

# Tax and Finance

## Changes to Tax Preparation and Remittance Process

**HB 14-1107** (Enacted)  
Electronic Tax Notices

**HB 14-1285** (Lost in Senate)  
Taxpayer Protection Act Disclosures

**SB 14-019** (Enacted)  
Status of Taxpayers Who May  
File Joint Returns

## Cash Fund Transfers

**SB 14-011** (Enacted)  
Colorado Energy Research Authority

**SB 14-104** (Enacted)  
Disputed Payments Of Tobacco  
Settlement Moneys

**SB 14-189** (Enacted)  
FY 14-15 Controlled Maintenance  
Trust Fund Transfer

**SB 14-215** (Enacted)  
Disposition Of Legal Marijuana  
Related Revenue

**SB 14-223** (Enacted)  
Payment Claims Lower North Fork  
Wildfire

**HB 14-1011** (Enacted)  
Advanced Industry Economic  
Development Funding

**HB 14-1016** (Enacted)  
Procurement Technical Assistance  
Program

**HB 14-1228** (Enacted)  
Court-ordered Driving  
School Evaluation Repeal

**HB 14-1276** (Enacted)  
Grant Program To Train High School  
Students In CPR

**HB 14-1300** (Enacted)  
General Fund Transfer To CO State  
Fair Authority Cash Fund

**HB 14-1339** (Enacted)  
Create Hazardous Substance Site  
Response Fund

**HB 14-1341** (Enacted)  
Department Of State Cash Fund  
Repayment Transfer

**HB 14-1342** (Enacted)  
Transfers Of Money Related To  
Capital Construction

**HB 14-1368** (Enacted)  
Transition Developmentally Disabled  
Youth To Adult Services

## Income Taxes

**SB 14-073** (Enacted)  
Brownfield Contaminated  
Land Income Tax Credit

**HB 14-1003** (Enacted)  
Nonresident Disaster Relief Worker  
Tax Exemption

**HB 14-1009** (Postponed Indefinitely)  
Change Wildfire Mitigation  
Tax Deduction To Credit

**HB 14-1012** (Enacted)  
Advanced Industry Investment  
Income Tax Credit

**HB 14-1014** (Enacted)  
Modify Job Growth Incentive Tax  
Credit

**HB 14-1072** (Enacted)  
Income Tax Credit For Child Care  
Expenses

**HB 14-1106** (Postponed Indefinitely)  
Tax Deduction For Affordable Care  
Act Penalty

**HB 14-1119** (Enacted)  
Tax Credit For Donating Food To  
Charitable Org

**HB 14-1163** (Enacted)  
Clarify Enterprise Zone Investment  
Tax Credit Cap

**HB 14-1279** (Enacted)  
Income Tax Credit For Business  
Personal Property

**HB 14-1305** (Postponed Indefinitely)  
Renewable Energy EZ Investment  
Tax Credit Refund

**HB 14-1311** (Enacted)  
Job Creation & Main Street  
Revitalization Act

**HB 14-1326** (Enacted)  
Tax Incentives For Alternative Fuel  
Trucks

## Income Tax Checkoff Programs

**HB 14-1092** (Enacted)  
Create CO Youth Conservation Corps  
Tax Checkoff

## Sales and Use Taxes

**SCR 14-004** (Postponed Indefinitely)  
Statewide Uniform Sales & Use Tax  
Definitions

**SJR 14-038** (Adopted)  
Home Rule Uniform Sales & Use Tax  
Definitions

**HB 14-1080** (Enacted)  
Sales & Use Tax Exemption for Ute  
Indians

## Tax and Finance (Cont.)

### Sales and Use Taxes (Cont.)

**HB 14-1094** (Postponed Indefinitely)  
Sales & Use Tax Holiday for  
Back-to-School Items

**HB 14-1097** (Postponed Indefinitely)  
Sales & Use Tax Holiday Firearms  
Ammo Accessories

**HB 14-1159** (Enacted)  
Biogas System Components Sales &  
Use Tax Exemption

**HB 14-1178** (Enacted)  
Sales & Use Tax Exemption for Space  
Flight Property

**HB 14-1269** (Enacted)  
Marketplace Fairness & Small  
Business Protection Act

**HB 14-1325** (Postponed Indefinitely)  
Sales Tax Refund for Clean Tech &  
Medical Devices

**HB 14-1326** (Enacted)  
Tax Incentives for Alternative Fuel  
Trucks

