



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

**Drafting Number:** LLS 12-0868  
**Prime Sponsor(s):** Sen. Johnston  
 Rep. Pabon

**Date:** April 25, 2012  
**Bill Status:** Senate Finance  
**Fiscal Analyst:** Alex Schatz (303-866-4375)

**TITLE:** CONCERNING THE CREATION OF A PILOT ALTERNATE PROPERTY TAX VALUATION PROTEST AND APPEAL PROCEDURE FOR THE CITY AND COUNTY OF DENVER.

<b>Fiscal Impact Summary</b>	<b>FY 2012-2013</b>	<b>FY 2013-2014</b>
<b>State Revenue</b>		
<b>State Expenditures</b>	See State Expenditures section.	
<b>FTE Position Change</b>		
<b>Effective Date:</b> August 8, 2012, if the General Assembly adjourns on May 9, 2012, as scheduled, and no referendum petition is filed.		
<b>Appropriation Summary for FY 2012-2013:</b> None required.		
<b>Local Government Impact:</b> See Local Government Impact section.		

**Summary of Legislation**

This bill authorizes the City and County of Denver, at the request of the assessor and if approved by the city council, to use an alternate appeal process for disputes concerning the valuation of taxable property.

Under current law, taxpayers may dispute an assessor's valuation by filing a protest with the county board of equalization (BOE) in May of each year. Taxpayers that do not file a protest may thereafter dispute a property tax bill by filing an abatement petition with the board of county commissioners (BOCC). Current law provides that abatement petitions must be filed within two years after January 1 of the year following the year in which taxes are levied.

The alternate appeal process in this bill eliminates the protest process and directs taxpayers to file for abatement any time after receiving the assessor's notice of valuation. The abatement period ends:

- for real property, on May 1 in the second year following the notice of valuation; and
- for personal property, on July 15 in the second year following the notice.

The bill authorizes Denver's BOCC (e.g., the city council) and its BOE to require that a party formally disputing property taxes attend (or be represented at) any hearing held on the matter. In the event that a party fails to appear, absent good cause, the bill requires the BOCC or BOE to dismiss the taxpayer appeal without the right of further appeal.

## **Background**

The City and County of Denver Assessment Division employs approximately 25 appraisers to collect data and determine the value of taxable property within Denver. Based on current appeal caseload, Denver's professional appraisal staff spends up to 40 percent of work time on protests and appeals.

Denver has used an "alternate protest and appeal procedure" authorized under current law. That procedure extends the schedule for the resolution of property tax protests. Current law maintains protest and abatement as distinct, sequential phases of the valuation appeal process.

The Board of Assessment Appeals (BAA), administered within the Department of Local Affairs (DOLA), receives appeals of property tax protests from county boards of equalization (BOEs) and appeals of abatement decisions by boards of county commissioners (BOCCs). Approximately 1,500 to 2,000 Denver cases are appealed annually to the BAA, accounting for about 25 percent of the BAA caseload. In protest cases, under current law, taxpayers may also seek relief from BOE decisions through district court or binding arbitration. In abatement cases, the Division of Property Taxation (DPT), also in DOLA, must be consulted in any case where the BOCC recommends reducing property tax liability by \$10,000 or more.

The fiscal note assumes that the City and County of Denver will elect to use the new alternate protest and appeal procedure authorized by the bill.

## **State Expenditures**

*Department of Local Affairs - Board of Assessment Appeals.* The bill potentially affects the BAA's caseload received from the City and County of Denver. By creating a single two-year period for resolving valuation disputes, and requiring parties to appear and provide substantial evidence when a case is scheduled for hearing, the bill may deter a substantial number of appeals. The BAA caseload of appeals from Denver may also be reduced as the bill extends the timeframe for negotiation and settlement at the local level. However, by eliminating the protest phase, the BAA may receive additional Denver cases that are presently appealed to district court or binding arbitration following a BOE protest decision. In addition, the BAA will provide recourse if, under the bill, the Denver BOCC dismisses an abatement petition but the taxpayer asserts that good cause existed for its failure to appear or produce information. It is anticipated that these effects offset each other, producing a minimal impact on BAA's overall workload.

*Department of Local Affairs - Division of Property Taxation.* Eliminating the property tax protest process in Denver means that a significant number of protest cases will become abatement cases. New abatement cases involving large property tax bills will create work for the DPT, as the property tax administrator must review all BOCC recommendations to reduce tax liability by \$10,000 or more. Data on the number of such large property tax adjustments in Denver were not available and the increased workload or associated costs for the DPT have not been quantified.

The bill requires the DPT to update assessment manuals, class materials, and other guidance that includes information concerning Colorado property tax appeals to articulate that the abatement period for Denver taxpayers may end on a date different from Colorado's other 63 counties. This update may be accomplished within existing appropriations.

### **Local Government Impact**

The bill will reduce costs for the City and County of Denver's Assessment Division. First, the bill may deter some property tax appeals in Denver. Second, allowing the division to direct effort toward negotiation, rather than adjudication, will result in the preparation of fewer formal reports, fewer days spent in hearings, and other efficiencies that further reduce administrative costs by up to 1.0 FTE. These savings will accrue over the new tax cycle following the effective date of the bill.

Assuming that the bill deters some property tax disputes with merit but of marginal economic value (considering taxpayer costs to pursue the case), the aggregate property tax valuation in Denver may increase, resulting in an increase in local government revenue.

The Assessment Division will be required to update materials related to the valuation appeals process. These materials are periodically updated and costs associated with the bill are minimal.

The bill's reliance on the abatement process may impact other Denver agencies. Since the Denver Treasury must pay interest on refunded property taxes, these refunds will increase to the extent that property taxes adjusted in the protest process under current law will be converted into abatement cases. Taxing authorities within Denver must rely on unadjusted property tax assessments to set levies and constitutional spending and revenue limits, which may require additional corrective actions in their fiscal cycle.

### **Departments Contacted**

Judicial            Local Affairs