

**STATE and LOCAL  
CONDITIONAL FISCAL IMPACT**

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<b>Drafting Number:</b> LLS 14-1017	<b>Date:</b> April 7, 2014
<b>Prime Sponsor(s):</b> Sen. Heath; Scheffel Rep. Pabon; Holbert	<b>Bill Status:</b> Senate Business, Labor and Technology
	<b>Fiscal Analyst:</b> Marc Carey (303-866-4102)

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**SHORT TITLE:** BUSINESS INCENTIVE AGREEMENT MAXIMUM TERM

<b>Fiscal Impact Summary*</b>	<b>FY 2014-2015</b>	<b>FY 2015-2016</b>
<b>State Revenue</b> General Fund	See State Revenue Section	
<b>State Expenditures</b>		
<b>FTE Position Change</b>		
<b>Appropriation Required: None</b>		

*\* This summary shows changes from current law under the bill for each fiscal year.*

**Summary of Legislation**

Under current law, local governments, including counties, municipalities, and special districts, may negotiate an incentive payment or property tax credit with taxpayers that:

- pay business personal property tax, and
- establish a new business facility, expand an existing facility, or are considering relocating an existing facility out of state.

These payments or credits are included in agreements commonly known as business incentive agreements (BIAs). This bill extends the existing 10-year statutory limit on the term of a BIA to 35 years.

**Background**

Currently, BIAs may be enacted using either constitutional or statutory authority, depending on 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.

**State Revenue**

Property taxes are a deductible business expense. To the extent that this bill reduces property taxes, it may increase state income tax revenue from businesses with a state income tax liability. The magnitude of the impact is dependent on the number of BIAs that are extended as a result of this bill, and the amount of business personal property tax liability eliminated in each agreement that is extended. Any impact is conditional on BIAs being extended beyond 10 years.

**Local Government Impact**

A local government that rebates or credits a taxpayer against their tax liability for personal property experiences a revenue reduction. Extending the duration beyond the current 10-year limit extends the period of the revenue reduction. This revenue reduction is conditional, based on a local government entering into a BIA with an existing taxpayer for a term longer than 10 years.

**Effective Date**

The bill takes effect August 6, 2014, if the General Assembly adjourns on May 7, 2014, as scheduled, and no referendum petition is filed.

**State and Local Government Contacts**

Local Affairs

Municipalities

Counties