CLASSIFICATION

For property tax purposes, land must meet one of the following five requirements to qualify for agricultural classification:

1. A parcel of land that was used the previous two years and is presently used as a farm or a ranch, or is being restored through conservation practices. Such land must have been classified or eligible for classification as agricultural land during the 10 years preceding the year of assessment. Agricultural land includes land underlying a residential improvement, if the occupant participates in the agricultural operation or is a statutorily specified relative of a participant in the agricultural operation. It also includes land under other improvements if such improvements are an integral part of the farm or ranch and are typically used as an ancillary part of the operation.

   - A farm is defined as a parcel of land used to produce agricultural products that originate from the land's productivity for the purpose of obtaining a monetary profit.

   - A ranch is defined as a parcel of land used for grazing livestock for the primary purpose of obtaining a monetary profit. The term "livestock" refers to domestic animals used for food for human or animal consumption, breeding, draft, or profit.

   - A parcel of land is considered to be in the process of being restored through conservation practices if the land has been placed in a conservation reserve program established by the Natural Resource Conservation Service pursuant to 7 U.S.C. secs. 1 to 5506, or a conservation plan approved by an appropriate conservation district implemented for the land for up to a period of 10 crop years.

   - Real property improvements, such as structures, buildings, fixtures, and fences, are valued separately from the land.

2. A parcel of land that has at least 40 acres of forestland and that is subject to a forest management plan. The land must produce tangible wood products that originate from the productivity of the land for the primary purpose of obtaining a monetary profit. Land underlying any residence or other improvements used as an ancillary part of the operation is classified as agricultural land.

3. A parcel of land that a) consists of at least 80 acres, or less than 80 acres if the parcel does not contain any residential improvements, b) is subject to a perpetual conservation easement, c) was classified as agricultural at the time the easement was granted, d) the easement was granted to a qualified organization, e) the easement is exclusively for conservation purposes, and f) all current and future uses of the land are described in the easement. This provision does not include any portion of land that is used for nonagricultural, commercial, or non-agricultural residential purposes."

4. A parcel of land used as a farm or ranch if the owner has a decreed water right or a final permit to appropriated ground water for purposes other than residential use, and water appropriated under such right or permit is used for the production of agricultural or livestock products on the land. This provision does not include the two-year use requirement detailed in item 1.

5. A parcel of land that was reclassified from agricultural to another classification and met one of the foregoing requirements during the three years before the year of assessment. The land need not have been classified or eligible for classification as agricultural during the 10 years preceding the year of assessment.

All other agricultural property that does not meet the foregoing requirements will be classified according to its actual use on January 1 and valued using appropriate consideration of the three approaches to value (cost, market, and income).

VALUATION AND TAXATION

Agricultural Land

The actual value of agricultural land, exclusive of improvements, is based on the earning or productive capacity of the land, capitalized at the statutory rate of 13%.

The landlord's gross income is calculated by multiplying the 10-year average price of the commodity or grazing rental rate by the yield associated with the subject property's soil classification, and then multiplying that figure by the typical landlord's crop share. The 10-year average of typical landlord expenses (statewide) are subtracted from the landlord's gross income to arrive at the landlord's net income. The net income is then capitalized by the statutory 13% rate to arrive at an indication of actual value.

The assessed value of the land is calculated by multiplying the actual value of the land by the assessment rate (currently 29%).

Agricultural Residential Improvements

Residential property is valued using only the market approach to value. In this approach, the actual value of the subject residence is based on an analysis of comparable sales minus the value attributed to the land.

As of January 1, 2012, "residential land" also includes two acres or less of land on which a residential improvement is located and where the improvement is not integral to an agricultural operation conducted on the land.

The assessed value of the residence is calculated by multiplying the actual value of the residence by the residential assessment rate (currently 7.96%).

Agricultural Structures

Agricultural structures used as an ancillary part of the operation are valued using appropriate consideration of the three approaches to value (cost, market, and income). While all three approaches to value must be considered, agricultural structures are typically valued using the cost approach.

In the cost approach, the actual value of the building is based on the replacement cost new minus accrued depreciation. The actual value is multiplied by the statutory 29% assessment rate.

Personal Property

Agricultural equipment used on a farm or ranch for planting, growing and harvesting agricultural products or for raising or breeding livestock for the primary purpose of obtaining a monetary profit is exempt from property taxation. Other personal property such as livestock, livestock products, agricultural products, and supplies are also exempt from property taxation.

COLLECTION OF INFORMATION

To ensure that land is accurately classified and valued, the assessor may request an on-site inspection and/or additional information such as the IRS 1040-F form filed in the previous year, grazing lease(s), or an agricultural land classification questionnaire. Any documentation provided to the assessor by the property owner is subject to confidentiality requirements as provided by law.

QUESTIONS

For additional information regarding property taxation procedures in Colorado, contact the Colorado Division of Property Taxation at (303) 864-7777 or contact your county assessor.

Prepared by:
Colorado Division of Property Taxation
Department of Local Affairs
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CLASSIFICATION AND VALUATION OF AGRICULTURAL PROPERTY IN COLORADO

This brochure was created to provide general information on the classification and valuation of agricultural property in Colorado. For additional information regarding property taxation procedures in Colorado, please visit colorado.gov/dola/property-taxation.