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M E M O R A N D U M

March 30, 2016

TO: Senators Heath and Scheffel
FROM: Larson Silbaugh, (303-866-4720)
SUBJECT: Fiscal Assessment of Proposed Amendment **SB067_L.003**.

This memorandum is an assessment of the fiscal impact of the attached proposed amendment to **SB16-067**. This fiscal assessment is for the impact of the bill with inclusion of this amendment only. Any other added amendment could influence the fiscal impact.

Summary of Proposed Amendment

This amendment narrows the property that qualifies for the Broadband Personal Property tax exemption. Counties with a population of less than 60,000 can enter into an agreement with a broadband provider and adopt a resolution granting the property tax exemption. The bill also allows school districts and municipalities to opt out of offering the exemption if the exemption is granted by the county. The exemption is also only available for property tax bills sent in 2018 to 2023.

The amendment clarifies that the state backfill for school districts is based on the property value without the optional broadband personal property tax exemption. The exemption does not enter into the residential assessment rate (RAR) calculation, so there is no impact on the RAR in future years.

Fiscal Impact of Amendment

State impact. Amendment L.003 eliminates the *state* expenditure and revenue impact of the bill.

Local government and school district impact. There is a conditional property tax reduction for counties that grant the exemption. There is an additional conditional property tax reduction for cities and school districts that allow the property tax exemption.

Any revised fiscal note to show the impact of Amendment L.003 will quantify the conditional local government impact for property in counties with a population of less than 60,000.

Bill's Revised Fiscal Impact with Amendment

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018
State Revenue General Fund		
State Expenditures General Fund TABOR Impact	Workload Increase	
Appropriation Required: None.		
Future Year Impacts: None.		

State Revenue. There is a conditional General Fund revenue increase attributable to broadband companies paying fewer property taxes. Property taxes are normal businesses expenses subtracted from federal taxable income. The reduced expenses will increase Colorado corporate income taxes depending on how many counties and local governments allow the property tax exemption.

State expenditures. The Division of Property Taxation will have a workload increase to update the materials provided to County Assessors and may be required to provide separate values for state assessed broadband property to counties.

Local government impact. There is a conditional local government impact for counties, cities, and school districts, that exempt broadband personal property from property taxes. This impact will be shown an any revised fiscal note.

SENATE COMMITTEE OF REFERENCE AMENDMENT

Committee on Finance.

SB16-067 be amended as follows:

1 Amend printed bill, page 2, line 2, after "**declaration.**" insert "(1)".

2 Page 2, after line 11 insert:

3 "(2) The general assembly hereby finds and declares that the
4 reduction in the valuation for assessment of a public utility that the
5 property tax administrator allocates to a county as required in this act is
6 a reasonable way to apply the property tax exemption for locally assessed
7 companies to a public utility that is assessed statewide.

8 **SECTION 2.** In Colorado Revised Statutes, 22-54-106, **amend**
9 (9) as follows:

10 **22-54-106. Local and state shares of district total program.**

11 (9) If a district reduces or ends business personal property taxes through
12 action taken pursuant to section 20 (8) (b) of article X of the state
13 constitution OR IF BUSINESS PERSONAL PROPERTY IS EXEMPT FROM A
14 DISTRICT'S PROPERTY TAX IN ACCORDANCE WITH SECTION 39-3-118.9,
15 C.R.S., the state's share of the district's total program for the budget year
16 in which such action is taken and any budget year thereafter shall be the
17 amount by which the district's total program exceeds the amount of
18 specific ownership tax revenue paid to the district and the amount of
19 property tax revenue which THAT the district would have been entitled to
20 receive if such action had not been taken by the district OR IF SECTIONS
21 39-3-118.9 AND 39-4-106 (9), C.R.S., DID NOT APPLY."

22 Renumber succeeding sections accordingly.

23 Page 2, after line 21 insert:

24 "(b) "COUNTY" MEANS ANY COUNTY IN THIS STATE AND INCLUDES
25 A CITY AND COUNTY."

26 Page 2, line 22, strike "(b)" and substitute "(c)".

27 Page 2, after line 23 insert:

28 "(d) "MUNICIPALITY" MEANS A HOME RULE OR STATUTORY CITY
29 OR TOWN, OR A TERRITORIAL CHARTER CITY."

