



Legislative Council Staff

Research Note

Version: Final

Date: 5/16/2016

Bill Number

Senate Bill 16-067

Sponsors

Senator Scheffel
Representative Williams

Short Title

**Broadband Personal Property
Tax Exemption**

Research Analyst

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Status

This research note reflects the final version of the bill, which was postponed indefinitely by the House Finance Committee on May 10, 2016.

Summary

The bill allows counties with a population of under 60,000 to grant a property tax exemption for personal property used to provide broadband service if the county has an agreement with a broadband service provider to provide service with the county. Municipalities and school districts within the county have 90 days to opt out of offering the exemption. The bill specifies that if school districts do not opt out, the state will not backfill the property tax reduction through the school finance formula. The exemption applies to personal property purchased on or after January 1, 2017, and is available for property tax years 2018 through 2025.

Background

All personal property in Colorado is taxable unless it is specifically exempted by Colorado law. Business personal property begins to be taxed the year after it is newly acquired and first put into use. Each year, an owner of locally assessed personal property is required to submit a declaration schedule describing and listing taxable personal property. The personal property listed on that declaration schedule then becomes part of the tax base for that year, upon which taxes will be due the following year. For example, newly acquired personal property that is first put into use in 2016 will appear on the tax rolls in 2017, for which taxes are due in 2018. Each tax year, there is a maximum amount of actual value of personal property exempted from taxation. For tax year 2015, this amount is \$7,300. This amount is adjusted for inflation every two years.

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While counties are responsible for collecting property taxes for all local governments within their jurisdiction, the value of personal property may be determined locally by county assessors or at the state level by the Colorado Department of Local Affairs (DOLA). DOLA values all public utilities and rail transportation companies doing business in Colorado. Some examples include: utilities, airlines, telecommunications, pipelines, and railroads. This value is provided to each county in the state to collect property taxes. The county assessor determines the actual value of the locally assessed personal property.

Examples of types of personal property that are subject to personal property taxes under current law include commercial equipment, industrial machinery, furniture, oil and gas equipment, and telephone lines. The assessed value of personal property is determined by applying a 29 percent assessment rate to the actual value of personal property. Then, the taxes due on personal property are determined by applying the applicable local mill levy rate to the property's assessed value. One mill is equal to one thousandth. In other words, for every \$1,000 in assessed value, each mill results in a tax bill of \$1. Each year, a notice of valuation is mailed to each taxpayer, and taxpayers may protest their valuation.

This bill would allow certain counties to prohibit tax from being levied or collected on certain personal property that is directly used to provide broadband service, such as electronics, equipment, transmission facilities, and fiber optic cables.

Senate Action

Senate Finance Committee (March 31, 2016). At the hearing, representatives from the Colorado Municipal League and the Colorado Competitive Council and a private citizen testified in opposition to the bill. Representatives from the Colorado Telecommunications Association and Century Link testified in support of the bill. Representatives from the Division of Property Taxation addressed questions from the committee. The committee adopted amendments L.003 and L.008. The amendments limit the property tax exemption to property tax years 2018 through 2025 and specify additional conditions limiting the counties to which the exemption applies. Amendment L.003 also allows municipalities and school districts to opt out of offering the exemption within 90 days if the exemption is granted by the county. The amendment also clarifies that if school districts do not opt out of the exemption, the state will not backfill the property tax reduction through the school finance formula. The committee referred the bill, as amended, to the Senate Committee of the Whole.

Senate second reading (April 7, 2016). The Senate adopted the Senate Finance Committee report. The Senate passed the bill on second reading, as amended.

Senate third reading (April 8, 2016). The Senate passed the bill on third reading with no amendments.

House Action

House Business, Affairs, and Labor Committee (May 10, 2016). At the hearing, representatives from CenturyLink, the Colorado Competitive Council, and the Colorado Telecommunications Association testified in support of the bill. Representatives from the Colorado Assessors Association, the Colorado Municipal League, and Colorado Counties, Inc. testified in opposition to the bill. A representative from the Division of Property Taxation responded to committee questions.



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House Finance Committee (May 10, 2016). The bill was postponed indefinitely.

Relevant Research

Legislative Council Staff, *Business Personal Property Tax*, Interested Persons Memorandum, September 2014: <http://tinyurl.com/j9nh665>