



Legislative Council Staff

Research Note

Version: Final

Date: 9/7/2016

Bill Number

**Senate Concurrent
Resolution 16-002**

Sponsors

***Senator Baumgardner
Representative Vigil***

Short Title

***Property Tax Exemption Real
Property Possessory Interests***

Research Analyst

Kori Donaldson (x4976)

Status

This research note reflects the final version of the resolution, which became effective upon the signature of the Senate President on May 18, 2016.

Summary

This concurrent resolution submits a measure to the voters at the 2016 general election. The resolution proposes amending the constitution to create an exemption from property taxation for possessory interests in real property.

The resolution exempts a possessory interest from property taxation if the actual value of the interest is less than or equal to \$6,000 for tax year 2018. Beginning with tax year 2019, the amount of the exemption is increased biennially by the amount of inflation. Possessory interests with an actual value greater than the specified exemption threshold are taxed at the full assessed value.

Background

Property taxes are primarily based on the value of land, houses, other buildings, and business equipment. Individuals and businesses pay property taxes to various local governments, such as cities, counties, school districts, and special districts, each of which imposes its own tax rate on property. Property taxes pay for a variety of local government services, including public education, police and fire services, roads and bridges, parks and recreation facilities, hospitals, and libraries.

When an individual or business uses government-owned land or equipment for private purposes, a possessory interest is created. Although government-owned property is exempt from taxes, the financial benefit that a business or individual obtains from using that land or equipment

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is not. For example, some ranchers lease land from the federal government for cattle grazing. Other businesses lease land to provide a recreational activity, such as skiing or river rafting, or are given a contract to provide a specific service on public land, such as operating a snack bar at a national park. Under current law, the value of a private financial benefit is considered a possessory interest and is subject to property taxes. Typically, the value assigned to a possessory interest is equal to the cost of the lease to use the government-owned land; however, county assessors may use other methods to determine the actual value of a possessory interest prior to determining the tax owed.

There are about 7,000 total possessory interests in Colorado. In 2015, the market value of all possessory interests is about \$315.0 million, which is 0.04 percent of the total market value of all taxable property in the state. At this value, total property tax payments for all possessory interests of any value are approximately \$7.0 million annually.

Senate Action

Senate Finance Committee (April 21, 2016). One individual representing the Colorado Farm Bureau testified in support of the bill. The committee referred the bill to the Senate Appropriations Committee.

Senate Appropriations Committee (April 27, 2016). The committee referred the bill to the Senate Committee of the Whole unamended.

Senate second reading (April 28, 2016). The Senate passed the bill on second reading with no amendments.

Senate third reading (April 29, 2016). The Senate passed the bill on third reading with no amendments.

House Action

House Finance Committee (May 6, 2016). The committee referred the bill to the House Appropriations Committee.

House Appropriations Committee (May 9, 2016). The committee referred the bill to the House Committee of the Whole.

House second reading (May 9, 2016). The House passed the bill on second reading with no amendments.

House third reading (May 10, 2016). The House passed the bill on third reading with no amendments.