

**FINAL
FISCAL NOTE**

Drafting Number: LLS 11-0075	Date: June 28, 2011
Prime Sponsor(s): Rep. Bradford Sen. Cadman	Bill Status: Signed into Law
	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	Increase - see State Expenditures section.*	
FTE Position Change		
Effective Date: The bill was signed into law by the Governor and took effect on June 2, 2011.		
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 makes several changes related to the administration of specific ownership tax (SOT) on special mobile machinery (SMM). Specifically, the bill:

- extends the amount of time from 24 hours to 72 hours that farm equipment meeting the definition of SMM can be used for non-agricultural purposes before it is required to be registered as Class F personal property and have SOT collected;
- reduces the amount of administrative penalties that may be assessed for non-payment of SOT to the lesser of \$500 or double the SOT due; and
- clarifies that payment for SMM in the "2 percent rental SOT" program is payable to each county where the equipment is used.

Background

Under current law, out-of-state vehicles with SMM that operate in Colorado for less than 1 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.

Owners that participate in the 2 percent rental SOT program may pro-rate payments if their equipment is used in multiple counties within a given month. However, due to varying interpretations of the rule and associated forms, in practice, some owners have not pro-rated these payments. The amount of overpayments has not been estimated and is not affected by this bill.

State Expenditures

School Finance Act. The bill may reduce SOT by a minimal amount each year, starting in the current fiscal year, FY 2010-11. This reduction is based on the number of farm vehicles that meet the definition of SMM that will avoid an assessment of SOT, provided they are used for non-agricultural purposes for less than 72 hours.

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 in the next fiscal year. Approximately 29 percent of SOT collections are distributed to school district funding under the act. While all counties were canvassed for the purposes of this fiscal note, no data on the change in registrations were available, although the fiscal note assumes these amounts are minimal. Any increase in state expenditures resulting from this bill will not occur until FY 2011-12.

Local Government Impact

This bill impacts local governments in two ways. First, by modifying the manner in which administrative penalties are assessed on SMM, this bill reduces the amount of revenue collected by and distributed to counties. This amount has not been estimated. Second, 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. SOT is distributed to local governments in proportion to property taxes collected by each entity within the county.

State Appropriations

For FY 2011-12, the Department of Education will require moneys under the School Finance Act. This amount has not been estimated.

Departments Contacted

Revenue