Colorado Legislative Council Staff Fiscal Note

STATE, LOCAL and STATUTORY PUBLIC ENTITY FISCAL IMPACT

Drafting Number: LLS 14-0609
Prime Sponsor(s): Sen. Harvey, Rep. Holbert
Date: February 17, 2014
Bill Status: Senate SVMA
Fiscal Analyst: Alex Schatz (303-866-4375)

SHORT TITLE: BAN ON PLEDGING BUS PERSONAL PROPERTY TAX REVENUE

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue		
State Expenditures	Increased workload. See State Expenditures section.	
FTE Position Change		
Appropriation Required: None.		

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

Summary of Legislation

This bill prohibits certain political subdivisions from pledging any revenue from the taxation of business personal property after September 1, 2014. It applies to the repayment of bonds and any other multiyear obligation of counties, municipalities, school districts, special districts, and statutory public entities.

Background

Under current law, mill levies to repay bonds and other financial obligations of local governments are applied uniformly to both real and personal property. Most household and individual personal property is exempt from taxation, while business personal property (BPP) is assessed at 29 percent of the property's actual market value. The relative value of BPP varies widely across the state, in some counties exceeding the value of real property. In terms of percentage, the five counties that rely most heavily on BPP as part of the property tax base are (based on 2012 data):

- Sedgwick, 57.5 percent of the property tax base;
- Rio Blanco, 51.4 percent;
- Moffat, 49.9 percent;
- Baca, 48.6 percent; and
- Morgan, 47.4 percent.

State Expenditures

In FY 2014-15, the bill results in a one-time minimal increase in workload for two divisions in the Department of Local Affairs (DOLA). The Division of Local Government will revise forms and databases used to monitor, report, and certify assessed values. The Division of Property Taxation will update manuals and training materials to reflect provisions in the bill. It is anticipated that these changes can be completed within the scope of existing DOLA appropriations. If additional resources are required to implement the bill, these additional expenditures will be addressed in the annual budget process.

Assumptions. The fiscal note assumes that the bill applies only to financial obligations entered into on or after September 1, 2014. Thus, the fiscal note does not estimate the probability or magnitude of fiscal impacts that would result from application of the bill to current bonds and financial obligations.

Local Government, School District, and Statutory Public Entity Impact

The bill potentially reduces revenue and increases expenditures for political subdivisions that use BPP revenue to finance capital projects or other operations. In addition, the bill increases workload for assessors in counties with affected political subdivisions.

Political subdivisions that use BPP revenue in financing. By eliminating a revenue stream currently available for financing arrangements, the bill limits the borrowing capacity of municipal governments, counties, special districts, school districts, and statutory public entities. The reduction in borrowing capacity depends on the size and composition of the local property tax base, significantly impacting taxing entities in counties such as Sedgwick, Rio Blanco, and Moffat. The bill may also increase workload and expenditures necessary to obtain financing, as well as the cost of financing. It may also lead to an increase in property taxes or other local taxes if needed to finance future capital projects.

County assessors. To enable the use of taxes levied on real property in financing arrangements, and to identify BPP revenue with uses limited by the bill, county assessors must implement procedures to separately track and report assessments of real property versus personal property. This requirement is likely to require significant changes in the procedures of assessors and may result in costs to upgrade software or add staff.

Technical Note

For the purposes of the bill, a "political subdivision" is defined as any entity of government authorized by law to impose ad valorem (property) taxes on taxable property located within its territorial limits.[1] The applicability of the bill to some government agencies is not clear. For example:

- Urban renewal authorities do not have the authority to levy property taxes.
- Downtown development authorities (DDAs) may receive revenue from an additional property tax levy within the boundaries of the DDA, but the authority and action to impose this tax is vested in the governing body of the municipality.

Based on this definition, the bill may or may not apply to the various entities that have the power to issue bonds or other multiyear debt and pledge property tax revenue toward the payment of associated obligations.

---

[1] Section 39-1-102 (12), C.R.S.

SB14-065

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	Property Taxation	Revenue
Counties	Special Districts	Municipalities
Law	Personnel and Administration	