



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado’s Legislature

BILL 3: BUSINESS PERSONAL PROPERTY TAX INCOME TAX CREDIT

Prime Sponsors:

Fiscal Analyst:

David Hansen, 303-866-2633

david.hansen@coleg.gov

Published for: Bill Request

Version: Interim Fiscal Note

Drafting number: LLS 25-0217

Date: September 25, 2024

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

Summary Information

Overview. The bill eliminates a refundable income tax credit for business personal property taxes paid on up to \$18,000 of personal property beginning with the 2026 tax year, and creates a new refundable credit for personal property taxes equivalent to average property taxes paid on \$50,000 of personal property, adjusted for inflation, but only for businesses with less than \$150,000 of personal property.

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

- State Revenue
- Minimal State Workload
- TABOR Refunds

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	-\$0.5M to -\$2.7M	-\$0.9M to -\$5.3M
State Expenditures	\$0	\$0
Transferred Funds	\$0	\$0
Change in TABOR Refunds	-\$0.5M to -\$2.7M	-\$0.9M to -\$5.3M
Change in State FTE	0.0 FTE	0.0 FTE

¹ M = million.

Summary of Legislation

Beginning with the 2026 tax year, the bill ends the existing refundable income tax credit under current law for business personal property taxes paid on up to \$18,000 of the total actual value of the taxpayer's personal property. In its place, a new refundable income tax credit is created by the bill for tax years 2026 through 2031. The new credit may be claimed by businesses that are not eligible for a business personal property tax exemption, but whose total actual value of personal property is below a certain threshold, initially set at \$150,000. The size of the credit is determined by multiplying the threshold by the assessment rate for personal property, and then multiplying by the average mill levy imposed on personal property across the state.

Like the business personal property exemption threshold under current law, the threshold of \$150,000 is adjusted for inflation every other year, or for every two-year cycle beginning with the 2027 tax year, as measured by the Denver-Aurora-Lakewood consumer price index published by the U.S. Bureau of Labor Statistics.

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 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 taxpayer 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

On net, the bill is estimated to decrease General Fund revenue between \$0.5 million to \$2.7 million in FY 2025-26, and by between \$0.9 million and \$5.3 million in FY 2026-27, and larger amount in later years based on growth in property value through new business formation and capital appreciation. The revenue impact in FY 2025-26 represents a half-year impact on an accrual accounting basis. Income tax revenue is subject to TABOR. Table 2 shows the net change in revenue from creation of the new income tax credit and the repeal of the existing credit starting in tax year 2026.

Table 2
State Revenue¹

General Fund	Budget Year FY 2025-26	Out Year FY 2026-27
Existing Business Personal Property Tax Income Tax Credit	\$89,500	\$179,000
New Business Personal Property Tax Income Tax Credit	-\$0.6M to -\$2.8M	-\$1.1M to -\$5.5M
Net Revenue	-\$0.5M to -\$2.7M	-\$0.9M to -\$5.3M

¹ M = million.

Assumptions

The analysis assumes approximately 18 percent of about 100,000 personal property tax schedules could be eligible for the property tax credit based on 2023 abstract data from the Division of Property Taxation. The credit is assumed to be utilized by between 5 percent and 25 percent of eligible personal property schedules, or between about 940 and 4,700 claims. Estimated claim amounts are based on an assumed business personal property tax exemption threshold of \$56,000 for the 2025-2026 assessment cycle, based on information from the Division of Property Taxation and the 2023 statewide weighted average mill levy of about 81.5 mills.

State Expenditures

The bill minimally increases state workload and costs in the Department of Revenue for GenTax programming, testing, and support, and for reporting in the Office of Research and Analysis to track data on the new credit. It is assumed that any increase in workload can be accomplished within existing appropriations, as any resources previously available for implementation of the existing business personal property tax income tax credit can be shifted to the new credit.

TABOR Refunds

The bill is expected to decrease 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, decreased General Fund revenue will lower the TABOR refund obligation, but result in no net change to the amount of General Fund otherwise available to spend or save.

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	Property Tax Division
Information Technology	Revenue
Local Affairs	

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.