



Legislative
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FISCAL NOTE

Drafting Number: LLS 18-1151
Prime Sponsors: Rep. Rankin

Date: April 19, 2018
Bill Status: House Finance
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Bill Topic: ELIMINATE OIL & GAS ABATEMENT REFUND INTEREST

Summary of Fiscal Impact:

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure (<i>minimal workload</i>)	<input checked="" type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

This bill eliminates interest paid by local governments for erroneously paid property taxes on oil and natural gas property due to an error in information provided by the taxpayer. This will result in a decrease of local government expenditures and a one-time workload increase within the Department of Local Affairs. The local expenditures impacts are ongoing.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This fiscal note represents the introduced version of the bill.

Summary of Legislation

Under current law, local governments pay interest on erroneous levied property taxes for up to two years when taxpayers do not file a protest for the taxes paid. The bill eliminates the refund interest for property taxes on oil and gas property when the taxes were erroneously levied as a result of an error made by the taxpayer.

Background

The value of most classes of property are assessed by county assessors based on the characteristics of the real property being taxed. The value of personal property and oil and gas property are based on information provided to the county assessor by the taxpayer. When taxpayers provide a higher value than the actual value to the county assessor, their property taxes are based on the inflated value. The taxpayer has two remedies for the error in property taxes:

- they can file a protest with the county assessor if they immediately identify the issue;
or
- file an application for an abatement.

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

State Expenditures

For FY 2018-19 only, the Division of Property Taxation within the Department of Local Affairs will need to update procedures and resource materials provided to County Assessors and answer questions concerning the change in abatements. This workload increase can be accomplished within existing resources.

Local Government

Beginning in FY 2018-19, this bill will reduce the expenditures for local governments when property taxes on oil and gas property are erroneously levied due to incorrect information provided by the taxpayer.

The interest payments are not reported to the state, so no expenditure impact is calculated. County treasurers reported that \$49.9 million in property taxes were abated or refunded in 2016. The three counties with the most oil and gas assessed value (Weld, Garfield, and La Plata Counties) accounted for \$6.1 million in abatements and interest. 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 not possible to quantify the local government expenditure impact with available information.

Effective Date

The bill takes effect August 8, 2018, if the General Assembly adjourns on May 9, 2018, as scheduled, and no referendum petition is filed.

State Appropriations

No appropriation needed.

State and Local Government Contacts

Counties
County Assessors
Municipalities
Division of Property Taxation- Local Affairs