



TAXATION and FINANCE

Thursday January 26, 2017

CCI Office

12:30 p.m.

(This meeting is recorded)

Teleconference: 1.857.216.6700 Passcode: 171009

AGENDA

WELCOME

Commissioner, Steve Johnson, Chair
 Commissioner Casey Tighe, Vice Chair
 Gini Pingenot, CCI

INTRODUCTIONS

LEGISLATION

BPP	
Bill #	HB17-1063
Title	Reduce Business Personal Property Taxes
H-Spon	T. Leonard
S-Spon	L. Crowder, T. Neville
Summary	<p>Under current law, if a business has less than \$7,300 of personal property that would be listed on a single personal property schedule, then the personal property is exempt from the property tax and the business is not required to submit a schedule to the county assessor. With respect to this exemption, the bill reduces the amount of personal property tax that businesses pay by:</p> <ul style="list-style-type: none"> • Increasing the exemption that applies per schedule from \$7,300 to \$50,000, adjusted for inflation in the future; and • Allowing businesses whose personal property value exceeds the total exemption amount to claim the exemption. For public utilities that are assessed statewide, the property tax administrator currently considers all of a public utility's tangible property within the state as a factor in determining the value of the public utility as a unit. The bill modifies the valuation process by: <ul style="list-style-type: none"> • Exempting the first \$50,000 or an inflation-adjusted amount of personal property from the property tax and excluding it from the administrator's consideration for valuation purposes;
Position	
Bill #	SB17-009

Title	Business Personal Property Exemption
H-Spon	
S-Spon	L. Crowder
Summary	There is an exemption from property tax for business personal property that would otherwise be listed on a single personal property schedule that is equal to \$7,300 for the current property tax year cycle. The bill triples the exemption to \$21,900 for the next 2 property tax years and adjusts it for inflation for subsequent property tax cycles.
Position	
PROPERTY TAX and ASSESSMENT	
Bill #	HB17-1049
Title	Eliminate Property Tax Abatement Refund Interest
H-Spon	D. Thurlow
S-Spon	
Summary	If property taxes are levied erroneously or illegally and a taxpayer has not protested the valuation within the time permitted by law, then the taxpayer has 2 years from the start of the property tax year to file a petition for abatement or refund. The board of county commissioners is required to abate the taxes, and the taxpayer is entitled to a refund for the incorrect amount and, in some circumstances, refund interest equal to 1% per month. The bill eliminates the refund interest related to a property tax abatement.
Position	
Bill #	SB17-078
Title	Residential Storage Condo Unit Property Taxation
H-Spon	J. Melton, K. Van Winkle
S-Spon	R. Gardner
Summary	<p>The bill establishes that a residential storage condominium unit is a residential improvement. This allows the unit to be assessed as residential real property, which currently has an assessment ratio of 7.96%, instead of as nonresidential property, which has an assessment ratio of 29%. A residential storage condominium unit is defined to mean a building that is:</p> <ul style="list-style-type: none"> • A unit under the Colorado Common Interest Ownership Act; • Used by its owner to store items from or related to the owner's Colorado residence; and • Not used for storage related to a business. <p>For a property to qualify as a residential storage condominium unit, the owner of the building unit must submit an affidavit of intended use. The property tax administrator is required to establish the form of the affidavit and to prepare and publish standards for assessors to determine whether a property qualifies as a residential storage condominium unit. The bill establishes penalties for a person that knowingly provides false information on the affidavit.</p>
Position	

TIF	
Bill #	HB17-1016
Title	Exclude Value Mineral Resource Tax Increment Financing (TIF) Division
H-Spon	M. Gray, L. Saine
S-Spon	
Summary	The bill permits the governing body of a municipality, as applicable, to provide in an urban renewal plan that the valuation attributable to the extraction of mineral resources located within the urban renewal area is not subject to the division of taxes between base and incremental revenues that accompanies the tax increment financing of urban renewal projects. In such circumstances, the taxes levied on the valuation will be distributed to the public bodies as if the urban renewal plan was not in effect.
Position	
MISC	
Bill #	SB17-034
Title	Disaster emergency Transfers from County General Funds
H-Spon	M. Foote, H. McKean
S-Spon	M. Jones, K. Lundberg
Summary	The bill extends from 4 years to 8 years the period following the declaration by the governor of a disaster emergency in a county within which the board of county commissioners of the county may transfer county general fund money to the county road and bridge fund for the purposes of disaster response and recovery.
Position	

