



## Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

# Revised Fiscal Note

(replaces fiscal note dated March 21, 2022)

|                         |   |                        |   |
|-------------------------|---|------------------------|---|
| <b>Drafting Number:</b> | LLS 22-0854                             | <b>Date:</b>           | April 19, 2022                                      |
| <b>Prime Sponsors:</b>  | Rep. Mullica; Van Winkle<br>Sen. Priola | <b>Bill Status:</b>    | Senate Finance                                      |
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**Bill Topic:** RESIDENTIAL REAL PROPERTY CLASSIFICATION

|                                  |   |  |
|----------------------------------|---|--|
| <b>Summary of Fiscal Impact:</b> | <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     |

This bill clarifies the definition of nursing homes for property tax purposes. The bill will increase workload at the Division of Property Taxation in FY 2022-23 only, and may involve a minimal workload increase for county assessors.

**Appropriation Summary:** No appropriation is required.

**Fiscal Note Status:** The fiscal note reflects the reengrossed bill.

## Summary of Legislation

The bill defines “nursing home” for property tax classification in statute as one that is:

- licensed by the Colorado Department of Public Health and Environment (CDPHE); and
- meets the definition of a nursing care facility in CDPHE regulations, including nursing care facilities that provide convalescent care or rehabilitation services.

It also adds nursing homes to the definition of residential real property, regardless of a patient’s length of stay. The bill specifies that beginning in property tax year 2023, land on which a nursing home is situated and improvements affixed to that land that are used for a nursing home are to be assessed as residential property.

## Background

Until recently, the Division of Property Taxation (DPT) had been advising assessors that patient length of stay was a key determinant for the classification of nursing homes and rehabilitation centers. Specifically, based on the E.R. Southtech court decision, they offered guidance that only those centers where patients stayed longer than 30 days should be classified as residential. In February 2022, the DPT sent a memorandum to assessors advising that, based on a more recent court decision, it was no

longer appropriate to use this criteria in determining the property tax classification of nursing homes or rehabilitation properties. Assessors should instead rely on the licensing and use of the facilities to determine the proper classification.

## Assumptions

The DPT identified 230 nursing facilities licensed by the Colorado Department of Public Health and Environment (CDPHE). According to DPT, the vast majority of the facilities are classified currently as residential property, and the number that would be reclassified as a result of this bill would be minimal.

## State Expenditures

**Division of Property Taxation (DPT).** In FY 2022-23, the DPT will update training materials and various manuals with the statutory definition of Nursing Homes. This will be accomplished within existing resources.

**School finance.** To the extent that the bill results in the reclassification of property from nonresidential to residential, the bill will reduce property tax revenue to school districts with affected facilities. If the budget stabilization factor is unchanged, state aid will offset the property tax revenue decrease. This impact is expected to be minimal.

## Local Government

**County assessors.** County assessors may have to reclassify a minimal number of nursing facilities as residential property based on guidance issued from DPT. Reclassifying properties is part of the normal course of business for county assessors and they will be able to handle the change in workload within existing resources.

**Property tax revenue.** To the extent that the bill results in a reclassification of property from nonresidential to residential, the bill will reduce property tax revenue to local governments with affected facilities. This impact is expected to be minimal.

## 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  
Information Technology  
Property Tax Division – Local Affairs

County Assessors  
Municipalities  
Public Health and Environment