1 Page 3, strike lines 1 through 7 and substitute:
2 "(2) EXCEPT AS SET FORTH IN SUBSECTION (4) OF THIS SECTION,
3 FOR PROPERTY TAX YEARS BEGINNING ON OR AFTER JANUARY 1, 2018, BUT
4 BEFORE JANUARY 1, 2023, ANY PERSONAL PROPERTY, SUCH AS
5 ELECTRONICS, EQUIPMENT, TRANSMISSION FACILITIES, AND FIBER OPTIC OR
6 COPPER CABLES, IS EXEMPT FROM THE LEVY AND COLLECTION OF
7 PROPERTY TAX BY A COUNTY, MUNICIPALITY, OR SCHOOL DISTRICT
8 IDENTIFIED IN SUBSECTION (3) OF THIS SECTION IF:
9 (a) THE BROADBAND PROVIDER THAT OWNS THE PERSONAL
10 PROPERTY HAS AN AGREEMENT WITH A COUNTY TO PROVIDE BROADBAND
11 SERVICE WITHIN THE COUNTY;
12 (b) THE BROADBAND PROVIDER ACQUIRES THE PERSONAL
13 PROPERTY ON OR AFTER JANUARY 1, 2017;
14 (c) THE PERSONAL PROPERTY IS INSTALLED WITHIN THE
15 BOUNDARIES OF THE COUNTY, MUNICIPALITY, OR SCHOOL DISTRICT; AND
16 (d) THE PERSONAL PROPERTY IS DIRECTLY USED BY THE
17 BROADBAND PROVIDER OR ANY OTHER PERSON TO PROVIDE BROADBAND
18 SERVICE.
19 (3) (a) PROPERTY IS NOT EXEMPT UNDER THIS SECTION FROM THE
20 TAX LEVIED BY A COUNTY FOR A PROPERTY TAX YEAR, UNLESS:
21 (I) THE COUNTY HAS A POPULATION OF LESS THAN SIXTY
22 THOUSAND PEOPLE;
23 (II) THE COUNTY HAS AN AGREEMENT WITH A BROADBAND
24 SERVICE PROVIDER TO PROVIDE BROADBAND SERVICE WITHIN THE
25 COUNTY; AND
26 (III) PRIOR TO THE PROPERTY TAX YEAR, THE BOARD OF COUNTY
27 COMMISSIONERS OF THE COUNTY ADOPTS A RESOLUTION APPROVING THE
28 EXEMPTION.
29 (b) THE BOARD OF COUNTY COMMISSIONERS SHALL SEND A COPY
30 OF A RESOLUTION APPROVING THE EXEMPTION UNDER SUBPARAGRAPH (III)
31 OF PARAGRAPH (a) OF THIS SUBSECTION (3) TO EACH SCHOOL DISTRICT AND
32 MUNICIPALITY LOCATED WITHIN THE COUNTY AS SOON AS POSSIBLE AFTER
33 ITS ADOPTION.
34 (c) IF THE BOARD OF COUNTY COMMISSIONERS ADOPTS A
35 RESOLUTION APPROVING THE EXEMPTION, THEN THE EXEMPTION ALSO
36 APPLIES TO THE TAX LEVIED BY A MUNICIPALITY AND SCHOOL DISTRICT
37 LOCATED WITHIN THE COUNTY, UNLESS, WITHIN NINETY DAYS AFTER IT
38 RECEIVES NOTICE FROM THE COUNTY AS SPECIFIED IN PARAGRAPH (b) OF
39 THIS SUBSECTION (3), THE GOVERNING BODY OF THE MUNICIPALITY OR
40 SCHOOL DISTRICT ADOPTS A RESOLUTION STATING THAT THE EXEMPTION
41 DOES NOT APPLY TO THE MUNICIPALITY OR SCHOOL DISTRICT.

1 (d) AN EXEMPTION TO THE PROPERTY TAX LEVIED BY A COUNTY,
2 MUNICIPALITY, OR SCHOOL DISTRICT FOR A PROPERTY TAX YEAR UNDER
3 THIS SUBSECTION (3) APPLIES FOR ALL PROPERTY TAX YEARS THAT BEGIN
4 THEREAFTER PRIOR TO JANUARY 1, 2023."

