



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 20-1083

FISCAL NOTE

Drafting Number: LLS 20-0132 Date: January 23, 2020
Prime Sponsors: Rep. Kraft-Tharp; Van Winkle Bill Status: House Trans. & Local Govt.
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Bill Topic: NURSING HOME DEFINITION FOR RESIDENTIAL PROPERTY TAX

- Summary of Fiscal Impact:
- State Revenue
- State Expenditure
- State Transfer
- TABOR Refund
- Local Government
- Statutory Public Entity

This bill expands the definition of nursing homes, reducing the assessed value of certain properties for property taxes. The bill will reduce local government property taxes by \$4.7 million annually, and potentially increase the state share of school finance by \$1.0 million annually.

Appropriation Summary: None required.

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

Table 1
State Fiscal Impacts Under HB 20-1083

Table with 5 columns: Category, Fund, FY 2020-21, FY 2021-22, FY 2022-23. Rows include Revenue, Expenditures, Transfers, and TABOR Refund.

**Summary of Legislation**

The bill creates a definition of "nursing home" for property tax classification in statute. Currently, nursing home is defined in rule as facilities that provide long-term nursing care where residents live for more than 30 days and these facilities are classified as residential property. The new definition in the bill expands the definition of nursing home and allows any licensed nursing care facility to be classified as residential property, regardless of the patient's length of stay. The expanded definition applies starting in tax year 2021.

**Assumptions**

The Division of Property Taxation (DPT) in the Department of Local Affairs (DOLA), with the help of county assessors, identified 15 nursing facilities licensed by the Colorado Department of Public Health and Environment that would be reclassified as residential property under the bill. Table 2 shows the facilities and the estimated impact of the bill on their property taxes.

**Table 2  
Estimated Change in Property Taxes for 15 Nursing Care Facilities Under HB 20-1083**

<b>Name</b>	<b>County</b>	<b>Actual 2019 Value</b>	<b>2019 Mills</b>	<b>Change in Taxable Value</b>	<b>Change in Property Taxes</b>
Aviva at Fitzsimons	Adams	\$37,195,512	177.79	-\$8,163,660	-\$1,451,450
The Center at Northridge	Adams	\$42,498,843	101.55	-\$9,294,492	-\$943,837
Vista View Care Center	Adams	\$24,314,252	111.79	-\$3,989,364	-\$445,951
Flatirons Health and Rehab	Boulder	\$11,351,400	92.25	-\$2,482,551	-\$229,020
Applewood Living Center	Boulder	\$935,300	95.61	-\$73,777	-\$7,054
Powerback Rehabilitation Lafayette		\$16,951,000	152.63	-\$3,707,184	-\$565,831
Willow Tree Care Center	Delta	\$2,316,082	63.60	-\$68,136	-\$4,333
Sloan's Lake Rehabilitation Center	Denver	\$27,505,000	72.12	-\$4,590,144	-\$331,023
Advanced Health Care of Colorado Springs	El Paso	\$4,599,379	67.50	-\$128,844	-\$8,697
The Center at Centennial	El Paso	\$11,331,757	67.50	-\$1,856,326	-\$125,306
The Center at Cordera	El Paso	\$11,626,747	67.50	-\$1,501,183	-\$101,333
Accel at Golden Ridge	Jefferson	\$12,687,390	83.74	-\$2,774,732	-\$232,367
Walbridge Memorial Convalescent Wing	Rio Blanco	\$8,923,990	45.61	-\$1,951,680	-\$89,018
The Center at Centerplace	Weld	\$6,255,339	87.81	-\$1,368,044	-\$120,133
Fairacres Manor	Weld	\$3,900,930	87.40	-\$16,404	-\$1,434
<b>Total</b>		<b>\$222,392,921</b>		<b>-\$41,966,521</b>	<b>-\$4,656,787</b>

The mills are the 2019 mills reported on the property tax bill. The change in estimated taxable value is based on the difference between the 2019 assessment rate for each and the estimated 2021 residential assessment rate (RAR) of 7.13 percent. In December, Colorado Legislative Council Staff estimated that the RAR for 2021 and 2022 would be set at 7.13 percent. The RAR will be set in 2021 based on a report by the DPT issued in the spring of 2021. Property taxes levied in 2021 are collected in the first half of 2022.

## **State Revenue**

The bill increases income tax revenue to the General Fund by up to \$107,805 in FY 2021-22 and up to \$215,609 in FY 2022-23.

Businesses are allowed to deduct property taxes as normal business expenses from income when filing income tax returns. An additional \$4.7 million in property taxes will reduce deductions, and increase taxable income by an identical amount if taxpayers have sufficient taxable income to claim the full deduction. Applying the state's 4.63 percent income tax rate to the additional taxable income results in an additional \$215,609 in corporate income tax revenue annually. The FY 2021-22 revenue impact is based on a half-year impact to account for accrual accounting of income tax revenue.

## **State Expenditures**

Starting in FY 2021-22, the bill potentially increases state expenditures for school finance by \$1,038,928 as described below. In addition, the bill results in a workload increase for DOLA in FY 2020-21.

**School finance impact.** Based on school district operating mill levies on the affected properties, the decrease in property taxes available for the local share of school finance may increase required state aid by \$1,038,928 in FY 2021-22 with ongoing impacts in future fiscal years. If the Budget Stabilization Factor remains unchanged, state aid will offset the property tax decrease.

**DOLA - Division of Property Taxation (DPT).** In FY 2020-21, the DPT will issue guidance to county assessors on assessing nursing facilities correctly. This will be accomplished with existing resources.

**TABOR refunds.** The bill is expected to increase state General Fund obligations for TABOR refunds by \$107,805 in FY 2021-22. Under current law and the December 2019 Legislative Council Staff forecast, the measure will correspondingly increase the amount refunded to taxpayers via sales tax refunds made available on income tax returns for tax year 2022. A forecast of state revenue subject to TABOR is not available beyond FY 2021-22.

## **Local Government**

Local government property tax revenue will be reduced by an estimated \$4.7 million annually, starting in FY 2021-22.

**Municipalities, counties, and special districts.** Property tax revenue to municipalities, counties, and special districts with reclassified nursing facilities will be reduced by about \$3.6 million annually. To the extent that local governments increase mills because of constitutional and statutory revenue and budget considerations, the revenue impact will be reduced.

**School districts.** School district property taxes will be reduced by about \$1.0 million annually. However, the state's share of funding may be increased, offsetting the reduction in property tax revenue.

**County assessors.** County assessors will reclassify certain nursing facilities as residential property based on guidance issued from the 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 with existing resources.

**Effective Date**

The bill takes effect August 5, 2020, if the General Assembly adjourns on May 6, 2020, as scheduled, and no referendum petition is filed. The bill affects the classification of property starting in 2021.

**State and Local Government Contacts**

Counties  
Municipalities

County Assessors  
Local Affairs

Information Technology  
Public Health and Environment