



**Fiscal Note**  
**Legislative Council Staff**  
Nonpartisan Services for Colorado’s Legislature

**SB 26-010: AGRICULTURAL PROPERTY TAX DEFINITIONS**

<b>Prime Sponsors:</b> Sen. Roberts; Pelton B. Rep. McCluskie; McCormick	<b>Fiscal Analyst:</b> David Hansen, 303-866-2633 david.hansen@coleg.gov
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**Fiscal note status:** The fiscal note reflects the introduced bill, which was requested by the Water Resources and Agriculture Review Committee.

**Summary Information**

**Overview.** The bill modifies the definitions of farms and ranches used to classify agricultural land for property tax purposes, and specifies ranches are for grazing livestock through pasture-based operations.

**Types of impacts.** The bill is projected to affect the following areas on an ongoing basis:

- State Expenditures
- Local Government

**Appropriations.** No appropriation is required.

**Table 1**  
**State Fiscal Impacts**

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	\$0
State Expenditures	\$0	\$0
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$0
Change in State FTE	0.0 FTE	0.0 FTE

## Summary of Legislation

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The bill modifies the definition of farms and ranches used to classify agricultural land for property tax purposes by specifying that a farm is predominantly used to produce agricultural products and that a ranch is predominantly used for grazing livestock. With the modified definition, the bill specifies ranches are used for grazing livestock through pasture-based operations. A pasture-based operation is defined as a means of livestock management where pasture-based livestock have regular access to open pasture and derive a majority of their diet through grazing.

## Background

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The valuation of agricultural lands is specified in the Colorado Constitution and statute. Agricultural lands are valued based on their earning or productive capacity. For agricultural land valuation, the 10-year average price of the commodity or grazing rental rate, the subject property's soil classification, the typical landlord's crop share, net income, and statutory capitalization rate all factor into determining actual value. Further, a new agricultural classification generally requires land to be used as a farm or ranch for a three-year period prior to receiving the classification. Property transitioning to an agricultural use must wait until the third year to receive the agricultural classification. Agricultural land on farms and ranches must be used for the primary purpose of obtaining a monetary profit. For farms, profits are earned from agricultural products that originate from the land's productivity. For ranches, profits are earned from grazing livestock for use as food, breeding, draft, or profit. Agricultural land is typically valued well below the value of land for other property classifications.

## Assumptions

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Most pasture-based operations with grazing animals qualify for and are classified as agricultural land under current law. To the extent that the bill results in the reclassification of other types of nonresidential land to agricultural land, assessed values will decrease, which will reduce local government revenue from property tax and increase state expenditures for school finance. The bill is expected to minimally affect current residential classified property and reclassification under the bill is assumed to occur infrequently. If residential property qualifies for agricultural land classification under the bill, the bill will decrease assessed values further. Overall, any impact to assessed values is assumed to be minimal.

The fiscal note assumes a minimal impact because raising livestock like hogs in a pasture-based operation generally requires specific niche breeds and pasture rotation techniques, and in some cases may only be sustained for certain portions of the animal's lifecycle. The bill does not affect animal producers who do not raise grazing livestock or employ pasture-based operations.

## **State Expenditures**

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The bill minimally increases workload for state agencies and minimally increases expenditures for the state share of school finance beginning in FY 2027-28. In FY 2029-30, the third property tax year after the bill is effective, state expenditures for school finance could increase further if more land owners are incentivized to use their land predominantly for animal pasture in order to obtain an agricultural classification.

The exact fiscal impact is uncertain, as it will vary depending on how many properties are considered eligible for an agricultural land classification under the bill and assessors' determinations.

## **School Finance**

The bill minimally decreases property tax collections from school district total program mills beginning with the 2027 property tax year, requiring an equivalent increase in the state share of total program funding for school finance beginning in FY 2027-28 as noted above. The state aid obligation may be paid from the General Fund, the State Education Fund, the State Public School Fund, or a combination of these sources.

## **Department of Local Affairs – Division of Property Taxation**

The bill requires the Division of Property Taxation (DPT) to update manuals, teaching materials, and brochures to reflect the changes in the bill. The bill will also require the division to provide technical assistance to county assessors and conduct training. Increased workload is expected to be accomplished within existing appropriations.

## **Local Government**

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### **Local Government Revenue**

The bill minimally decreases revenue to local governments compared with current law, on net, beginning with 2027 property taxes payable in 2028. Property tax reductions are partially offset by state funds to school districts from state aid payments for school finance.

Actual impacts depend on how many properties are determined to be eligible for an agricultural land classification under the bill, and the timing of when newly eligible properties under the bill could be classified as agricultural land.

### **Property Tax**

The bill minimally decreases local government property tax revenue compared with current law. Impacts will be larger in future years if property owners are incentivized to use their land predominantly for pasture in order to obtain an agricultural classification.

## State Aid for School Districts

The School Finance Act requires the state to pay the difference between a district's property tax revenue collected from its total program mill levy, and the amount of total program funding calculated for the district. The bill minimally decreases school district property tax revenue, thereby minimally increasing the state aid requirement, as detailed in the State Expenditures section. Other mill levies assessed by school districts, such as override mills, are not reimbursed and may generate less revenue as a result of the bill.

## Local Government Expenditures

The bill will increase workload for county assessors for reclassifications and administering changes under the bill. This workload is expected to be minimal.

## Effective Date

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The bill takes effect January 1, 2027, assuming no referendum petition is filed, and applies beginning for the 2027 property tax year.

## State and Local Government Contacts

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Counties	Property Tax Division – Local Affairs
County Assessors	Municipalities
Information Technology	Special Districts
Local Affairs	