5 Page 3, line 8, strike "(3)" and substitute "(4)".

6 Page 3, line 12, strike "2016." and substitute "2017."

7 Page 3, strike lines 13 through 27.

8 Page 4, strike lines 1 through 7 and substitute:

9 "SECTION 4. In Colorado Revised Statutes, 39-4-102, add (4)
10 as follows:

11 **39-4-102. Valuation of public utilities.** (4) FOR THE PURPOSE OF
12 APPLYING SECTION 39-4-106 (9), THE ADMINISTRATOR SHALL DETERMINE
13 THE VALUE OF PERSONAL PROPERTY THAT IS INCLUDED IN A PUBLIC
14 UTILITY'S VALUE AS UNIT, BUT THAT WOULD BE EXEMPT UNDER SECTION
15 39-3-118.9, IF THE PUBLIC UTILITY WAS LOCALLY ASSESSED.

16 **SECTION 5.** In Colorado Revised Statutes, 39-4-103, add (1) (c)
17 as follows:

18 **39-4-103. Schedules of property - confidential records - late**
19 **filing penalties.** (1) (c) FOR PROPERTY TAX YEARS BEGINNING ON OR
20 AFTER JANUARY 1, 2018, BUT PRIOR TO JANUARY 1, 2023, A PUBLIC
21 UTILITY SHALL ANNUALLY IDENTIFY ANY PERSONAL PROPERTY BY COUNTY
22 THAT WOULD BE EXEMPT UNDER SECTION 39-3-118.9, IF THE PUBLIC
23 UTILITY WAS LOCALLY ASSESSED.

24 **SECTION 6.** In Colorado Revised Statutes, 39-4-106, add (9) as
25 follows:

26 **39-4-106. Valuation of utilities - apportionment.** (9) (a) IF A
27 PUBLIC UTILITY HAS PROPERTY IN A COUNTY THAT WOULD BE EXEMPT
28 UNDER SECTION 39-3-118.9, IF THE PUBLIC UTILITY WAS LOCALLY
29 ASSESSED, THEN THE ADMINISTRATOR SHALL PROVIDE THE COUNTY WITH
30 TWO VALUATIONS FOR ASSESSMENT:

31 (I) THE VALUATION FOR ASSESSMENT OF THE PUBLIC UTILITY THAT
32 IS DETERMINED UNDER PARAGRAPH (b) OF THIS SUBSECTION (9), WHICH
33 AMOUNT IS USED FOR THE COUNTY AND ANY MUNICIPALITY OR SCHOOL
34 DISTRICT LOCATED WITHIN THE COUNTY THAT DOES NOT OPT OUT OF THE
35 EXEMPTION IN ACCORDANCE WITH SECTION 39-3-118.9 (3) (b); AND

36 (II) THE VALUATION FOR ASSESSMENT OF THE PUBLIC UTILITY



1 THAT IS OTHERWISE DETERMINED WITHOUT APPLICATION OF THIS
2 SUBSECTION (9), WHICH AMOUNT IS USED FOR ANY MUNICIPALITY OR
3 SCHOOL DISTRICT THAT OPTS OUT OF THE EXEMPTION IN ACCORDANCE
4 WITH SECTION 39-3-118.9 (3) (b) AND ALL SPECIAL DISTRICTS.

5 (b) AFTER DETERMINING THE ACTUAL VALUE OF THE PUBLIC
6 UTILITY IN THIS STATE, THE ADMINISTRATOR SHALL:

7 (I) APPORTION THE ACTUAL VALUE OF THE PUBLIC UTILITY TO THE
8 COUNTY, UTILIZING COMMONLY RECOGNIZED METHODS OF ALLOCATION
9 AS IN HIS OR HER JUDGEMENT ARE JUST AND EQUITABLE;

10 (II) REDUCE THE ACTUAL VALUE OF THE PUBLIC UTILITY IN THE
11 COUNTY BASED ON THE NET-BOOK VALUE OF THE COMPANY'S PERSONAL
12 PROPERTY IN THE COUNTY THAT WOULD BE EXEMPT UNDER SECTION
13 39-3-118.9, IF THE COMPANY WAS LOCALLY ASSESSED, MULTIPLIED BY
14 THE MARKET-TO-BOOK RATIO OF THE COMPANY; AND

15 (c) COMPUTE THE VALUATION FOR ASSESSMENT OF THE PUBLIC
16 UTILITY IN THE COUNTY AS PROVIDED IN SECTION 39-1-104."

17 Renumber succeeding section accordingly.

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