



BOARD OF COUNTY COMMISSIONERS

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TO: Senator Gardner, Colorado Senate Finance Committee

FROM: Board of County Commissioners of Summit County, Colorado
and the Summit County Assessor

SUBJECT: Senate Bill 20-109 - Concerning Property Tax Classification of Short Term Rental
Properties (STRs)

DATE: February 7, 2020

REQUEST: Amend SB 20-109 to Facilitate Assessor Implementation OR Create a Committee to
Determine Appropriate Legislative Action Regarding STRs and Designate Summit
County Representation on Such Committee

SUMMARY

The Board of County Commissioners and Assessor of Summit County, Colorado (Summit) believe that Short Term Rentals (STRs) of property for lodging purposes constitutes a commercial activity that has substantially impacted the quality of life of Summit County residents. Summit further believes that classifying STRs as residential property for property taxation provides STRs with an unfair business advantage against other commercial lodging providers. Investors are purchasing multiple units in Summit County solely for the purpose of renting them out full time for short term lodging. Many other STRs in Summit County are occupied by the owner for only a few days or weeks a year. At this end of the STR ownership spectrum, there is no functional distinction between these rental operations and commercial lodging operations, and yet they are classified differently under the property tax classification system. The continued treatment of STRs as residential in nature is contrary to reality as well as the spirit, and quite possibly the letter, of the Colorado Constitution's requirement for uniformity in taxation.

Summit greatly appreciates Senator Gardner's courage in bringing this important but highly divisive issue up for consideration by this committee. Summit has two main issues with SB 20-109's definition of "Short Term Rental Unit" both relating to the thirty day occupancy requirement. First, as written, the 30 day occupancy requirement is not implementable due to the practical difficulty in determining when a unit is occupied by its owner as opposed to being empty or rented as an STR. Unless an enforceable reporting requirement is added, Assessors are left with no reasonable means to determine when an owner is occupying their STR. Second, Summit County questions whether the thirty day occupancy requirement is appropriate and reasonable. A property used 335 days a year for a commercial activity is still predominantly a commercial property and therefore should be classified accordingly. Summit therefore respectfully requests that SB 20-109 be amended to address these concerns.

At the other end of the spectrum, Summit realizes that there are families and individuals who rent rooms in their primary residence and rely on the income from such rentals in order to keep their homes. Summit believes that the use of one's home, one's primary residence, for such a purpose does not constitute a commercial use.

STRs in SUMMIT COUNTY, COLORADO

The reduced availability of residential property for long-term rental and increased housing costs have made housing the most pressing problem facing Summit County workers and residents. The following data indicates that this problem is related to the proliferation of STRs:

- Summit County has a total of about 29,000 homes and condominium units.
- Summit studies have found that one third of these properties are used for STRs.
- Summit County STR owners earned \$80,000,000.00 in 2019 from 365,800 Air BnB guest arrivals. See Denver Business Journal article dated 1/28/2020.
- Summit County residential real estate values have increased approximately 50% on average in the past four years. As of June 30, 2018, the average Summit County single family home value was \$1.1M and average residential condominium value was \$499K.
- 36% of Summit County residential units are owned by out-of-state owners
- 22% of Summit County residential units are owned by owners owning more than one residential property in Summit County.

CONCLUSION

In 1982, Colorado voters passed the Gallagher amendment, which provided preferential taxation treatment to residential real property. The Gallagher amendment requires that taxes be levied uniformly over classes of property, as does Section X, Article III of the Colorado Constitution. In the 2000s STR companies have become a common and substantial part of the commercial lodging market not reasonably foreseen by Colorado voters at the time Gallagher was voted on or codified by the legislature in 1983. It is thus reasonable and appropriate for the Colorado legislature to adopt legislation recognizing STRs as a commercial activity and classifying them for taxation as non-residential.