



Colorado Legislative Council Staff Fiscal Note
FINAL
FISCAL NOTE

Drafting Number: LLS 12-0491
Prime Sponsor(s): Rep. Holbert
 Sen. Scheffel

Date: May 29, 2012
Bill Status: Signed into Law
Fiscal Analyst: Marc Carey (303-866-4102)

TITLE: CONCERNING AN ECONOMIC STIMULUS THROUGH A PROPERTY TAX EXEMPTION FOR BUSINESS PERSONAL PROPERTY, AND, IN CONNECTION THEREWITH, ENACTING THE "SAVE COLORADO JOBS ACT".

Fiscal Impact Summary	FY 2012-2013	FY 2015-2016
State Revenue General Fund	See State Revenue section.	
State Expenditures		
FTE Position Change		
Effective Date: The bill was signed into law by the Governor on March 24, 2012, and takes effect August 8, 2012, assuming no referendum petition is filed.		
Appropriation Summary for FY 2012-2013: None required.		
Local Government Impact: See Local Government Impact section.		

Summary of Legislation

This bill changes the cap for statutory business incentive agreements (BIAs) for counties, municipalities, and special districts. Under current law, each of these local government entities has the authority to establish incentive payments or tax credits of up to 50 percent of a taxpayer's business personal property liability. This amendment increases that limit to 100 percent of the liability.

Background

Currently, BIAs may be enacted using either constitutional or statutory authority, depending that the type and scope of the agreement.

Constitutional Authority. Article X, Section 20 of the Colorado Constitution, commonly referred to as the Taxpayer's Bill of Rights (TABOR) authorizes the state or local governments to enact cumulative uniform exemptions or credits to reduce or end business personal property taxes. To date, the large majority of BIAs that have been enacted have relied on this authority.

Statutory Authority. Section 30-11-123, C.R.S. allows counties to negotiate an incentive payment or credit with an individual taxpayer that establishes a new business facility. Such incentives are capped at 50 percent of the taxes levied by the county on business personal property within its jurisdiction. The length of the agreement may not exceed 10 years. Section 31-15-903, C.R.S. provides similar authority for municipalities and Section 32-1-1702, C.R.S. for special districts.

State Revenue

Property taxes are a deductible expense. To the extent that this bill reduces business property taxes, it will increase state income tax revenue. This impact could occur as early as FY 2013-14. The magnitude of the impact is dependent on the number of BIAs that are either newly enacted or expanded as a result of this bill, and the share of business personal property tax eliminated in each agreement.

Local Government Impact

Under the amended bill, counties, municipalities, and special districts are allowed to negotiate BIAs with taxpayers that establish new business facilities within their jurisdiction for up to 100 percent of the amount of taxes levied on business personal property within the entities jurisdiction. Such BIAs will result in a local, non-school district, revenue loss. The total revenue loss will depend on the number of BIAs enacted or expanded and share of business personal property tax eliminated in each agreement.

Departments Contacted

Division of Property Taxation