


Colorado Legislative Council Staff Fiscal Note
STATE and LOCAL
FISCAL IMPACT

Drafting Number: LLS 11-0075
Prime Sponsor(s): Rep. Bradford

Date: February 2, 2011
Bill Status: House Transportation
Fiscal Analyst: Kerry White (303-866-3469)

TITLE: CONCERNING THE PAYMENT OF SPECIFIC OWNERSHIP TAX ON SPECIAL MOBILE MACHINERY.

Fiscal Impact Summary	FY 2011-2012	FY 2012-2013
State Revenue		
State Expenditures		
School Finance Impact*	at least \$3,063,806	at least \$3,501,492
Cash Funds		
Highway Users Tax Fund (HUTF)	8,584	
HUTF - Colorado State Titling and Registration Account	3,700	
FTE Position Change		
Effective Date: August 10, 2011, if the General Assembly adjourns on May 11, 2011, as scheduled, and no referendum petition is filed.		
Appropriation Summary for FY 2011-2012: See State Appropriations section.		
Local Government Impact: See Local Government Impact section.		

**This expenditure could be from either the General Fund or the State Education Fund.*

Summary of Legislation

This bill extends the amount of time from 24 hours to 72 hours that farm equipment meeting the definition of special mobile machinery (SMM) can be used for non-agricultural purposes before it is required to be registered as Class F personal property.

House Bill 11-1093 also modifies the manner in which specific ownership tax (SOT) is assessed on SMM. Under current law, all SMM greater than 6 years of age is assessed at 0.5 percent of its taxable value, or at least \$5. Non-payment of SOT currently results in administrative penalties of double the amount due or \$500, whichever is greater. This bill caps the SOT at \$5 for SMM that is 10 or more years old, and changes the administrative penalty for non-payment to the lesser of \$500 or twice the amount of SOT due.

Background

Under current law, out-of-state vehicles with SMM that operate in Colorado for less than one month per year can pay SOT at a port of entry operated by the Department of Revenue (DOR). All other transactions are processed at county clerk and recorder offices. If SOT is collected at a port of entry, the state retains \$0.50 of each transaction, which is credited to the Colorado State Titling and Registration (CSTAR) account in the Highway Users Tax Fund (HUTF), and the remainder is distributed to the county. Ports of entry do not currently assess administrative penalties for non-payment of SOT. As such, the fiscal note assumes state revenue will not be affected by this bill.

State Expenditures

This bill will increase state expenditures by at least \$3.1 million for FY 2011-12, and \$3.5 million in FY 2012-13.

Computer system changes. To support the bill's implementation, the Colorado State Titling and Registration System requires 50 hours of programming work paid from the CSTAR account in the HUTF. The ports of entry computer system also requires 116 hours of programming, which will be paid from HUTF off-the-top moneys. All computer programming is paid at the rate of \$74 per hour, for a total of \$12,284 in one-time costs for FY 2011-12.

School Finance Act. The bill is expected to reduce SOT by at least \$12.1 million each year, starting in FY 2011-12. Under the School Finance Act, SOT provides a source of local funding that offsets the need for state aid and the state is required to backfill any reduction in such funding. Approximately 29 percent of SOT collections are distributed to school district funding under the act. Therefore, the backfill amount is at least \$3,501,492 per year. Due to the bill's effective date, this amount is pro-rated in FY 2011-12, for a total of \$3,063,806.

Local Government Impact

Specific ownership taxes. By modifying the rate at which SOT is calculated and administrative penalties are assessed on SMM, this bill reduces the amount of revenue collected by and distributed to counties by at least \$12.1 million per year. SOT is distributed to local governments in proportion to property taxes collected by each entity within the county.

Registration of farm equipment as special mobile machinery. The bill extends the period of time in which farm equipment can be used for non-agricultural purposes before it is required to be registered as Class F personal property. This provision will reduce the amount of SOT revenue collected from these vehicles, although this amount has not been quantified.

State Appropriations

For FY 2011-12, the Department of Revenue requires an appropriation of \$12,284 in cash funds, including \$3,700 from the CSTAR account in the HUTF, and \$8,584 from the HUTF. The Department of Education requires \$3,063,806 under the School Finance Act.

Departments Contacted

Revenue