



*Colorado Legislative Council Staff Fiscal Note*  
**STATE**  
**FISCAL IMPACT**

**Drafting Number:** LLS 10-0806  
**Prime Sponsor(s):** Rep. Ferrandino  
 Sen. White

**Date:** March 26, 2010  
**Bill Status:** House Appropriations  
**Fiscal Analyst:** Harry Zeid (303-866-4753)

**TITLE:** CONCERNING THE AMOUNTS OF FILING FEES CHARGED BY THE PROPERTY TAX ADMINISTRATOR FOR PURPOSES OF EXEMPTION OF PROPERTY FROM GENERAL TAXATION.

| <b>Fiscal Impact Summary</b>  | <b>FY 2010-2011</b> | <b>FY 2011-2012</b> |
|---|---------------------|---------------------|
| <b>State Revenue</b>  |                     |                     |
| Cash Funds  |                     |                     |
| Property Tax Exemption Fund   | \$301,073           | \$301,073           |
| <b>State Expenditures</b>   |                     |                     |
| General Fund  | (\$169,742)         | (\$169,742)         |
| Cash Funds  |                     |                     |
| Property Tax Exemption Fund   | 169,742             | 169,742             |
| <b>FTE Position Change</b>  | 0.0 FTE             | 0.0 FTE             |
| <b>Effective Date:</b> Upon signature of the Governor, or upon becoming law without his signature. The bill applies to any application for exemption, annual report, or delinquent annual report filed on or after that date. |                     |                     |
| <b>Appropriation Summary for FY 2010-2011:</b> See the State Appropriations section.  |                     |                     |
| <b>Local Government Impact:</b> None.   |                     |                     |

**Summary of Legislation**

This *Budget Package Bill* adjusts the filing fees for tax-exempt status applications on real and personal property. The Property Tax Administrator may adjust the fees by rule on an annual basis to ensure that the fees are adequate to fully fund the direct and indirect costs of the program. The Property Tax Administrator may waive late filing fees for good cause.

**Background**

The Property Tax Exemption Program in the Division of Property Taxation, Department of Local Affairs, is responsible for determining qualifications for exemption from property taxation for properties that are owned and used for religious, charitable, and private school purposes. The program is funded with statutorily established filing fees charged to property owners who apply for property tax exemption status, or by those submitting the annual reports required to maintain exempt

status. The fee structure was authorized by statute in 2003, and does not fully cash-fund the current program. By modifying the filing fees and allowing the Property Tax Administrator to set fees commensurate with total program expenditures in the future, an annual General Fund savings of \$169,742 is anticipated.

### **State Revenue**

The bill increases the fees for tax-exempt status applicants on real and personal property by the amounts shown in Table 1. Revenue to the Property Tax Exemption Fund will increase by \$301,073 annually beginning in FY 2010-11. In total, fee revenue is projected to be \$1,013,699 annually. This amount will be sufficient to cover all direct and indirect total program costs.

**Fee Impact.** Section 2-2-322, C.R.S., requires legislative service agency review of measures which create or increase any fee collected by a state agency. The table below identifies the fee impact of this bill.

| <b>Table 1. Fee Impact on Tax-Exempt Status Applicants</b> |                    |                     |                   |                        |                         |
|--|--------------------|---------------------|-------------------|------------------------|-------------------------|
| <b>Type of Fee</b>   | <b>Current Fee</b> | <b>Proposed Fee</b> | <b>Fee Change</b> | <b>Number Affected</b> | <b>Total Fee Impact</b> |
| Application Fee  | \$150              | \$175               | \$25              | 724                    | \$18,100                |
| Annual Report - Timely Filing                              | 53                 | 75                  | 22                | 8,978                  | 197,523                 |
| Annual Report - Late Filing                                | 150                | 250                 | 100               | 855                    | 85,450                  |
| <b>TOTAL</b>   |                    |                     |                   |                        | <b>\$301,073</b>        |

### **State Expenditures**

In total, state expenditures for the Property Tax Exemption Program remain unchanged. Cash-funding the program will allow for a General Fund reduction of \$169,742 to the Division of Property Taxation, Department of Local Affairs for FY 2010-11, and a corresponding increase in cash fund expenditure from the Property Tax Exemption Fund. In addition, the General Fund assessment of \$131,331 for indirect program costs will be replaced by an increase in the appropriation from the Property Tax Exemption Fund.

### **State Appropriations**

The fiscal note implies that the bill requires an appropriations clause to make the following adjustments to the FY 2010-11 Long Bill:

- reduce the General Fund appropriation to the Department of Local Affairs, Property Tax, Division of Property Taxation line item for the Property Tax Exemption Program by \$169,742 and 2.1 FTE;
- increase the cash funds appropriation from the Property Tax Exemption Fund by \$301,073 and 2.1 FTE to the same line item.

The difference between the increased cash funds spending authority and the General Fund savings (\$131,331) reflects the increased indirect cost assessment applied to the new cash fund revenue.

**Departments Contacted**

Local Affairs

Joint Budget Committee Staff