

The Colorado Assessor's Association recently formed a committee of Assessors to discuss and formulate recommendations regarding treatment of Short Term Rental (STR) properties for purposes of property taxation. The committee members come from a variety of counties, particularly where STRs are very prevalent. A summary of our collective thoughts to date:

DISCOVERY - One of the major challenges to Assessors is the discovery of such properties in a comprehensive manner to ensure fairness. Application of any changes to only the "one-offs" we happen to stumble upon would result in inequity. A discovery process is critical to any changes to classification of STRs as outlined below. We are uncertain if legislation can assist us in ensuring discovery is consistent and comprehensive but would support any legislative efforts to do so.

EXCEPTIONS - Assuming this discovery can be accomplished, Assessors would suggest changing the classification on STR properties absent exceptions for specific reasons/use scenarios. Delineating between residential use and STR use in owner-occupied properties is of particular concern to Assessors. STR use that is minimal in terms of duration and/or minimally proportionate to the square footage of the property should be excepted based on one of the following factors (as examples) based on prior year data:

- Owner lives/stays at property at least 275 days annually.
- Owner is registered to vote at property address.
- STR is available for use is less than 30 days annually.
- Owner use is greater than STR use in number of days annually (if property is unoccupied for portions of the year).

NOTIFICATION TO ASSESSOR – It would be assumed a property with STR use would be classified as such absent proactive notification to the county assessor of one of the factors above. This proactive notification could be a "declaration" or "affidavit" form to be completed by the owner and sent to the county Assessor prior to a statutory deadline. Additionally, penalties could be administered if information was determined to be falsified.

NO ALLOCATION – Assessors strongly discourage allocation of any kind based on duration (number of days available or rented) and/or square footage (owner-occupied STRs). Rather, an STR property should be classified 100% as such and any exceptions per above would remain classified as 100% residential property. Analyzing and potentially changing value allocation on each and every STR annually is administratively overwhelming and would be impossible with current staffing levels in many counties.

CLASSIFICATION – We suggest creating a new subclass of property for STR properties but do not have a recommendation as to the assessment rate (also note that an STR that sells to a property owner who uses it as a residence will cause the new property owner to pay higher taxes in the first year based on the prior owner's use if the assessment rate is higher). Ideally this new subclass would specifically require Assessors to use only the market approach to valuation. Requiring Assessors to use the cost and income approaches to valuation would be overly burdensome when the result would be the same in terms of actual/market value.

Also note there are several related property types such as "hotel condos" and "B&Bs" where legislation currently exists. These current statutes would need to be considered as part of a comprehensive approach to changing the classification of STRs. There are other more minor concerns and details and we are open to further dialogue as we strive for fair and equitable property taxation in Colorado.