**HB 14-1327** (Enacted)  
Measures Expand Deployment  
Communication Networks

**HB 14-1348** (Enacted)  
Extend Effective Date of Definition of  
Retail Sale

**HB 14-1374** (Enacted)  
On-Demand Air Carrier Sales & Use  
Tax Exemption

**HB 14-1389** (Postponed Indefinitely)  
Sales & Use Tax for Certain IT  
Equipment

### Property Taxes

**SB 14-014** (Enacted)  
Property Tax Rent Heat Fuel Grants  
For Low-income

**SB 14-089** (Vetoed)  
Prohibit State Agreements Payment  
In Lieu Of Tax

**HB 14-1001** (Enacted)  
Tax Credit For Property Destroyed By  
A Natural Cause

**HB 14-1074** (Enacted)  
Allowable Expenses Renting Tax  
Exempt Property

**HB 14-1101** (Enacted)  
Community Solar Garden Business  
Personal Property Tax  
Exemption

**HB 14-1143** (Postponed Indefinitely)  
Residential Storage Condo Unit As  
Real Property

**HB 14-1349** (Enacted)  
Property Tax Exempt Nonprofit Entity  
Federal Tax Credits

**HB 14-1371** (Enacted)  
Wellhead Point Of Property  
Valuation & Taxation

**HB 14-1373** (Enacted)  
Senior & Disabled Veteran Property  
Tax Exemption

### State Fees

**SB 14-027** (Enacted)  
Judicial Department Background  
Checks

**SB 14-029** (Enacted)  
Architectural Paint Stewardship  
Program

**SB 14-030** (Enacted)  
Distinguished Flying Cross License  
Plate Waive Fee

**SB 14-036** (Enacted)  
Emergency Medical Services License  
Plate

**SB 14-041** (Enacted)  
USS Colorado Submarine Special  
License Plate

**SB 14-055** (Enacted)  
Vehicles Subject to Daily Rental Fee

**SB 14-075** (Enacted)  
Deployed Military Motor Vehicle Fees  
& Taxes

**SB 14-076** (Enacted)  
New Limited-Impact Mining Permit  
Category

**SB 14-099** (Enacted)  
Provisional Physical Therapy License

**SB 14-123** (Enacted)  
POST Board Rule Authority Training  
Suspensions

**SB 14-133** (Enacted)  
Mandatory Licensure Private  
Investigators

**SB 14-161** (Enacted)  
Update Uniform Election Code of  
1992

**SB 14-184** (Enacted)  
Oversight of the Industrial Hemp  
Program

**SB 14-190** (Enacted)  
Statewide Discovery Sharing System

**SB 14-192** (Enacted)  
Uranium Processing Groundwater  
Protection

**HB 14-1034** (Enacted)  
Wine Packaging Permits

**HB 14-1057** (Enacted)  
Fraud Investigators Surcharge  
Report

**HB 14-1160** (Enacted)  
Divisible Load Overweight Vehicle  
Permits

**HB 14-1173** (Enacted)  
Sunset Controlled Substances Abuse  
Act

**HB 14-1199** (Enacted)  
Consumer Goods Service Contracts  
Regulation Changes

**HB 14-1221** (Enacted)  
Sunset Fire Suppression Contractor  
Regulation

## Tax and Finance (Cont.)

### State Fees (Cont.)

**HB 14-1227** (Enacted)

*Sunset Continue Dental Examiners Board*

**HB 14-1270** (Enacted)

*Sunset Pet Animal Care Facilities*

**HB 14-1278** (Enacted)

*Sunset Workers' Compensation Physician Accreditation Program*

**HB 14-1311** (Enacted)

*Job Creation & Main Street Revitalization Act*

**HB 14-1340** (Enacted)

*State Toxicology Laboratory*

**HB 14-1369** (Enacted)

*Durable Medical Equipment Supplier License*

**HB 14-1398** (Enacted)

*Authorize Marijuana Financial Services Cooperatives*

The Colorado General Assembly considered a number of bills during the 2014 legislative session regarding the state's budget and main tax sources for its operating budget. It also considered bills affecting the administration of these taxes and the local governments that implement these tax systems. This document also summarizes bills affecting state cash funds and state fees.

