

CRS defines agricultural land as land:

- Used during the previous two years and presently used as a farm or ranch or being restored through conservation practices either located in an incorporated or unincorporated area and despite the uses for which such land is zoned. The conservation practice must be a plan under the Conservation Reserve Program (CRP) or a plan approved by an appropriate conservation district.
- Having at least forty acres of forest land with a forest management plan. The land must be used to produce tangible wood products that originate from the productivity of the land for the primary purpose of obtaining a monetary profit.

Consisting of at least eighty acres, or of less than eighty acres if:

- Such parcel does not contain any residential improvements, and that is subject to a perpetual conservation easement,
- Such land was classified by the assessor as agricultural land at the time such easement was granted,
- The grant of the easement was to a qualified organization,
- The easement was granted exclusively for conservation purposes, and if all current and contemplated future uses of the land are described in the conservation easement.

"Agricultural land" does not include any portion of such land that is actually used for nonagricultural commercial or residential purposes.

Land under improvements

- Agricultural land may include land under improvements located on the parcel. § 39-1-102(1.6)(a)(I)(A), C.R.S.
- land underlying residential improvements and the residence if they are integral to the farming or ranching operation.
- Does not include up to two acres of land if the residential improvement is NOT integral to the agricultural operation.
- Includes land underlying other improvements if:
 - (1) improvements are an integral part of the farm or ranch operation
 - (2) improvements and area dedicated to improvements are typically used as ancillary part of the operation.

Section § 39-1-102(1.6)(a)(I)(B), C.R.S., states a residential improvement is considered integral if an individual occupying the residential improvement regularly:

- Conducts, supervises, or administers material aspects of the agricultural operation or;
- Is the spouse or a parent, grandparent, sibling, or child of the individual who regularly conducts, supervises, or administers material aspects of the agricultural
- operation.

A person who signs a lease once a year, or only dictates what areas may be used in a specific year does not qualify as integral under § 39-1-102(1.6)(a)(I)(B), C.R.S. The individual must REGULARLY participate in the agricultural operation or be related to the individual in the

specified manner. Examples of regular participation may include bookkeeping for the operation or ongoing physical involvement.

When determining the size of the residential land, per § 39-1-102(1.6)(a)(I)(A), C.R.S., the actual use of such land surrounding the residence shall be considered. The maximum amount of area that may be classified and valued as residential land is two acres. If the land within that two-acre maximum is utilized for agricultural operation, then the residential land area shall be smaller, according to its use.

If the parcel is smaller than two acres, then the actual area NOT being used in the agricultural operation shall be classified as residential land and valued appropriately.

When determining the residential land value, analyzing the appropriate units of comparison is essential. Comparable sale data should be used to determine values based on a per-square foot, per-acre or a per-site basis.

For example, if comparable residential land sells on a per-acre basis, then the residential values should be determined with that methodology. If comparable land sells based on its utility, to build a residential improvement, regardless of size, then per-site value should be used. These are two examples of standard land appraisal methodology which may be used, and are not intended to limit the analysis. These examples provide direction on how data may be analyzed and values could be established.

All of the residential land changes take effect January 1, 2012.

Agricultural Terms

Farm

A parcel of land that is used to produce agricultural products that originate from the land's productivity for the primary use of obtaining a monetary profit; i.e., crops have been raised, harvested, and or sold.

Ranch

A parcel of land that is used for grazing livestock for the primary purpose of obtaining a monetary profit. Livestock means domestic animals that are used for food for human or animal consumption, breeding, draft, or profit.

Improvements

Improvements are all structures, buildings, fixtures, fences, and water rights attached to the land. Homes and buildings are appraised and valued separately from the land. Water rights, fences, windmills and sprinklers are improvements that are appraised and valued as a unit with the land.

Integral to farming or ranching operation:

An individual must REGULARLY participate in the agricultural operation or be related to the individual in the specified manner. Examples of regular participation may include bookkeeping for the operation or ongoing physical involvement.

