SB09-042

Colorado Legislative Council Staff Fiscal Note

LOCAL
REVISED FISCAL IMPACT

(replaces fiscal note dated February 4, 2009)

Drafting Number: LLS 09-0335
Prime Sponsor(s): Sen. Tapia
Rep. Vigil; Peniston

Date: March 10, 2009
Bill Status: House Finance
Fiscal Analyst: Natalie Mullis (303-866-4778)

TITLE: CONCERNING THE ADMINISTRATION OF THE EXEMPT STATUS OF PROPERTY FOR PROPERTY TAX PURPOSES.

Fiscal Impact Summary	FY 2009-2010	FY 2010-2011
State Revenue		
State Expenditures		
FTE Position Change		
Effective Date: August 4, 2009, assuming the General Assembly adjourns as scheduled and unless a referendum petition is filed.		
Appropriation Summary for FY 2009-2010: None.		
Local Government Impact: Two properties have been identified that would no longer owe property taxes totaling $63,964 for tax years 2006 through 2008 to local governments, not including school districts, in Pueblo County and save a total of approximately $24,000 in taxes each year beginning in 2009. The bill may result in additional small and indeterminate reductions in property tax revenue to local governments, conditional upon the occurrence of a relevant situation. See the local government impact section.		

This fiscal note was revised to incorporate amendments adopted in the Senate.

Summary of Legislation

SB09-42 does the following four things related to the exemption of property from the property tax:

1. Broadens the definition of property overseen by the property tax administrator that qualifies for an exemption to include property owned by organizations created to take advantage of the federal New Markets Income Tax Credit (see the background section for more information). The bill requires entities owning property that qualify for an exemption under this provision of the bill to make a payment in lieu of taxes (PILT) to affected school districts equal to the amount of taxes that would have been owed to the district had the exemption not occurred.

2. Expands the authority of the State Board of Equalization to grant an exemption retroactively for cases in which an error or omission of a public official prevented the exemption from being granted in a timely manner. Under current law, the exemption can be granted retroactively for one tax year. SB09-42 would allow it to be granted retroactively for as many years as the Board deems appropriate.

3. Current law requires an owner of a subsidized housing project to submit financial documentation of its operations. and each tenant of the project to submit an income tax return to the Division of Property Taxation proving that each does not exceed statutory income limits required for the property to be exempt. SB09-42 makes this requirement permissive.

4. Requires the Division of Property Taxation to provide a list of pending applications for property tax exemptions annually to counties.

Background

New Markets Tax Credit Program. The federal government provides an income tax credit to individuals and organizations that invest money in specific entities. The investor, who receives a credit totaling 39 percent of the investment over a seven-year period, cannot redeem the investment until after the seven-year period. The "specific entity," referred to as a Community Development Entity, must use the investment to either serve or provide investment capital for low-income communities or low-income persons. From the inception of the program in 2001 through tax year 2007, the federal government reports that investors have contributed a total of $101.6 million to 12 Community Development Entities in Colorado. Community Development Entities then invested the money in schools, community centers, museums, recycling facilities, real estate development, and small businesses ranging from restaurants, repair shops, manufacturers, retail stores, construction firms, and financial services firms. Investments have occurred in the Denver Metropolitan area, Pueblo, Sterling, Grand Junction, Delta, Durango, Fort Collins, and Colorado Springs. Nationwide, investors contributed $8.96 billion during this period.

State Expenditures

State expenditures are unaffected. SB09-042 requires the Division of Property Taxation to provide a list of all applications for property tax exemptions to the counties. However, the Division of Property Taxation already does this.

Local Government Impact

Affected local governments, not including school districts, will experience a small and indeterminate reduction in property tax revenue as a result of the exemption for entities created to take advantage of the New Markets Tax Credit. Two properties in Pueblo County have been identified that, under the bill, would no longer owe property taxes totaling $63,964 for tax years 2006 through 2008 to local governments in Pueblo County. In addition, these properties would no longer owe taxes totaling approximately $24,000 a year beginning in 2009. School districts are not affected because entities that own property exempted by this provision are required to make a payment in lieu of taxes (PILT) to the district equal to the amount that would have otherwise been due to that district. Any increase in the number of exemptions for organizations created to take advantage of this tax credit is conditional on the identification and/or establishment of additional such organizations.

The broadened authority of the State Board of Equalization to extend an exemption retroactively may result in more reductions in property tax revenue to all local governments, including school districts.

Departments Contacted

Local Affairs