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FISCAL NOTE

Drafting Number: LLS 20-1068
Prime Sponsors: Rep. Gray; Larson

Date: May 26, 2020
Bill Status: House Business Affairs
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Bill Topic: PROPERTY TAX VALUATION APPEALS

- Summary of Fiscal Impact:
- State Revenue
- State Expenditure
- State Transfer
- TABOR Refund
- Local Government
- Statutory Public Entity

This bill creates an expedited property tax appeals process, makes changes to the Board of Assessment Appeals, creates a task force in the Division of Property Taxation, and requires property tax estimates be printed on the Notice of Valuation sent to taxpayers. This will increase state expenditures by \$3.2 million starting in FY 2020-21.

Appropriation Summary: For FY 2020-21 the bill requires an appropriation of \$2,530,000 for the Department of Local Affairs.

Fiscal Note Status: This fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under HB 20-1342

Table with 3 columns: Category, FY 2020-21, FY 2021-22. Rows include Revenue, Expenditures (General Fund - DOA, Centrally Appropriated, Total), Total FTE, Transfers, and TABOR Refund.

## Summary of Legislation

This bill creates an expedited property tax appeals process, makes changes to the Board of Assessment Appeals (BAA) in the Department of Local Affairs (DOA), creates a task force in the Division of Property Taxation (DPT) in DOA, and requires property tax estimates be printed on the Notice of Valuation sent to taxpayers. These changes are discussed below.

**Expedited property tax appeals and Board of Assessment Appeals.** The bill creates an expedited hearing process for rent-producing commercial real property. For taxpayers that request this process, the bill requires a hearing with a hearing officer with the BAA within 60 days if:

- the appeal is properly before the BAA;
- the difference between the contested valuation and the valuation for the previous year is less than ten percent; and
- the petitioning taxpayer requests the hearing within 30 days of the county providing documents to the taxpayer, or 60 days after the taxpayer files the petition with the BAA.

**Property Tax Valuation Protest Deadline Task Force.** The bill creates a task force in DOA to evaluate deadlines for appealing property taxes and ways to provide more time for taxpayers to appeal values after receiving a Notice of Valuation. The task force, which includes the Property Tax Administrator and six members appointed by the Governor, will be staffed by the DPT. The task force is required to meet at least four times and must complete their work by January 1, 2022.

**Notice of value sent to taxpayers.** Every taxpayer receives a Notice of Valuation from county assessors identifying the taxable value of their property. This bill requires that a printed estimate of property taxes or an estimate of the range of property taxes be included with each notice. Current law allows this option for counties and some currently choose to include tax estimates on the notice.

## Background

**Board of Assessment Appeals.** Under current law, taxpayers may appeal their property tax values to their county assessor. If a resolution is not met, the value can be appealed to a county board of assessment appeals. If a resolution is not met at these first two levels, then an appeal can be filed with the State BAA.

The BAA receives about 4,000 appeals annually. Most appeals are resolved by the taxpayer and the county assessor after the exchange of information and before a hearing takes place. For tax year 2017, 97.3 percent of appeals were settled before the hearing.

## State Expenditures

The bill increases state General Fund expenditures in DOA by \$3,174,857 and 27.7 FTE in FY 2020-21, and by \$3,262,654 and 29.7 FTE in FY 2021-22 and subsequent years. State expenditures increase for the BAA to conduct additional hearings and to staff the new task force. These costs are shown in Table 2 and described below.

**Board of Assessment Appeals.** Currently, the majority of appeals are settled by the taxpayer and the county assessor before a BAA hearing. This fiscal note assumes that an average of 1,745 cases, about half of the appeals filed during an assessment year, will require a hearing. This requires staff to set and manage case filings and requires hearing officer staff to review cases, conduct hearings, and write decisions. The members of the BAA receive \$150 per day. It is estimated that new hearings will require 226 days for each of the nine BAA members. The BAA will also require legal services, leased space for new staff and hearing rooms, and office supplies.

**Property Tax Task Force.** The bill creates a task force in DOA whose members are reimbursed for necessary expenses. This fiscal note assumes four annual task force meetings. The Division of Property taxation in DOA will provide administrative support to the task force.

**Table 2  
 Expenditures Under HB 20-1342**

| <b>Cost Components</b>                       | <b>FY 2020-21</b>  | <b>FY 2021-22</b>  |
|--|--------------------|--------------------|
| <b>Department of Local Affairs</b>           |                    |                    |
| Personal Services (BAA)                      | \$1,286,903        | 1,577,274          |
| Operating Expenses (BAA)                     | 36,180             | 36,180             |
| Legal Services (BAA)                         | 651,060            | 651,060            |
| Capital Outlay (BAA)                         | 216,900            | -                  |
| Expense Reimbursement for BAA Members        | 305,100            | 305,100            |
| Personal Services (DPT)                      | 29,315             | -                  |
| Expense Reimbursement for Task Force Members | 4,543              | -                  |
| Centrally Appropriated Costs*                | 644,856            | 693,040            |
| FTE – Personal Services                      | 24.8 FTE           | 26.8 FTE           |
| FTE – Legal Services                         | 2.9 FTE            | 2.9 FTE            |
| <b>Total Cost</b>                            | <b>\$3,174,857</b> | <b>\$3,262,654</b> |
| <b>Total FTE</b>                             | <b>27.7 FTE</b>    | <b>29.7 FTE</b>    |

\* Centrally appropriated costs are not included in the bill's appropriation.

**Office of the Governor.** The Governor would appoint six members of the task force. The Governor's Office of Boards and Commissions will have additional workload which can be accommodated within existing appropriations. However, if other bills create new boards or commissions additional FTE may be requested through the budget process.

**Centrally appropriated costs.** Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, and leased space, are estimated to be \$644,856 in FY 2020-21 and \$693,040 in FY 2021-22.

## Local Government

This bill will increase the workload for county assessors to provide information under the expedited appeals process in the bill. Some counties with large numbers of rent producing properties eligible for the expedited process may hire additional appraisers.

## Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

## State Appropriations

For FY 2020-21 the bill requires a General Fund appropriation of \$2,530,000 for the Department of Local Affairs. Of this amount, \$2,496,142 is for the BAA, \$651,060 of which will be reappropriated to the Department of Law for legal services, and \$33,858 for the DPT.

## State and Local Government Contacts

Counties  
County Assessors  
Governor  
Information Technology  
Law  
Property Tax Division - Local Affairs  
Board of Assessment Appeals - Local Affairs