### Changes to Tax Preparation and Remittance Process

The General Assembly considered three bills that impact the tax preparation or remittance process. **House Bill 14-1107** authorizes the Department of Revenue to provide electronic notice to taxpayers as an alternative to mailed notices. **House Bill 14-1285**, which was postponed indefinitely, would have required a professional tax preparer to disclose certain information to clients, including his or her qualifications, fees, year-round contact information, willingness to represent the taxpayer in a government audit, and obligation to sign the prepared tax documents. **Senate Bill 14-019** requires partners in a civil union to file their Colorado taxes using the same filing status as on their federal tax return. In addition, SB 14-019 replaces "husband or wife, or both" with "two taxpayers," and "spouse" with "taxpayer" in several places in state law.

### Cash Fund Transfers

The state receives its revenue from the federal government, state taxes, and state fees. Most fee revenue and some tax revenue is deposited into state cash funds that are earmarked for specific state programs. The legislature debated bills that transferred money from some of these cash funds to the General Fund, as well as from the General Fund to some cash funds.

Table 1 lists bills making cash fund transfers to or from the General Fund that were adopted during the 2014 session. A total of 12 bills are listed in Table 1, showing a combined transfer of up to \$229.9 million from the General Fund to various cash funds over the course of the next three fiscal years.

Table 2 lists bills that make conditional disbursements, in the event there is a surplus, of General Fund revenue for FY 2013-14 to various cash funds, in the order the surplus allocations will be made.

**Table 1**  
**Cash Fund Transfers To or From the General Fund**

Bill Number	Cash Fund	Net Impact to the General Fund		
		FY 2013-14	FY 2014-15	FY 2015-16
SB14-011	Energy Research Cash Fund	0	(1,000,000)	(1,000,000)
SB14-104	Tobacco Litigation Settlement Cash Fund	(10,026,592)	0	0
SB14-189	Controlled Maintenance Trust Fund*	0	9,672,000	0
SB14-215	Marijuana Tax Cash Fund**	0	4,260,000	0
HB14-1011	Advanced Industries Acceleration Fund	0	0	(5,000,000)
HB14-1016	Procurement Technical Assistance Cash Fund	0	0	(220,000)
HB14-1228	Defensive Driving School Fund (transfer of remaining fund balance)***	0	161,533	0
HB14-1276	School Cardiopulmonary Resuscitation and Automated External Defibrillator Training Fund	0	(250,000)	0
HB14-1300	Colorado State Fair Authority Cash Fund	0	(300,000)	0
HB14-1341	Department of State Cash Fund****	2,175,000	0	0
HB14-1342	Capital Construction Fund	0	(225,493,465)	0
HB14-1368	Child Welfare Transition Cash Fund	0	(2,829,586)	0
<b>Total</b>		<b>(\$7,851,592)</b>	<b>(\$215,779,518)</b>	<b>(\$6,220,000)</b>

\*This transfer is to support an appropriation in FY 2014-15 for new aircraft for the Colorado Firefighting Air Corps.

\*\*In FY 2013-14, the General Fund received a \$2.0 million Marijuana Cash Fund transfer under HB 13-1317. SB 14-215 creates the Marijuana Tax Cash Fund, from which the General Fund is receiving the \$4.3 million transfer and will receive future retail and medical marijuana tax funds transfers.

\*\*\*This is a transfer of the remaining fund balance.

\*\*\*\*This transfer repays moneys transferred from the Department of State Cash Fund to the General Fund during FY 2008-09.

