OR SHORT-TERM RENTAL UNIT AS SET FORTH IN SECTION 39-1-103 (10.8)(a)(II) are classified as lodging property, which is a subclass of nonresidential property for purposes of the valuation for assessment. Classification as a
lodging property does not affect a partial allocation as residential real property if a lodging property is a mixed-use property.

SECTION 4. In Colorado Revised Statutes, 39-2-109, amend (m); and add (n) as follows:

39-2-109. Duties, powers, and authority - definition. (1) It is the duty of the property tax administrator, and the administrator shall have and exercise authority:

(m) To establish the forms required pursuant to part 2 of article 29 of title 38; C.R.S. AND

(n) TO ESTABLISH AND ADMINISTER A PROGRAM BEGINNING JANUARY 1, 2026, FOR THE PURPOSE OF DEVELOPING A STATEWIDE DATABASE AND UNIFORM REPORTING SYSTEM TO TRACK SHORT-TERM RENTAL UNITS WHICH MUST BE SEARCHABLE BY COUNTY.

SECTION 5. Act subject to petition - effective date. This act takes effect at 12:01 a.m. on the day following the expiration of the ninety-day period after final adjournment of the general assembly; except that, if a referendum petition is filed pursuant to section 1 (3) of article V of the state constitution against this act or an item, section, or part of this act within such period, then the act, item, section, or part will not take effect unless approved by the people at the general election to be held in November 2024 and, in such case, will take effect on the date of the official declaration of the vote thereon by the governor.