OTHER BUSINESS

Residential Assessment Rate Drop Impact Counties

Larson Silbaugh, Economist

ADJOURN

In Case You Missed It - News Items from Previous ecountyline publications

At the December 20, 2016 revenue forecast session, state economists reported that the residential assessment rate (RAR) is expected to drop from its current level of 7.96 to 6.85. This will impact 2017 total assessed values in counties (and all other property tax reliant local governments) and 2018 revenues. (Note that your 2017 budgets will **not** be impacted by this change.) A narrative explanation of this situation can be found [here](#) (see page 59-67) and a visual representation can be found [here](#) (see slides 27-36). Please note that the reduction of the residential assessment rate is **required** under the Gallagher Amendment to maintain a constant relationship between the statewide share of residential taxable value and the statewide share of nonresidential taxable value. In general, the RAR drops when there is an increase in home values. The state is aware of this because the general fund back fill obligation to schools will increase. Property tax revenue for counties, municipalities and special districts will also be impacted to varying degrees. CCI will keep you posted on this important topic. To the extent your county

runs projections on the impact of this **constitutionally required reduction** to your county, please share those with CCI Legislative Director **Gini Pingenot**.

CCI, CDOR Meeting Quarterly on Sales Tax Issues

CCI and the Colorado Department of Revenue (CDOR) have begun holding quarterly meetings to discuss issues regarding the collection, administration and enforcement of the county's general sales tax. Attached to *eCounty Lines* is a list of issues counties shared with the state at the group's first meeting on November 28, 2016. CDOR's written responses and actionable steps have been added to the document. The group's next meeting is Wednesday, March 15 from 2:30 to 4:30 pm on the 6th floor of CCI's building. All meetings are open to any interested members and county staff. If you wish to call in for the March 15th meeting, dial 1-857-216-6700 and when prompted for your passcode, dial 171009. To receive reminders and other additional information about the group's work, contact **Gini Pingenot** and she will add you to the group's email distribution list



Compilation of County Sales Tax Administration Concerns

1.) Spread Sheet Filers

These vendors file using a spread sheet because of the many locations across jurisdictions. These vendors represent a small amount of the total vendors for counties, but represent the largest amount of sales tax revenue. It is our understanding that the CDOR input these spread sheets manually into GENTAX, and we assume that they are left for last to be entered. Unfortunately, manual input provides a large propensity for error. We have had a couple of recent issues where spread sheet filers had filed their returns, but did not issue a payment. The county did not receive penalty or interest. It is believed that this was an input issue. These issues delayed a significant amount of funding to the counties for at least 30 days. We believe that the CDOR must place a higher priority on these filers and the manual input of these vendors should be completed first.

Response: The Department reviews the top 150 taxpayers to make sure their returns and payments have been received and processed. The Department also reviews each local jurisdiction's distribution to make sure they are not shorted by a large taxpayer in their area. If the department discovers a local jurisdiction will be affected, that local jurisdiction is contacted before the revenue period closes to explain why the distribution is smaller or greater than average. We make every effort to make sure new spreadsheet filers are processed before the end of a revenue period. Spreadsheets are not manually loaded into our system; rather they are uploaded via the system. Approximately 85% of sales tax returns are now filed electronically.

2.) Audits

Communicating with counties:

a.) Since the inception of the GENTAX program with the CDOR, there has been a significant decline of information that is available to counties to manage and understand the sales tax collections. When we have requested that a vendor be sent to "Field Audit" we often do not get updates on the audits. We would expect the following information to be provided to the County:

- 1) Know if a business will be audited
- 2) Know when a business will be audited
- 3) Where they are in the audit process
- 4) When audits are completed, receive details on the audits that help us understand the results of the audit. Currently, we do not receive any detailed or summary information on the taxes collected or the refund given to the vendor. These are County tax revenues so the county has the right to receive information.

Response: The Department has not provided these details in the past or currently. The department does notify a local jurisdiction if our audit team recommends against an audit and why. We do review each DR1141 that comes in to the Department. We do not update during the audits, but a local jurisdiction is more than welcome to reach out to the Department, either our Field Audit section or the Local Government Liaison, to request an update.



b.) Better communication on audits; when CDOR gets info, it needs to be passed on to us ASAP, not years down the road or right before the funds are taken out of the distribution. Better information on distribution with audit included; I should be able to go back and reconcile the account with no problem.

Response: We are working on a spreadsheet that will allow the Local Government Liaison to review audits and other taxpayer issues so that we may better communicate high profile issues to local jurisdictions. These issues may include, for example, matters before a court that have an impact to the sales tax base of a jurisdiction. While dollar amounts are not precisely known, we can explain that there is a case with impact to a jurisdiction so planning can occur.

c.) Notice of vendor audits and subsequent revenue collection (we have to contact DOR as to any anomalies in our distribution and their source).

