

Legislators,

Colorado Senator Bob Gardner is proposing to change the tax rate for short term vacation rental owners from 7.1% (i.e., residential rate) to 29.0% (i.e., the commercial tax rate) every year; making the tax rate 4 x's higher.

How significantly would this effect a vast majority of the 1,000's of short term vacation rental owners (STVO's) that are your voting constituents across Colorado?? In short, this is a business killing piece of legislation that if passed will decimate the STVO economy.

I am a PhD researcher and data analyst by trade, and so I emailed the CO economist who ran the numbers for this legislation, and asked if any accounting for the real world impact this legislation would have, the answer was no modeling for this after effect was computed. See email exchange below.

Take 1-minute to look at the real world impact

Example: For my wife Maria and I, who own a 1100 square foot condo in Durango, Co (next to Purgatory Mtn), this means we would go from paying taxes would go from approximately \$1400 a year to approximately \$6000 a year. This mean a six fold increase in taxes every year. If you are/were an STVO owner, would you be able to continue to operate?

Please remember that our condo is relatively cheap and small, so the tax increase, being a percentage, would mean even a large increase for any STVO's in areas with higher valued realty, such as in Aspen, Telluride, Vail, Snowmass, Breckenridge, etc.

Effects on small business owners like Maria and I who are the majority of the STVO's across CO:

--need to immediately sell our condo, because just like 1,000's of owners, these rentals run on a very thin line of profit, and/or lose money each year

--there would then be a cascading and dramatic drop off or realty prices in whole vacation rental communities all across CO

Effects on surrounding economies:

-- drastic reduction in number of lodgings available, especially in high draw areas like Vail, Aspen, Durango, Telluride, etc, where small and stylish short term rentals draw as many or more visitors as do hotel chains.

-- resulting drastic reduction in tourism income which is one of the largest segments of the Colorado economy, given a vast majority of visitors to CO want to stay in small mom and pop short term vacation rentals. People want to stay in STVO's, because they are like a Home Away from Home.

-- Colorado property owners who do not own short-term vacation rentals, but live near them, will also experience a dramatic loss of property value during this selloff

Effects on how CO is viewed by vacation rental industry

--result will be STVO's will sell off and move their operations to other states, where there is a tax rate is scaled to the reality of the 10's of 1,000's of owners like my wife and I

In short, the numbers run by Mr. Silbaugh are being presented in a vacuum, with no context.

I serve it as an expert witness in court's in southern Arizona regularly, and I can confidently say that this legislation will have a horrible of fact across Colorado, and if passed would end up being one of the most regretted pieces of legislation.

I respectfully request each of you consider strongly opposing this kind of legislation.

Respectfully,

Dr Tom Brunner and Dr. Maria Miller

CO Short Term Vacation Owners

Email exchange between myself (Dr. Tom Brunner) and Larson Silbaugh

Hello Dr. Brunner,

As described in the fiscal note, the assessment rate for nonresidential property is 29.0% in Colorado. Property taxes are determined by the value of the property, the assessment rate, and local mills. One mill generates \$1 in property tax revenue for every \$1,000 in taxable value. For your example, I will use 83.3 mills, the statewide average mill in 2018.

Residential classification: $\$250,000 \times 7.15\% \times 83.3/1,000 = \$1,489$

Nonresidential classification: $\$250,000 \times 29.0\% \times 83.3/1,000 = \$6,039$

The fiscal note is based on my assumptions for how property is currently being used. It does not take into account behavioral changes or any dynamic modeling. While it is not quantified, the bottom of page 3 of the fiscal note states, "To the extent that property owners stop making their property available for short-term rental, the fiscal impact will be reduced."

For a further discussion on why our office does not do dynamic modeling in fiscal notes, please refer to this memo: <http://leg.colorado.gov/publications/dynamic-modeling>

I hope this help in understanding the bill and the fiscal note.

Best regards,

Larson

Larson Silbaugh

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From: "Dr. Thomas Brunner" <drb@doctorbrunner.com>

To: "Larson.Silbaugh@state.co.us" <Larson.Silbaugh@state.co.us>

Date: 02/06/2020 03:07 PM

Subject: RE: SB 20-109

Dear. Mr. Silbaugh,

I am reviewing your calculations regarding the above noted proposed bill. Could you please clarify what the current commercial tax rate is in Colorado, that short term vacation owners would assumedly pay if the bill were passed. If you could clarify a case example of what the annual payment would be. Maybe assume a property valued at 250,000.00.

Secondly, will you doing any estimates of the perceived sell offs that will occur for the very large population of owners that will not be able to pay the new and much higher tax rate? It seems your calculations make the precarious assumption that there will not be a massive sell off by mom and pop owners who are the majority of owners. Is that true?

Thanks for clarifying,

Dr. Tom Brunner

Colorado short term rental property owner

Tom & Maria Brunner

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