Valuation of Irrigated or Dry Farm Land

The steps in the valuation of irrigated or dry farmland are as follows:

- Determine the basic crops raised and the cropping practices used in each farming area.
- Establish the appropriate ten-year average yield for each crop in each farming area.
- Determine the landlord's share of each basic crop.
- Establish the typical landlord expenses in each farming area.
- Calculate the landlord's net income.
- Determine the actual value by dividing the landlord's net income by the statutory capitalization rate.
- For assessment purposes, the assessed value is calculated by multiplying the actual value by the statutory assessment rate of 29%.

Ditches, canals, flumes and sprinkler systems owned and used by individuals for irrigating land that is owned by the same individuals are not taxed separately from the land while they are owned and used exclusively for such purposes.

Valuation of Grazing or Meadow Hay Land

The steps in the valuation of grazing or meadow hay land are as follows:

- Classify the land according to the carrying capacity for the appropriate ten-year period. Meadow hay land is uncultivated land devoted to forage production, but may be sub-irrigated.
- Determine the gross income of the landlord based on the average animal unit month (AUM) rent over the appropriate ten-year period. The AUM rental rate researched by the Division of Property Taxation is multiplied by the number of acres per AUM to get the gross income.
- Deduct the appropriate expenses from the gross income to get the landlord's net income. These expenses are water and fence expenses and are deducted only if they are typical ten-year average expenses to the landlord. The Division of Property Taxation researches these expenses.
- Determine the actual value by dividing the landlord's net income by the statutory capitalization rate.
- For assessment purposes, the assessed value is calculated by multiplying the actual value by the statutory assessment rate of 29%.

Valuation of Forest Land

In 1990, new legislation amended the definition of agricultural land to include forest lands. A summary of this inclusion can be found in the section "Agricultural Land Definition". According to the statutes, all forest land eligible for agricultural land classification will be determined by the Colorado State Forest Service, upon meeting these conditions:

- The property must be described and appear on the report submitted to the assessor by the Colorado State Forest Service on March 1.
- The property cannot already be classified as a farm or ranch under the statutory definitions of a farm or ranch.
- A forest management plan must have been prepared for the property.
- The land must produce tangible wood products that originate from the productivity of the land for the primary purpose of obtaining a monetary profit.

Forest land which has been designated as agricultural land is classified and valued the same as comparable surrounding agricultural land. If there is no agricultural land surrounding a forest land parcel, the Soil Conservation Service soil classification for the parcel is determined and valued according to similar soil types.

Other Agricultural Property

- Agricultural property (agribusiness) that does not meet the definition of farm, ranch, or forest land is valued according to its use on the assessment date.
- The market approach is generally used to determine the value. This approach uses sales of similar properties to arrive at the estimate of value.
- Other agricultural property may include (but is not limited to) dairies, feedlots, hog farms, greenhouses, fur-bearing animal farms, apiaries, and mushroom farms.

Agricultural Personal Property

- Agricultural equipment is exempt from property taxation if it is used on the 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.
- Other personal property such as livestock, livestock products, agricultural products, and supplies are also exempt from property taxation.
- Valuation of Agricultural Buildings

Level of Value

- Real property is reappraised by the assessor's office every odd numbered year. The value determined by the assessor for the year of reappraisal is generally used for the intervening year also.
- The actual value of real property is based on its value as of the appraisal date that is June 30 of the year prior to the reappraisal year.

Residence Value

- Residences (homes) on farm, ranch or forest lands are valued using only the market approach to value. The market approach compares sales of similar properties and adjusts for the differences to arrive at the market estimate of actual value.
- This assessment percentage is determined by the Colorado legislature based on a study conducted by the Division of Property Taxation.

Agricultural buildings and improvements

Agricultural buildings and improvements are valued using the appropriate consideration of the three approaches to value: cost, market and income. The market approach was discussed in the previous section.

- The cost approach estimates the replacement cost of the building and deducts its accrued depreciation to arrive at the cost estimate of actual value.
- The income approach capitalizes the income stream produced by the improvements into a value estimate.

To calculate the assessed value of the agricultural buildings, the actual value is multiplied by the statutory assessment percentage of 29%.