Bull Domingo POA Ag Exemption Impact
September 2026

Property Tax Mechanics

- In Colorado, property taxes are determined by multiplying the **Actual Value** (market or productivity value) by state-mandated **Assessment Rates** to find the **Assessed Value**, which is then multiplied by the local **Mill Levy** (tax rate).
- Because mill levies vary across Custer County depending on local school districts, fire districts, and water conservancy districts, this comparison uses an **estimated average mill levy of 55 mills (0.055)**—a representative rate for rural Custer County parcels outside town limits.
- **Core Mechanics: Ag vs. Non-Ag Classification**
- **Ag Exemption Mechanism:** Agricultural land in Colorado is **not valued at market value**. It is valued strictly on the 10-year average earning capacity of the land (e.g., grazing or hay yield). As a result, a 35-acre parcel worth $200k on the open market might have an Agricultural Actual Value of only $1,500 to $3,000.
- **Mixed Parcel Rules (Improved Ag):** When a residential dwelling is built on agricultural land, the home site (typically 1 to 2 acres) and the residence itself are reassessed at **Residential Rates** based on market value, while the remaining acreage retains the low **Agricultural Valuation**.
- **State Assessment Rates:**
  - **Vacant Non-Ag Land:** ~26% assessment rate.
  - **Ag Land:** ~25% assessment rate applied to *productivity value*.
  - **Residential Improvements:** ~6.8% to 7.05% assessment rate applied to *market value*.

Tax Comparison Scenarios

Scenario 1: Unimproved Vacant Land ($200,000 Market Value)

Classification	Valuation Basis	Estimated Taxable Base	Assessment Rate	Assessed Value	Est. Annual Tax (@ 55 Mills)
Non-Ag Vacant Land	Market Value ($200,000)	$200,000	~26%	$52,000	~$2,860
Ag-Exempt Land	Productivity Value (~$2,500)	~$2,500	~25%	~$625	~$34

- **Takeaway:** Maintaining an agricultural classification on unimproved land results in a **~98% reduction** in annual property tax liabilities.

Tax Comparison Scenarios

Scenario 2: Improved Residential Parcel ($400,000 Total Market Value)

assumes $100k land value + $300k residence value

Classification	Land Taxable Base	Residence Taxable Base	Total Assessed Value	Est. Annual Tax (@ 55 Mills)
Non-Ag Improved	$100,000 @ 26% = $26,000	$300,000 @ ~6.9% = $20,700	$46,700	**~$2,568**
Ag-Exempt Improved	~$2,500 @ 25% = $625 *(remainder ag)* + 1-acre home site @ res. rate	$300,000 @ ~6.9% = $20,700	~$22,500	**~$1,237**

Takeaway: On higher-value properties, the tax gap widening persists because vacant/raw land in Colorado carries a significantly higher assessment rate (26%) than residential structures (~6.9%).

Tax Comparison Scenarios

Scenario 3: Higher-Value Improved Residential Parcel ($700,000 Total Market Value)

assumes $200k land value + $500k residence value

Classification	Land Taxable Base	Residence Taxable Base	Total Assessed Value	Est. Annual Tax (@ 55 Mills)
Non-Ag Improved	$200,000 @ 26% = $52,000	$500,000 @ ~6.9% = $34,500	$86,500	**~$4,757**
Ag-Exempt Improved	~$2,500 @ 25% = $625 *(remainder ag)* + 1-acre home site @ res. rate	$500,000 @ ~6.9% = $34,500	~$36,500	**~$2,007**

- Takeaway: Even with a home built on the land, the agricultural status on the surrounding acreage cuts total annual property taxes roughly in half (~50% savings).

Retaining Ag Exemption in Custer County

- **Active Agricultural Use:** The land must be continuously used as a primary business for agricultural production (grazing livestock, growing crops, or timberland management) for **two full calendar years** before obtaining the classification.
- **Lease Agreements:** Bull Domingo Ranch Property Owners Association leases to a local cattle rancher to fulfill the grazing requirement.
- **Residential Audit:** When building a home on Ag land, the county assessor will reclassify 1 to 2 acres surrounding the home as "Residential Land," taxing that portion at market rates while keeping the outer acreage under the Ag rate.