**Table 2**  
**Conditional Distribution of FY 2013-14 General Fund Surplus**  
*(Listed in order of funding)*

Bill Number	Cash Fund	FY 2013-14
HB14-1342	Colorado Water Conservation Board Construction Fund	(30,000,000)
	State Education Fund	(20,000,000)
	General Fund	(25,000,000)
SB14-223	Economic Development Fund	(1,000,000)
HB14-1339	Hazardous Substance Site Response Fund	(10,000,000)
HB14-1342	Capital Construction Fund	(135,335,748)
	State Education Fund	Remaining surplus
<b>Total</b>		<b>(\$221,335,748)</b>

## Income Taxes

The legislature debated and enacted a number of bills affecting state income taxes during the 2014 session. The state's income tax rate is 4.63 percent and is the same for all income levels for both households and businesses. Some of these tax policy changes take the form of state income tax credits and deductions. A state income tax deduction is subtracted from taxable income, thus reducing the final tax bill by 4.63 percent of the amount deducted, whereas an income tax credit reduces a final tax bill dollar for dollar.

***Disaster-related tax assistance.*** The General Assembly debated two bills concerning income tax relief for those affected by or involved in the mitigation of the impact of natural disasters. Under current law, a taxpayer is allowed a state income tax deduction for performing wildfire mitigation measures. The deduction is equal to 50 percent of the costs the taxpayer incurred while performing these measures. **House Bill 14-1009**, which was postponed indefinitely, would have changed the wildfire mitigation income tax deduction to an income tax credit. **House Bill 14-1003** allows a state withholding tax exemption for nonresident taxpayers who performed disaster-related work during a disaster period in the state. The withholding exemption is available beginning in tax year 2015 through tax year 2019.

***Business development tax incentives.*** The General Assembly considered five bills that provide varying tax incentives for taxpayers who take measures to increase business in the state. **House Bill 14-1012** repeals the Colorado Innovation Investment Income Tax Credit and replaces it with the Advanced Industry Investment Income Tax Credit. The income tax credit is available in tax years 2014 through 2017. Investors must invest a minimum of \$10,000 in a business that qualifies as a Colorado advanced industry in order to qualify for the credit, which is equal to 25 percent of the qualified investment, or 30 percent if the investment is in a business located in a rural or economically distressed area, up to \$50,000 annually. **House Bill 14-1014** modifies the Job Growth Incentive Tax Credit, which provides an income tax credit to firms that create jobs in Colorado. The bill extends the claim period and lowers the wage requirements for an employer to claim the credit, which is equal to half the amount the employer is required to pay in federal social security and Medicare taxes on the created jobs. In most cases, this is equal to 3.825 percent of a job's annual wage. **House Bill 14-1163** limits the amount of the Enterprise Zone Investment Tax Credit (ITC) that may be claimed after tax year 2014 to \$750,000 per taxpayer, per tax year. **House Bill 14-1305**, which was postponed indefinitely, would have allowed a renewable energy company with ITCs to annually elect to receive a refund of credits that had been carried forward. The amount of the refund would have been equal to 85 cents for every one dollar of ITC credit. Beginning January 1, 2015, for the next five income tax years, **House Bill 14-1279** creates a state income tax credit for businesses for the amount of business personal property tax paid in Colorado. The credit is equal to the amount of business personal property tax paid, less the value of the tax benefit received by the taxpayer from deducting these taxes from his or her federal taxable income.

***Tax relief for low- and middle-income wage earners.*** **House Bill 14-1072** creates a new child care tax credit for Colorado taxpayers who have a federal adjusted gross income of \$25,000 or less. The credit is equal to 25 percent of the taxpayer's child care expenses with a maximum amount of \$500 for a single dependent or \$1,000 for two or more dependents. The tax credit is refundable, which means the amount of the credit that exceeds the taxpayer's income tax liability must be refunded to the taxpayer. The credit is available for tax years 2014 to 2016.

**Tax deduction for federal penalties.** **House Bill 14-1106**, which was postponed indefinitely, would have created an individual income tax deduction to offset penalties paid by taxpayers under the provisions of the federal Patient Protection and Affordable Care Act.

