



REVISED
FISCAL NOTE

(replaces fiscal note dated January 18, 2017)

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 17-0210

Date: February 9, 2017

Prime Sponsor(s): Rep. Thurlow

Bill Status: House Second Reading

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BILL TOPIC: ELIMINATE PROPERTY TAX ABATEMENT REFUND INTEREST

Summary of Legislation

Under current law interest accrues from the point that erroneous taxes are paid, which can be up to two years before an abatement petition is filed. **As amended by the House Finance Committee**, the bill reduces the time that interest accrues by calculating interest based on when the petition is filed.

Background

A property taxpayer can protest their property taxes to the county assessor and the county treasurer. There is an administrative process to resolve the dispute through the assessor's office and the county board of equalization. If the county board of equalization cannot resolve the protest, it can be taken to an arbitrator, district court, or the state board of assessment appeals. In these cases, the taxpayer protests their taxes rather than paying them erroneously or illegally.

Overpayment of property taxes can result from clerical errors, mistaken valuation, overvaluation, or non-uniform application of mills. A taxpayer who did not protest their property taxes has two years to file a petition for a refund. The taxpayer is entitled to a refund of the erroneously collected taxes. In some cases, taxpayers are entitled to interest equal to 1.0 percent per month. As amended, the interest accrues once the petition has been filed rather than when the taxes were paid.

Local jurisdictions that received the property taxes are responsible for repaying the taxes and the interest. The county treasurer manages this process.

Local Government Impact

This bill will reduce the expenditures for local governments that receive erroneous overpayments of property taxes. Under current law interest accrues from the point that erroneous taxes are paid, which can be up to two years before an abatement petition is filed. The bill reduces the time that interest accrues by calculating interest based on when the petition is filed.

The interest payments are not reported to the state, so no expenditure impact is calculated. County treasurers reported that \$81.0 million in property taxes were abated or refunded in 2015. The interest payment is determined by several factors, including the type of error and the time

between when the petition is filed and the abatement is made. Because the interest payments are calculated on an individual basis, it is impossible to quantify the local government expenditure impact with available information.

Effective Date

The bill takes effect August 9, 2017, if the General Assembly adjourns on May 10, 2017, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

County Assessors
Municipalities
Special Districts

Education
Property Tax Division
Counties

Local Affairs
School Districts