



Colorado Legislative Council Staff Fiscal Note
**STATE and LOCAL
 FISCAL IMPACT**

Drafting Number: LLS 11-0328
Prime Sponsor(s): Rep. Acree
 Sen. Brophy

Date: January 13, 2011
Bill Status: House Finance
Fiscal Analyst: Marc Carey (303-866-4102)

TITLE: CONCERNING THE INCIDENTAL USE OF PROPERTY OWNED BY A FRATERNAL ORGANIZATION OR VETERANS' ORGANIZATION THAT IS EXEMPT FROM PROPERTY TAX.

Fiscal Impact Summary	FY 2011-2012	FY 2012-2013
State Revenue		
Cash Funds		
Property Tax Exemption Fund	(\$550)	(\$550)
State Expenditures - School Finance Act		
General Fund*	\$1,664	\$1,664
FTE Position Change	0.0 FTE	0.0 FTE
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: None required.		
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

Under current law, property owned and used by fraternal and veteran's organizations for a charitable purpose, such as a grange hall, is generally exempt from property tax. An incidental use of such property, which is not exempt from property tax, may nonetheless be exempt, if it:

- occurs on an occasional, noncontinuous basis; and
- is less than 208 hours annually; or
- results in less than \$25,000 of gross rental income for the organization.

In addition, current law contains an exception from an annual reporting requirement for such property that only applies if the nonexempt use is less than 208 hours annually or if the gross income from such use is less than \$10,000 annually.

This bill eliminates the requirement that the nonexempt usage be on an occasional basis in order to qualify for the incidental exemption and it raises the threshold for the reporting requirement exception to \$25,000 annually.

Background

Currently, in cases where non-exempt use of the property of the fraternal or veteran's organization occurs, but the hourly or income thresholds are not exceeded, the Division of Property Taxation calculates a partial property tax liability based on either the fraction of the time that the property is in non-exempt use, or the portion of the property on which the non-exempt use occurs. Currently, there are 522 properties in Colorado that are partially exempt from property tax. Of this total, roughly 90 are owned by fraternal or veteran's organization. Of these, only 14 have non-continuous, non-exempt use.

State Revenue

Raising the threshold for the reporting requirement for fraternal organizations from \$10,000 to \$25,000 will decrease the number of fraternal or veteran organizations filing with the Division of Property Taxation (DPT). The associated reduction in filing fees is estimated to be \$550 annually.

State Expenditures

School Finance Impact. The state's share of public school total program funding will increase by the amount of local school district property taxes foregone by fully exempting qualifying fraternal and veterans entities from property tax. Currently, 14 such entities including 7 grange halls, in 11 school districts with a total assessed value of \$68,890, are partially exempt from property taxation and will be fully exempt under this bill. The average mill levy across these school districts is 24.159, implying that the additional state aid required by this bill totals \$1,664 annually.

Local Government Impact

Local governments will now be unable to collect any property taxes from the 14 veterans and fraternal organizations whose property will now be fully exempt from property tax under this bill. These 14 properties are located in 8 counties, whose average mill levy is 84.266. This implies that local governments will see a reduction of \$5,805 in total property tax collections, including \$1,664 for school districts and up to \$4,141 for non-school local government entities. The total non-school district revenue loss will depend on whether or not the affected local governments are above their constitutional revenue limit, and whether they have received voter approval to exempt themselves from this limit.

Departments Contacted

Division of Property Taxation