

**FINAL
FISCAL NOTE**

Drafting Number: LLS 13-0658
Prime Sponsor(s): Rep. Court
 Sen. Johnston

Date: June 11, 2013
Bill Status: Signed into Law
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.

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 and took effect March 8, 2013.		
Appropriation Summary for FY 2013-2014: None required.		
Local Government Impact: 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 implement a pilot alternate appeal process for disputes concerning the valuation of taxable property. As a preliminary step, the council must hold a vote, notify the Board of Assessment Appeals (BAA) and the Denver district court, and publish notice in a local newspaper and on the City and County's website.

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. Currently, taxpayers that do not file a protest may dispute a property tax bill by filing an abatement petition with the board of county commissioners (BOCC).

The bill defines a pilot alternate protest procedure that:

- replaces the BOE with the BOCC as the decision-maker in protest cases;
- extends the filing period for taxpayer protests to November 15 of the year in which a notice of valuation is sent to the taxpayer;
- allows the assessor to settle cases if authorized to do so by the BOCC; and
- automatically converts a protest not decided by the BOCC as of December 1 into an abatement petition.

Under this procedure, Denver's BOCC (*i.e.*, the city council) may require a party formally disputing property taxes to attend (or be represented at) the formal hearing held on the matter. If a party fails to appear, absent good cause, the bill requires the BOCC to dismiss the taxpayer appeal without the right of further appeal.

After electing to proceed with the pilot alternate appeal process, the pilot process continues unless the city council votes to end the pilot process before March 1 and again notifies the BAA and Denver district court. The pilot alternate protest procedure is repealed on December 31, 2018.

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. Currently, 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 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.

Protests and appeals start after notices of valuation are sent on May 1. 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 extending the timeframe for negotiation and settlement of protests at the local level and requiring parties to appear and provide substantial evidence when a case is scheduled for hearing, the bill may deter a significant number of appeals. However, the BAA will provide recourse if the Denver BOCC dismisses a protest or abatement petition but the taxpayer asserts that good cause existed for failure to appear or produce information. It is anticipated that these effects offset each other, producing a minimal impact on the BAA's overall workload.

Department of Local Affairs - Division of Property Taxation. 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.

To the extent that the bill automatically converts protest cases to 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. Increased workload and associated costs for the DPT have not been quantified, but are anticipated to be minimal.

Local Government Impact

The bill will reduce costs for the City and County of Denver's Assessment Division. First, the bill may delay or 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, possibly as soon as 2013 valuations.

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.

Departments Contacted

Judicial Local Affairs Municipalities Counties