**Tax credits for preservation, remediation, and charitable donations.** The General Assembly considered three bills that provide income tax credits for the protection and preservation of environmental and historical sites and for charitable donations in the 2014 session. **House Bill 14-1311** creates an income tax credit for the rehabilitation of a qualified historical property. The credit is available for tax years 2016 through 2019. For commercial structures, the total amount of the income tax credit is equal to 25 percent of qualified costs up to \$2 million, plus 20 percent of qualified costs that are greater than \$2 million. The total credit provided per commercial building cannot exceed \$1 million. For residential structures, the amount of the credit is equal to 20 percent of the rehabilitation costs, not to exceed \$50,000 for each property. **House Bill 14-1119** creates an income tax credit for individual and corporate taxpayers who donate food to hunger-relief charitable organizations. The taxpayer receives a credit value of 25 percent of the wholesale market price or the most recent sale price of the donated food. The value of the credit is capped at \$5,000 per taxpayer each year, and is available for tax years 2015 through 2019.

From 2000 through 2010, there was a state income tax credit for taxpayers who conducted specific environmental remediation activities on property that was proposed for redevelopment. Beginning in tax year 2014 through tax year 2022, **Senate Bill 14-073** reauthorizes the income tax credit for taxpayers who perform approved environmental remediation of contaminated property. The credit is equal to 40 percent of the first \$750,000 of remediation costs, and 30 percent of costs over \$750,000, up to \$1.5 million.

**Tax credit for low-emission and alternative fuel vehicles.** **House Bill 14-1326** creates an income tax credit for low-emission and alternative fuel vehicles in addition to the Innovative Motor Vehicle Income Tax Credit available in current law. Taxpayers would not be able to claim both credits.

## Income Tax Checkoff Programs

In 1977, Colorado was the first state to create a tax "checkoff" allowing taxpayers to voluntarily contribute to an organization on their income tax form by donating a portion of their income tax refund or increasing the amount owed on their tax return. Currently, there are 15 checkoff programs on the form, the maximum allowed by law. During the 36 tax years that programs have been on the form, organizations have received \$41.3 million in contributions.

**Newly created programs and the "queue."** During the 2011 session, the legislature made changes to the income tax checkoff program which established a priority order for newly created checkoffs. To ensure that the 15-checkoff cap is not exceeded, the priority order system specifies that continued or renewed checkoffs take precedence over newly created checkoffs. Thus, if a checkoff that has appeared on the form is renewed or continued and has donations of at least \$75,000 during the third year that the checkoff has appeared on the form, the checkoff remains on the form in the subsequent tax year. A newly created checkoff can only appear on the tax form when an existing checkoff is removed. If more than one checkoff is placed in a queue in any given year, the order of checkoffs is determined by the date and time the Governor signed the bill creating the new checkoff.

Seven tax checkoff programs resulting from legislation enacted during the 2011, 2012, 2013, and 2014 sessions are in the tax checkoff queue. Table 3 shows the order of income tax checkoffs in the queue. The earliest these checkoffs may be added to the form is tax year 2014. Historically, about one income tax checkoff program drops off the income tax form each year for either insufficient donations or because it is not continued by the General Assembly. Thus, one or two programs in the queue may be added on the 2014 tax form.

**Table 3  
Tax Checkoff Program Queue\***

Queue Order	Program	Signed into Law
(1) House Bill 11-1071	Roundup River Ranch Fund	06/06/11
(2) Senate Bill 12-055	9Health Fair Fund	04/16/12
(3) House Bill 12-1290	Colorado For Healthy Landscapes Fund	04/26/12
(4) House Bill 12-1006	American Red Cross Fund	04/26/12
(5) Senate Bill 13-029	Habitat For Humanity of Colorado Fund	03/15/13
(6) House Bill 13-1237	Special Olympics Colorado Fund	04/19/13
(7) House Bill 14-1092	Colorado Youth Conservation Corps Fund	04/25/14

\*Checkoffs may be added beginning tax year 2014 and subsequent tax years.

Table 4 provides donation information on checkoff programs from January 1, 2014, through April 30, 2014, for checkoffs that appeared on the 2013 tax form.

