HB13-1206

Colorado Legislative Council Staff Fiscal Note

STATE and LOCAL FISCAL IMPACT

Drafting Number:	LLS 13-0722	**Date:**	February 15, 2013
Prime Sponsor(s):	Rep. DelGrosso Sen. Scheffel	**Bill Status:**	House Local Government
		Fiscal Analyst:	Alex Schatz (303-866-4375)

TITLE: CONCERNING THE EXPANSION OF A LOCAL GOVERNMENT'S ABILITY TO ENTER INTO A BUSINESS INCENTIVE AGREEMENT WITH A TAXPAYER.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue General Fund	See State Revenue section.	
State Expenditures		
FTE Position Change		
Effective Date: August 7, 2013, if the General Assembly adjourns on May 8, 2013, as scheduled, and no referendum petition is filed.		
Appropriation Summary for FY 2013-2014: None required.		
Local Government Impact: See Local Government Impact section.		

Summary of Legislation

This bill modifies the cap for statutory business incentive agreements (BIAs) applicable to counties, municipalities, and special districts. Under current law, where a taxpayer has established a new or expanded business facility, local governments may, for a term of up to 10 years, enter a BIA that provides a taxpayer an incentive payment or credit up to the amount of the taxpayer's personal property tax liability. The bill adds authority for such BIAs to be formed with any taxpayer that the local government determines is at risk of relocating a business facility within the local jurisdiction to a location outside of Colorado.

Background

Currently, BIAs may be enacted using either constitutional or statutory authority, depending that the type and scope of the agreement. Article X, Section 20 of the Colorado Constitution, commonly referred to as the Taxpayer's Bill of Rights (TABOR), authorizes the state or local governments to enact cumulative uniform exemptions or credits to reduce or end business personal property taxes. This constitutional provision is the basis for a number of existing BIAs.

Businesses with large office or plant facilities are significant contributors to personal property tax collections by local governments. Other than utilities, equipment and other business personal property in corporate offices and manufacturing facilities constitutes the predominant share of value in taxable personal property statewide. The fiscal note assumes that these larger taxpayers may contemplate moving operations from state to state, while smaller businesses either lack sufficient resources to relocate or are based around the existing local or state market.

State Revenue

Property taxes are a deductible expense. To the extent that this bill reduces personal property taxes, it may increase state income tax revenue from businesses with a state income tax liability. This impact could occur as early as FY 2014-15 under the bill. The magnitude of the impact is dependent on the number of BIAs that are either newly enacted or expanded as a result of this bill, and the share of business personal property tax eliminated in each agreement.

Local Government Impact

Upon finding that a business may relocate out of state, a local government that rebates or credits a taxpayer against their tax liability for personal property will experience a local, non-school district revenue reduction. The magnitude of this revenue reduction may be significant in the case of BIAs with larger businesses. The overall effect in any local jurisdiction will depend on the number of BIAs formed and the share of business personal property tax rebated or credited in each BIA. This revenue reduction is conditional, based on a local government entering into a BIA with an existing taxpayer.

Departments Contacted

Local Affairs	Office of Economic Development	Revenue
Education	Municipalities	Counties