

5/3/2017

Colorado lawmakers try, try again to cut the hated business personal property tax - Denver Business Journal

From the Denver Business Journal:

<http://www.bizjournals.com/denver/news/2017/04/17/colorado-lawmakers-try-try-again-to-cut-the-hated.html>

Colorado lawmakers try, try again to cut the hated business personal property tax

Apr 17, 2017, 3:55pm MDT

Colorado state Senate members passed a bill Monday to increase the exemption for the business personal property tax by a hefty 27-6 margin — the kind of bipartisan agreement that one might think would lead to success for the bill in the House or Representatives.

But when asked just hours before the vote about the chances for the long-sought GOP goal of making substantial cuts to the widely hated tax on business equipment, Senate President Kevin Grantham, R-Cañon City, jokingly deflected the question by asking, “Hey, how about that nice weather we’ve been having?”

And Senate Majority Leader Chris Holbert, R-Parker, responded with a verbal treatise on why the Legislature likely will never take a significant swipe at the tax unless it were to develop dynamic modeling in determining the effect of bills on its budget.

“I believe [that] with raising the base on the business personal property tax, we’ll actually see an increase in employment and taxes coming from those companies,” said Holbert, who has authored more targeted laws in past years that allow local governments to offer reductions or eliminations of their share of the tax for certain companies. “Over the long term, I believe we could actually see an increase in revenue by raising that base. But we don’t have any data to show that over time.”

Efforts to reduce or eliminate the tax precede the tenures of any members of the Legislature in their current positions. Business leaders have complained it is one of the most harmful taxes in the state in regard to their effort to recruit capital-intensive businesses such as manufacturers, as many companies feel they are being double-taxed for both the buildings they occupy and the equipment that is inside them.

Currently, Colorado allows companies that have \$7,300 or less in business personal property to be exempted from the tax. A bevy of bills over the past few years have tried to increase that exemption, including an effort earlier this session from Republican Rep. Tim Leonard of Evergreen, House Bill 1063, that would have raised the exemption to \$50,000.

Senate Bill 9, sponsored by GOP Sen. Larry Crowder of Alamosa, would raise the exemption just slightly to \$10,000 — a bump that would decrease property tax revenue to local governments by \$2.8 million next year, the nonpartisan Colorado Legislative Council estimates.

Crowder originally proposed raising the exemption to \$21,000 but lowered it during the first committee hearing for SB 9 in order to reduce the fiscal note, which determines how much money must be taken out of the state budget for next year if the bill were to pass.

While that loss in revenue led just six of the 17 Democrats in the chamber to vote against the measure Monday, it likely will lead it down the same path to oblivion that led the House State, Veterans and Military Affairs Committee to kill HB 1063 by a 6-3 vote.

Few people defend the tax, but many of those unwilling to bring it down note how much local governments depend on its revenues.



ED SEALOVER | DENVER BUSINESS JOURNAL

Colorado state Senate President Kevin Grantham (center) discusses bills on April 17, 2017, while flanked by Senate Education Committee Chairman Owen Hill (left) and Senate Majority Leader Chris Holbert (right).

A number of counties that are heavily agricultural or that have a substantial amount of land that is federally owned get as much as 20 percent of their annual revenues from the tax, and at least two drilling-heavy northwestern counties — Moffat and Rio Blanco — get the majority of their budgets from business personal property tax revenues.

Also, the state is required to backfill revenue to school districts that they would lose because of an any kind of cut such as this that would affect local tax collections. Passage of SB 9 not only would cut money to local governments, but it would force the state to pay back \$765,000 to school districts that it otherwise would use for other purposes.

Tony Gagliardi, Colorado director for the National Federation of Independent Business, agreed with Holbert that he believes such a tax cut would increase revenues in the long run because businesses would be more likely to invest in new equipment and hire new workers for that machinery.

In fact, NFIB would like to see the first \$10,000 of property exempted for every business, so that the tax cut would benefit more than just the smallest businesses with small amounts of equipment, he said.

Crowder, who has not run similar bills in the past and has sometimes clashed with tax-cut advocates, got involved in the debate this year because he was worried about the effect that November's voter-approved minimum-wage hike would have on businesses in his lower-income district that spans southeastern Colorado and the San Luis Valley. This bill, he said, would help those companies and his area of the state.

"I think it is a just bill," Crowder said.

But House Democrats acknowledged problems with the nature of the tax, even as they killed HB 1063. They argued instead that any discussions of rolling back the tax should be part of a bigger-picture conversation in which the state could raise other taxes in order to offset this revenue loss.

"This kind of tax is difficult, and it is very confusing for small businesses," said Rep. Adrienne Benavidez, D-Commerce City. "But this bill is a little more sweeping than I would like to see. And we really do need comprehensive tax reform in the state."

SB 9 now heads to the House, where Speaker Crisanta Duran, D-Denver, will assign it to a committee.

Ed Sealover
Reporter
Denver Business Journal

