



Legislative
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FISCAL NOTE

Drafting Number:	LLS 18-0967	Date:	March 14, 2018
Prime Sponsors:	Rep. Benavidez Sen. Neville T.	Bill Status:	House Finance
		Fiscal Analyst:	Chris Creighton 303-866-5834 Chris.Creighton@state.co.us

Bill Topic: CLASSIFY RESIDENTIAL LAND CHANGE IN IMPROVEMENTS

Summary of Fiscal Impact:	<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 allows land to retain a residential classification for two years after residential improvements are destroyed, demolished, or relocated. This bill increases state expenditures and decreases local government revenue by an indeterminate amount. State and local government workload is increased on an ongoing basis.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This fiscal note reflects the introduced bill.

Summary of Legislation

Under this bill, a residential classification for land can remain in place for two years after residential improvements were destroyed, demolished, or relocated. The land can retain a residential classification, if the county assessor determines the owner intends to rebuild or locate a residential improvement on the land.

The residential land classification must change if:

- a new residential improvement or part of a new residential improvement is not constructed or placed on the land prior to January 1, after the two year period identified in this bill;
- the county assessor determines the classification of the land at the time of the destruction, demolition, or relocation was incorrectly classified; or
- a change of use has occurred.

Background

Under current law, property taxes are paid on a portion of the actual value of the property called the assessed value. Assessed value is based on either the residential or non-residential classification of the land as determined by the land's physical status and use. Residential land is assessed at 7.20 percent and non-residential land assessed is at 29 percent. In 2017, the statewide average actual value for the parcel of land underneath a single family home was

\$97,580. Classifying this land as residential property results in an assessed value of \$7,026 compared with an assessed value of \$28,299 if the land were classified as non-residential property. The actual property tax liability is determined by the mills levied by individual local taxing jurisdictions such as cities, counties, school districts, and special districts.

State Expenditures

Beginning in FY 2018-19, this bill impacts state expenditures and workload.

School Finance Impact. Under current law, money to fund the school finance act comes from both local and state sources. The local share, primarily from property tax, is counted first. State aid provides the difference between a school district's total funding and the district's local share. In school finance, this concept of state assistance supplementing local resources is called "state equalization." To the extent that land remains classified as residential as a result of this bill that would have otherwise been reclassified as non-residential, the amount of property taxes collected by school districts will be less and state equalization will increase.

Division of Property Taxation. For FY 2018-19, this bill increases workload for the Division of Property Taxation in the Department of Local Affairs to update training materials, conduct training, and respond to inquiries regarding property tax classifications. This workload increase can be accomplished within existing appropriations.

Local Government

Beginning in FY 2018-19, this bill impacts local governments as discussed below. The exact impact will vary by local government depending on property classification determinations made by county assessors.

Local property tax revenue. To the extent that land remains classified as residential as a result of this bill that would have otherwise been reclassified as non-residential, the amount of property taxes collected by local governments will be less.

County Assessors. This bill increases county assessor workload by a minimal amount to determine if a property owner intends to rebuild or locate a residential improvement on land where residential improvements were destroyed, demolished, or relocated.

Effective Date

The bill takes effect August 8, 2018, if the General Assembly adjourns on May 9, 2018, as scheduled, and no referendum petition is filed. It applies to residential improvements that are destroyed, demolished, or relocated on or after this date.

State and Local Government Contacts

Counties

County Assessors

Property Tax