Colorado Legislative Council Staff

SCR16-002

FINAL FISCAL NOTE

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

Drafting Number:	LLS 16-0304	**Date:**	August 10, 2016
Prime Sponsor(s):	Sen. Baumgardner Rep. Vigil	**Bill Status:**	Adopted
		Fiscal Analyst:	Josh Abram (303-866-3561)

BILL TOPIC: PROP TAX EXEMPTION REAL PROP POSSESSORY INTERESTS

Fiscal Impact Summary	FY 2018-19	FY 2019-20	FY 2020-21
State Revenue			
State Expenditures	**$46,000**	**$46,000**	**$46,000**
General Fund	46,000	46,000	46,000
Appropriation Required: None.			
Future Year Impacts: Ongoing expenditure increase for school finance beginning FY 2018-2019			

Summary of Legislation

This concurrent resolution submits a measure to the voters at the 2016 general election. The resolution proposes amending the constitution to create an exemption from property taxation for possessory interests in real property.

The resolution exempts a possessory interest from property taxation if the actual value of the interest is less than or equal to $6,000 for tax year 2018. Beginning with tax year 2019, the amount of the exemption is increased biennially by the amount of inflation. Possessory interests with an actual value greater than the specified exemption threshold are taxed at the full assessed value.

Background

A possessory interest is a private property interest in government-owned property, or the right to the occupancy and use of any benefit in government-owned property granted under lease or other agreement. Examples of taxable possessory interests in Colorado include private operation of a farm or ranch on government land, or the operation of a recreational activity (such as skiing) on government land that generates revenue for the private possessor.

State Expenditures

School Finance Act. There is no fiscal impact on state expenditures in the next two fiscal years. If approved by the voters, this resolution is expected to increase state expenditures under the School Finance Act by approximately $46,000 beginning with FY 2018-19. The state's share of public school total program funding will increase by the amount of local school operating property taxes foregone due to the resolution's exemption for possessory interests equal to or less than $6,000.

This fiscal note assumes an average school district mill levy for school finance of 20.6 mills, and that the General Assembly will not reduce total program funding under the School Finance Act by increasing the size of the negative factor in the affected fiscal years. Expenditures for School Finance are primarily from the General Fund and the State Education Fund.

Election expenditure impact (existing appropriations). The referred measure will appear before voters at the November 2016 general election. Although no additional appropriation is required in this bill to cover election costs associated with this ballot measure, certain election costs to the state are appropriated as part of the regular budget process. First, state law requires that the state reimburse counties for costs incurred conducting a ballot measure election, paid from the Department of State Cash Fund. Second, the text and title of the measure must be published in one legal newspaper per county and an analysis of the measure must be included in the Ballot Information Booklet (Blue Book) mailed to all registered voter households prior to the election paid from the Ballot Analysis Revolving Fund. As of this writing, there will be at least one citizen-initiated measure on the ballot at the 2016 election, which will trigger the ballot costs shown in Table 1 below for a single ballot measure. Costs in 2016 will increase by approximately $100,000 per measure beyond this base amount for any additional referred or initiated measures placed on the ballot.

Table 1. Projected Costs of a Single Statewide Ballot Measure Election in 2016

Cost Component	Amount
County Reimbursement for Statewide Ballot Measures	$2,400,000
Ballot Information Booklet (Blue Book) & Newspaper Publication	$670,000
TOTAL	**$3,070,000**

Local Government Impact

If approved by the voters, local governments that are not at their revenue limit will lose property tax revenue because of the resolution's provision to provide an exemption for specific possessory interests in real property. Beginning in FY 2018-19, local governments statewide will forego approximately $125,000 annually. Of this amount, school districts will forego approximately $46,000 annually for school finance purposes.

For local governments that consistently reach their revenue limit due to high assessed value growth, the impact of the bill will be felt through smaller decreases in the mill levy. For these governments, a portion of the money that would have been received from possessory interests in real property will instead be spread out over the remaining tax bills in the form of higher mill levies than would have occurred otherwise. The fiscal note does not anticipate that the magnitude of the loss in nonresidential assessed value will trigger a reduction in the residential assessment rate.

In addition, minor cost savings will occur in some counties due to a lighter workload, as the number of possessory interest valuations would be reduced over time compared with the number currently being prepared. Counties will no longer have research expenses related to identifying and locating possessory interest holders, or for postage, notifications to tax payers, or various other administrative expenses to collect the tax.

Effective Date

The referred measure takes effect after the date of the official declaration of the vote by proclamation of the Governor, not later than 30 days after the votes have been canvassed.

State and Local Government Contacts

Counties	County Clerk And Recorders	Local Affairs
Property Tax	Revenue	