

**FINAL
FISCAL NOTE**

Drafting Number: LLS 13-0816
Prime Sponsor(s): Rep. Court
 Sen. Steadman

Date: June 11, 2013
Bill Status: Signed into Law
Fiscal Analyst: Alex Schatz (303-866-4375)

TITLE: CONCERNING MODIFICATIONS IN CONNECTION WITH CURRENT PROPERTY TAX EXEMPTIONS FOR NONPROFIT ORGANIZATIONS.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue		
State Expenditures	See State Expenditures section.	
FTE Position Change		
Effective Date: The bill was signed into law by the Governor on May 11, 2013, and takes effect August 7, 2013, assuming no referendum petition is filed. The bill applies to exemptions pending on or after January 1, 2013.		
Appropriation Summary for FY 2013-2014: None required.		
Local Government Impact: See Local Government and School District Impact section.		

Summary of Legislation

Under current law, property owners that use real or personal property for charitable purposes may seek an exemption from property taxation by submitting an application to the Division of Property Taxation (DPT) in the Department of Local Affairs (DOLA). Charitable uses include acquisition of properties where a nonprofit housing provider intends to construct or rehabilitate housing with the cooperation of applicants whose household income does not exceed 60 percent of the area median income.

The bill authorizes nonprofit housing providers to claim as exempt properties sold to low income households for construction or rehabilitation after the transfer of the property. The tax exempt status of such properties may continue for up to one year after the sale to a low income household, and is discontinued by the issuance of a certificate of occupancy. The bill adjusts the income level of applicants with whom nonprofit housing providers may conduct transactions to 80 percent of the area median income.

When the State Board of Equalization (SBOE), in accordance with current law, waives the statutory deadline for the annual report required of the owner of an exempt property, the bill requires the SBOE to establish a deadline for that submittal at least 30 days after the grant of the waiver. The bill also authorizes the SBOE to authorize the Property Tax Administrator in DPT to allow a retroactive property tax exemption when certain previously exempt or omitted property has been identified as taxable property.

State Revenue

The bill has a negligible effect on state revenue. To the extent that nonprofit housing providers submit new applications for exempt property status as a result of the bill, the DPT will collect increased fees for deposit into the Property Tax Exemption Fund. However, exemption requirements modified by the bill affect a small number of properties acquired by nonprofit housing providers and exemption applications are not anticipated to increase significantly.

State Expenditures

The bill results in a minimal increase in the workload of the Department of Local Affairs.

Department of Local Affairs - Division of Property Taxation. A small number of additional exemption cases will be reviewed by the Property Tax Administrator, and the DPT and SBOE will take action on a minimal number of cases in which a retroactive exemption is warranted. Fewer than 10 new cases of either type are anticipated in a typical year. This new workload is minimal relative to overall property tax exemption caseload and will not require new appropriations.

School Finance Act. Based on a net reduction in property tax revenue, this bill may require additional General Fund contributions for the state share of public school budgets under the School Finance Act, depending on the funding level chosen by the General Assembly.

Local Government and School District Impact

Counties, municipalities, and special districts, as well as school districts, will experience a minimal net reduction in local government revenue.

The bill affects local jurisdictions that levy property taxes and include the property of a nonprofit housing provider exempted by the bill, or include property for which the SBOE grants a retroactive exemption. Where the bill results in a new property tax exemption, the bill eliminates property tax collections associated with those exempt properties and reduces local government revenue. In rare cases, estimated at less than one per year, the owner of exempt property may be granted a waiver but fail to file its annual report by the SBOE's new deadline, increasing local government revenue if exempt status is lost.

The actual effect of the bill on local government revenue depends primarily on mill levy rates applicable to affected properties and cannot be estimated for this analysis. Statewide, the number of properties affected by the bill is minimal. Over time, local governments will be affected by substantially more additional exemptions than lost exemptions, resulting in a net reduction in property tax revenue.

Departments Contacted

Local Affairs
Counties

Property Taxation
Municipalities

Revenue