



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado’s Legislature

BILL 10: BUSINESS PERSONAL PROPERTY TAX EXEMPTION INCOME TAX CREDIT

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Published for: Bill Request

Version: Interim Fiscal Note

Drafting number: LLS 25-0224

Date: September 27, 2024

Fiscal note status: The fiscal note reflects the bill draft requested by the Legislative Oversight Committee Concerning Tax Policy.

Summary Information

Overview. The bill ends a refundable income tax credit for business personal property taxes paid beginning with the 2026 tax year and increases the business personal property tax exemption threshold beginning with property tax year 2026.

Types of impacts. The bill is projected to affect the following areas:

- State Revenue
- State Expenditures
- TABOR Refunds
- Local Government

Appropriations. No appropriation is required.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2025-26	Out Year FY 2026-27
State Revenue (General Fund)	\$89,500	\$179,000
State Expenditures (School Finance)	\$0	\$2.2 million
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$89,500	\$179,000
Change in State FTE	0.0 FTE	0.0 FTE

Summary of Legislation

The bill ends the Business Personal Property Tax Income Tax Credit, a refundable income tax credit for business personal property taxes paid on up to \$18,000 of the total actual value of the taxpayer's personal property, beginning with the 2026 tax year. The bill expands a current business personal property tax exemption threshold from \$50,000, adjusted by inflation every two years for each assessment cycle, to \$75,000 adjusted for inflation every two years.

Background

Existing Business Personal Property Tax Income Tax Credit

The current business personal property tax income tax credit was created by Senate Bill 17-267 and was first available for tax year 2019. The current credit replaced a similar credit that was in place for tax years 2015 to 2018. The refundable income tax credit allows businesses that pay personal property taxes to claim a credit that is equivalent to the share of property taxes attributable to up to \$18,000 of actual value of personal property. The share is calculated by dividing up to \$18,000 of personal property by the business's total value actual value of personal property. This percentage is multiplied by the business's personal property taxes paid to calculate the credit amount.

According to the most recent [annual report](#) published by the Department of Revenue, there were 373 individual income tax payer claims totaling about \$133,000 and 52 corporate income tax payer claims totaling about \$37,000 for tax year 2021. A [report](#) by the Office of the State Auditor estimates the credit is claimed by less than 1 percent of business personal property taxpayers in the state.

Business Personal Property Tax Exemption

State statute provides an exemption from filing a personal property declaration schedule and paying personal property tax if the taxpayer's actual value of business personal property in a county is less than \$52,000 for the current assessment cycle. The threshold is adjusted every 2 years by inflation for the next reassessment cycle.

State Revenue

Eliminating the existing business personal property income tax credit will increase state revenue to the General Fund by an estimated \$89,500 in FY 2025-26, by \$179,000 in FY 2026-27, and similar amounts in later years. The revenue impact for FY 2025-26 represents a half-year impact on an accrual accounting basis. The bill increases individual income tax revenue, which is subject to TABOR. Increasing the Business Personal Property Tax Exemption has no impact on state revenue because business personal property taxes are paid to local governments.

State Expenditures

The bill increases expenditures for the state share of school finance by an estimated \$2.2 million in FY 2026-27, with similar amounts in later years. It minimally increases workload in the Department of Revenue. These impacts are described below.

School Finance

The bill decreases property tax collections from school district total program mills beginning with the 2026 property tax year, requiring an equivalent increase in the state share of total program funding for school finance beginning in FY 2026-27. In FY 2026-27, the state aid obligation is estimated to increase by \$2.2 million under assumptions detailed in the Local Government section. The impact will be larger in later years based on growth in property value through new business formation and capital appreciation. The state aid obligation may be paid from the General Fund, the State Education Fund, the State Public School Fund, or a combination of these sources.

Department of Revenue

The bill increases workload in the Department of Revenue for programming changes to eliminate the current business personal property tax income tax credit. Increases may be offset from decreased workload for the current credit for auditing and reporting. Workload is expected to be absorbable under existing appropriations.

TABOR Refunds

The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the September 2024 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2026-27. Because TABOR refunds are paid from the General Fund, increased General Fund revenue will increase the TABOR refund obligation, but result in no net change to the amount of General Fund available to spend or save.

Local Government

The bill decreases revenue to local governments compared with current law, on net, beginning with 2026 property taxes payable in 2027. Property tax reductions are partially offset by state funds to school districts from state aid payments for school finance. Local government revenue impacts are summarized in Table 2.

**Table 2
Local Revenue**

Type of Impact	Out Year FY 2026-27
Property Tax Revenue	-\$7.2 million
State Aid to School Districts	\$2.2 million
Net Change	-\$5.0 million

Property Tax

The bill decreases local government property tax revenue compared with current law by an estimated \$7.2 million in FY 2026-27, and by larger amounts in later years based on growth in property values from new business formation and capital appreciation. The analysis estimates about 2.1 percent of the actual value of business personal property in the state is exempt under the current exemption threshold, and will increase to about 2.9 percent exempt under the bill.

State Aid to School Districts

The School Finance Act requires the state to pay the difference between a district's property tax revenue collected from its total program mill levy, and the amount of total program funding calculated for the district. The bill decreases school district property tax revenue, thereby increasing the state aid requirement, as detailed in the State Expenditures section. Other mill levies assessed by school districts, such as override mills, are not reimbursed and may generate less revenue as a result of the bill.

Effective Date

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

State and Local Government Contacts

Counties
County Assessors
Information Technology
Local Affairs

Municipalities
Property Tax Division
Revenue
Special District Association

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the General Assembly website.