HB05-1048

Colorado Legislative Council Staff

LOCAL
CONDITIONAL FISCAL IMPACT

Drafting Number:	LLS 05-0056	**Date:**	January 12, 2005
Prime Sponsor(s):	Rep. May M. Sen. Lamborn	**Bill Status:**	House Finance
		Fiscal Analyst:	Josh Harwood (303-866-4796)

TITLE: CONCERNING THE AUTHORITY OF A SPECIAL DISTRICT TO ENTER INTO A PROPERTY TAX REDUCTION AGREEMENT WITH A TAXPAYER FOR THE PURPOSE OF ECONOMIC DEVELOPMENT.

Fiscal Impact Summary	FY 2005/06	FY 2006/07
State Revenues General Fund		
State Expenditures General Fund		
FTE Position Change	0.0 FTE	0.0 FTE
Other State Impact: None		
Effective Date: 90 days after adjournment (August 10, 2005), unless a referendum petition is filed. Applies to tax years beginning on and after January 1, 2006.		
Appropriation Summary for FY 2005/06: None Required		
Local Government Impact: Research suggests that special districts entering into these agreements would likely forgo some future property tax revenue that they otherwise may receive.		

Summary of Legislation

The bill would authorize special districts to participate in business incentive agreements. These agreements are already allowed under Colorado statutes for counties and municipalities. The bill states that in order for a special district to enter into an agreement, the taxpayer must either simultaneously or already have an agreement with a county or municipality.

Background. Colorado Revised Statutes (CRS, Title 32, Article I) allow counties and municipalities to enter into business incentive agreements with taxpayers that are providing new investment in the local economy. Under these agreements, a city or county will collect property taxes on a portion of the new investment made by the taxpayer. It is assumed that without this incentive, such investment would not have taken place. Therefore, by providing the incentive, the city or county realizes some property tax revenue, as well as the potential for additional sales tax revenue, that it otherwise may not have received.

Local Government Impact

Special districts would receive some increased property tax revenue, if the taxpayer would *not* have invested in the district without the agreement. However, if it is believed that the investment receiving the property tax reduction would have occurred without such an agreement, then a special district could receive less property tax revenue than it otherwise would have. Due to the small levies associated with special districts, especially relative to those of the counties or municipalities they would be forced to enter into the agreements with, research suggests that, while an additional tool for economic developers, the additional incentive would be unlikely to cause a business to locate or expand in the special district. Therefore, special districts entering into these agreements would likely forgo some future property tax revenue that they otherwise would have received.

State Appropriations

The fiscal note implies that no new appropriation is required to implement this bill.

Departments Contacted

Local Affairs Legislative Council Staff