**Table 4  
Donations for Tax Checkoff Programs  
(2013 tax year: donation period from January 1, 2014 through April 30, 2014)**

Tax Checkoff Programs	Donations
Alzheimer's Association Fund	\$84,398
Colorado Cancer Fund	67,657
Colorado Domestic Abuse Program Fund	102,390
Colorado Healthy Rivers Fund	75,942
Colorado Multiple Sclerosis Fund*	39,828
Families in Action for Mental Health Fund	48,325
Goodwill Industries Fund	48,137
Homeless Prevention Activities Program Fund	86,920
Make-A-Wish Foundation of Colorado Fund	106,088
Military Family Relief Fund	128,991
Nongame and Endangered Wildlife Fund	118,098
Pet Overpopulation Fund	116,548
Public Education Fund	65,151
Unwanted Horse Fund	69,259
Western Colorado State Veterans' Cemetery Fund**	28,068
<b>Totals</b>	<b>\$1,185,800</b>

\*This income tax checkoff program first appeared on the 2009 tax form but dropped off the form in 2011. After one year it was placed back on the tax form in 2012 and is subject to the \$75,000 donation requirement.

\*\*This income tax checkoff program is not subject to the \$75,000 donation requirement to remain on the income tax form.

Prepared by Legislative Council Staff

**2014 checkoff program legislation.** During the 2014 session, the legislature adopted one tax checkoff bill, **House Bill 14-1092**, to collect donations for the Colorado Youth Conservation Corps. Money in the fund would be used by the Colorado Youth Conservation Corps to promote youth development, education, and employment through conservation programs for young people.

## **Sales and Use Taxes**

The General Assembly debated a number of bills during the 2014 session with a potential impact on state sales and use taxes. The state sales tax is equal to 2.9 percent of the sales price of tangible personal property and is due when property is sold unless there is a specific exemption in law. The use tax is a complementary tax, due when property is used or stored within the state and sales tax would have been due but was not collected.

**Sales and use tax holidays.** The General Assembly considered two bills concerning a "sales tax holiday," or temporary suspension of the state sales tax for certain goods or services, both of which were postponed indefinitely. **House Bill 14-1094** would have created a three-day sales tax holiday on the first weekend of August 2014 for any school supply costing \$50 or less and any article of clothing costing \$75 or less. **House Bill 14-1097** would have created a two-day sales tax holiday on the first weekend of August 2014, August 2015, and August 2016 for firearms, ammunition, and firearm accessories.

**Sales and use tax exemptions, rebates, and refunds.** The General Assembly authorized a number of new sales and use tax exemptions for certain goods, services, or populations. **House Bill 14-1080** clarifies that state sales taxes do not apply to purchases made on, or delivered to, a Native American reservation if the purchaser is an enrolled tribal member of the Southern Ute or Ute Mountain Ute Tribe. **House Bill 14-1159** creates a five-year sales and use tax exemption for equipment used to turn biogas into electricity or a renewable natural gas. **House Bill 14-1178** creates a five-year sales and use tax exemption for space vehicles and property used for space travel. **House Bill 14-1374** creates a five-year sales and use tax exemption for aircraft owned by on-demand air carriers if the aircraft is in the state for final assembly or maintenance, will be removed from the state within 120 days, and will not be in the state for more than 73 days in the first three years after it is removed from the state.

Several other bills affecting existing sales and use taxes were also authorized by the General Assembly during the 2014 session. **House Bill 14-1326** changes the emission requirements that vehicles with gross vehicle weight ratings over 10,000 pounds must meet in order to qualify for an existing exemption from the sales and use tax. **House Bill 14-1327** offers a refund of up to \$1 million of the sales and use taxes paid for the purchase of equipment to provide broadband service to rural areas of the state with a population of less than 30,000 residents.

The General Assembly postponed indefinitely two bills which would have created or extended state sales and use tax exemptions. **House Bill 14-1389** would have created a ten-year sales and use tax exemption for purchases of equipment for or the construction of data centers used primarily to house information technology equipment and at least 25,000 square feet in size. **House Bill 14-1325** would have extended the repeal date of a refund for the sales and use taxes paid on property used for research and development by clean technology and medical device manufacturers.

**Marketplace fairness act.** The federal "Marketplace Fairness Act," which is currently under consideration by Congress, will require out-of-state retailers to collect and remit state sales taxes to states based on where a purchase is delivered. The Colorado General Assembly considered two bills related to the collection of sales and use taxes by out-of-state retailers during the 2014 legislative session. **House Bill 14-1348** changes the effective date of the definition of "retail sale" that was adopted with the passage of House Bill 13-1295 from July 1, 2014, to until after the Marketplace Fairness Act passes. The definition for retail sale that was adopted in HB 13-1295 requires sales taxes to be calculated based on where a consumer takes possession of property rather than where the property is purchased. **House Bill 14-1269** requires out-of-state retailers to prove that they do not have a physical presence in the state for the purpose of sales and use tax collection. This requirement may increase the amount of taxable sales made by out-of-state retailers and thus the overall collection of state sales and use taxes.

