

**STATE and LOCAL
FISCAL IMPACT**

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Prime Sponsor(s): Sen. Hill
Rep. Nordberg

Bill Status: Senate Finance

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TITLE: CONCERNING AUTHORIZATION FOR ANY COUNTY OR CITY AND COUNTY TO ELECT TO USE AN ALTERNATE PROPERTY TAX VALUATION PROTEST AND APPEAL PROCEDURE PREVIOUSLY CREATED 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: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2013-2014: None required.		
Local Government Impact: See Local Government Impact section.		

Summary of Legislation

This bill authorizes a county or a city and county (collectively, "county"), at the request of the county assessor and if approved by the governing body of the county (*i.e.*, the board of county commissioners or, in Broomfield and Denver, the city council), to implement a pilot alternate appeal process for disputes concerning the valuation of taxable property. As a preliminary step, the governing body must hold a vote, notify the Board of Assessment Appeals (BAA) and the district court for that county, and publish notice in a local newspaper and on the 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, the governing body of the county (as the BOCC) 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 governing body votes to end the pilot process before March 1 and again notifies the BAA and district court. The pilot alternate protest procedure is repealed on December 31, 2018.

Background

County assessors collect data and determine the value of taxable property within their county. A substantial effort is required for assessors to defend valuations and make appropriate adjustments in response to protests and appeals. As an example, Denver's professional appraisal staff spends up to 40 percent of work time on protests and appeals. Under current law, protests and appeals start after notices of valuation are sent on May 1.

An "alternate protest and appeal procedure" is 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 4,000 cases are appealed annually to the BAA. 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.

The new alternate protest and appeal procedure authorized by the bill was previously authorized for the City and County of Denver in House Bill 13-1113. The fiscal note assumes that a county other than the City and County of Denver will elect to use the new procedure.

State Expenditures

Department of Local Affairs - Board of Assessment Appeals. The bill potentially affects the BAA's caseload. 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 a 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 taxpayers in certain counties may end on a new date relative to prior practice. Periodic updates 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 depend on the number and size of counties that elect to use the new procedure and have not been quantified for this analysis. Any need for additional resources in the DPT will be addressed in the annual budget process.

Local Government Impact

The bill may reduce costs for counties that elect to use the new alternative protest and appeal process. First, the bill may delay or deter some property tax appeals. Second, allowing the assessor 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 reduce administrative costs.

In counties that elect to use the new procedure, the assessor 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