**Uniform sales and use tax definitions.** The General Assembly considered two measures that address a need for more uniform sales and use tax definitions. **Senate Joint Resolution 14-038** directs home rule municipalities to begin adopting and utilizing a system of standardized definitions of and guidance about the collection of sales and use taxes. **Senate Concurrent Resolution 14-004**, which was postponed indefinitely, would have submitted a ballot measure to the voters to create a commission charged with providing guidance and certifying all definitions necessary to establish uniform sales and use tax definitions for use by state and local governments.

## Property Taxes

The legislature debated several bills during the 2014 session that affect property taxes paid on real and personal property.

**Property tax exemptions and rebates.** To obtain an exemption from local property tax, a property owner must be a non-profit entity and the property must be used for religious, charitable, or educational purposes. For property tax years beginning January 1, 2014, **House Bill 14-1349** broadens the eligibility for an exemption to include property owned by a limited partnership, or limited liability corporation, the parties to which are eligible for the federal Rehabilitation Tax Credit or New Markets Tax Credit, which are provided for the rehabilitation of old buildings and the investment of money in community development entities, respectively.

All personal property is taxable in Colorado unless specifically exempted in the Colorado Constitution. Business personal property is anything used for the production of income or in the operation of a business, such as machinery, equipment, and leasehold improvements. Under current law, business owners of a community solar garden must pay property tax on the personal property used to generate electricity. For property tax years 2015 through 2020, **House Bill 14-1101** specifies that the share of electricity generated by a community solar garden and attributed to residential or governmental subscribers, or subscribers that are property tax exempt religious or charitable organizations, is exempt from property tax.

For real property and business personal property destroyed by natural causes or causes beyond the control of the property owner, **House Bill 14-1001** establishes a state reimbursement to county treasurers for property taxes forgone due to proration of assessed value after the property has been destroyed. After receiving the state reimbursement, the county treasurer is

required to either apply a credit to the property tax bill of the destroyed property, pay the property tax owed for each destroyed property, or reimburse the taxpayer if the property tax has been paid. The bill applies to tax years starting on or after January 1, 2013.

**House Bill 14-1373** permits an owner or a surviving spouse who is displaced by a natural disaster that destroys their residence, or the surviving spouse who takes possession of the residence of a deceased disabled veteran, to claim the homestead exemption in tax years starting January 1, 2015. The homestead exemption provides property tax exemptions to qualifying senior and disabled veteran taxpayers.

The Property Tax, Rent, and Heat Rebate Program provides qualified individuals and married couples rebates for certain property tax or rent expenses and an additional rebate for heat expenses. **Senate Bill 14-014** makes changes to the program by establishing flat rate rebates, increasing the income threshold to receive the rebates, and increasing the maximum property tax and rent rebate for income-eligible claimants to \$700.

**Allowable expenses renting tax exempt property.** Under current law, when a nonprofit organization owns real property and leases the property to another nonprofit organization, the landlord organization is limited to the collection of certain "reasonable expenses" for the use of its property by a tenant nonprofit organization. **House Bill 14-1074** modifies and expands the list of reasonable expenses provided by statute, permitting landlord nonprofit organizations to charge for depreciation, long-term maintenance, capital for refurbishing the property, and expenses incurred for conservation measures.

**Valuation of property for tax purposes.** The increased use of horizontal drilling techniques has added complexity to the allocation of production value for oil and gas leases that span the boundaries of multiple local government taxing districts. **House Bill 14-1371** specifies that the wellhead is the point of valuation and taxation for property tax purposes.

**House Bill 14-1143**, which was postponed indefinitely, would have established a residential storage condominium unit as a residential improvement, meaning units would have been assessed as residential real property at 7.96 percent of actual value instead of as nonresidential property at 29 percent of actual value.

**State payments in lieu of taxes.** The state is exempt from property taxes. A payment in lieu of tax is a payment made by a tax exempt entity to compensate a local government or local taxing jurisdiction for some or all of the tax revenue that it loses because of the nature of the ownership or use of a particular piece of real property. **Senate Bill 14-089**, which was vetoed by the Governor, would have limited the circumstances under which the state may make a payment in lieu of tax for property that it owns or leases.

## Legislation Affecting State Fees

During the 2014 session, 28 bills were adopted eliminating, modifying, or creating new state fees, including eight bills that continued existing fees at current levels. Table 5 lists these bills by fund name. The total estimated revenue impact of all bills adopted during the 2014 session that modify state fees is \$4.6 million for FY 2014-15 and \$4.9 million for FY 2015-16.

**Table 5  
Legislation Affecting State Fees**

<b>Fund Name</b>	<b>Bill Number</b>	<b>Change in Fee Amount</b>	<b>FY 2014-15 Fiscal Impact</b>	<b>FY 2015-16 Fiscal Impact</b>
Cannabis Credit Co-op	HB 14-1398	\$25,000	\$0	\$255,000
CBI Identification Unit	SB 14-133	0	15,800	1,185
CBI Investigation Identification Unit	SB 14-027**	0	73,470	73,470
Colorado Identity Theft and Financial Fraud	HB 14-1057	1	98,500	98,500
Controlled Substances Program	HB 14-1173	236	3,540	3,540
Department of State	SB 14-161	potential increase	0	0
	HB 14-1369	to be determined	52,500	52,500
Division of Animal Industry	HB 14-1270	to be determined	0	0
Division of Fire Prevention and Control	HB 14-1221	100	1,000	51,000
Division of Insurance	HB 14-1199	to be determined	27,000	27,000
Division of Professions and Occupations	SB 14-099	to be determined	15,000	15,000
	SB 14-133	30	120,000	12,600
	HB 14-1227*	to be determined	129,066	110,628
Highway Users Tax	SB 14-030**	0	(25)	(25)
	SB 14-036**	0	25,000	25,000
	SB 14-041**	0	7,000	3,125
	SB 14-055**	0	(2,064)	(2,064)
	SB 14-075**	0	(177,870)	(355,740)
Industrial Hemp Registration Program	SB 14-184	5/20	1,125	1,450
Judicial Stabilization	SB 14-190	5/10	24,250	55,379
License Plate	SB 14-030**	0	(6)	(6)
	SB 14-036**	0	5,920	5,920
	SB 14-041**	0	1,658	740
	SB 14-075**	0	(3,337)	(6,673)
Licensing Services	SB 14-030**	0	(25)	(25)
	SB 14-036**	0	25,000	25,000
	SB 14-041**	0	7,000	3,125
	SB 14-075**	0	(9,491)	(18,982)
Liquor Enforcement Division and State Licensing Authority	HB 14-1034	200	24,600	24,600
Mined Land Reclamation	SB 14-076	(718) - 86	(4,420)	(4,076)
Office of Economic Development and International Trade	HB 14-1311	up to 500 and 3 percent of credit	0	75,000

**Table 5 (Cont.)  
Legislation Affecting State Fees**

<b>Fund Name</b>	<b>Bill Number</b>	<b>Change in Fee Amount</b>	<b>FY 2014-15 Fiscal Impact</b>	<b>FY 2015-16 Fiscal Impact</b>
Paint Stewardship Program	SB 14-029	to be determined	93,400	90,600
Physicians Accreditation Program	HB 14-1278***	0	0	100,000
Peace Officer Standards Training Board	SB 14-123	.40 - 25	1,636,492	1,801,744
Prescription Drug Monitoring	HB 14-1173	20 - 25	300	325
Radiation Control	SB 14-192**	0	151,500	0
State Highway	HB 14-1160**	(250) - 2,000	149,940	299,880
State Toxicology Laboratory	HB 14-1340	To be determined	2,089,776	2,089,776
<b>Total</b>			<b>\$4,581,599</b>	<b>\$4,912,496</b>

\*Increase to existing fee.

\*\*Change in application of existing fee.

\*\*\*Continues an existing program.