Response: Audits are posted to the last day of the year and usually on older periods and are presented at the beginning of the revenue report. The Liaison does send out audit dollar amounts when audits are finalized and billed. However, they can go through audit protest, conferee (administrative hearings), or courts after that information is delivered. If the audit was a result of a DR1141, the person that requested the audit is sent a letter when the audit has been completed.

d.) Need improved audit communication

Response: See response to question above.

General:

a.) Let's not be so quick to audit; more information from CDOR on things like contracts, how they should be written and how they work with sales and use tax. Let the customer have a chance to get it right. Have examples available to counties to help our customers.

Response: We do get a lot of questions on use tax pertaining to motor vehicles and building materials. The Department does not administer county use tax and is not in the position to offer guidance on how private contracts are written.

b.) State auditing is not focused on sales tax issues, but on all tax issues. Audits for counties are only concerned about sales tax issues. The concern is the quality of the sales tax audits.

Response: The Department will audit all taxes that a taxpayer is liable for when conducting an audit.

3.) Zero Filers

GENTAX does not give zero filer indicators to the counties. In the past we have received “zero postings” on accounts which indicated that the vendor filed zero dollars as a return. This allowed our system to acknowledge that a valid return was filed and therefore the account was not considered delinquent. We were assured that this would be fixed, but this has yet to be accomplished. This issue



creates many errors that estimate false delinquencies and create undo analysis and tracking on vendors.

Response: This is a known issue, and the Department understands the desire for this information. The Department will prioritize, among many different changes to its systems, adding this information to reports.

4.) Address Issues

- a.) Assistance on Rio Blanco County/Garfield County address issue regarding sales tax.

Response: This information was provided to the Local Government Liaison, and we are currently reviewing the sites with these criteria. We will report back to both counties on our findings and expected corrections.

- b.) We have questions about sales tax collected in part of Ouray county with a Montrose zip code, especially phone bills.

Response: The Department has not received a request for a review of this information. We will reach out to our county contacts to discuss their concerns.

5.) Discrepancy in tax collections

- a.) On-going discrepancy in the ratio of collection between the 1% Montrose County Sales Tax and the .75% Public Safety Sale Tax (which is collected on sales occurring in Montrose County) sales ta considering gross sales to be equal. We should be collecting 1.75% on each dollar of sales that occur within Montrose County and each tax should track the other on a proportional basis, but they don't.

Response: The Department was not aware that the county was experiencing any concerns until seeing this question. We will reach out to the county contact and discuss this issue.

- b.) Currently, sales tax revenues are directly deposited in our operating account. We do not get any information regarding the month the sales tax is for. How can we be sure that sales tax collected in Colona are directed to Ouray County and not Montrose County?

Response: Each local jurisdiction the Department administers sales tax for has a person we share all revenue reports with showing all detail (the Memorandum of Understanding – MOU – contact). State statute recognizes that the local jurisdictions are best positioned to identify discrepancies in business registrations and report them to the Department. Once these are reported to the Department, we will work with the jurisdiction to ensure the business is correctly registered.

6.) Training and Education for Vendors



- a.) Training and education for vendors to ensure proper completion and compliance of sales tax returns

Response: The Department offers two types of sales tax class. We provide a “Fundamentals in Sales Tax” class that is offered approximately three times a month. We also host sales tax classes in the Department’s service centers, located in Ft. Collins, Denver, Colorado Springs, Pueblo, and Grand Junction, periodically. We have videos available on the Department’s website for individuals unable to attend a class in person.

- b.) Taxpayer services – confusing and sometimes inaccurate notices, no quick method to respond to notices, no email communication, long phone wait times and limited in-person contacts.

Response: The Department’s year-to-date (July 1 to November 19) wait times for its phone center is approximately 7:50, which is below our goal of 9:30. As previously mentioned, the Department has five walk-in service centers located throughout the state, and it has a team of 45 field agents that visit businesses on an as needed basis. We attempt to update our notices as frequently as possible, and we worked with the Colorado Society of Certified Public Accountants to improve the way information is presented to taxpayers. The Department hosts Revenue Online (ROL), which provides an electronic alternative to correspond with the Department without having to wait to talk with a phone representative. A taxpayer with a ROL account can send Web messages to the Department for a response.

7.) Special Events

State does a good job at this, but their processes could be improved to make it easier for taxpayer compliance. Requiring promoters to take full responsibility for collecting taxes would be helpful.

Response: The Department has a special event agent that manages getting vendors registered to file returns and remit tax for special events. If the event coordinator contacts the Department before the event, we will give a handout to the promoter with information on tax rates and filing requirements. Individual vendors must be the entity to collect and remit the tax though as they are the entities collecting the applicable tax.

8.) Enforcing Online/Remote sales tax collections

50% of non-grocery retail sales are online and growing. Counties lose millions of sales tax dollars by the State not enforcing sales tax nexus. Cities that self-collect gain these dollars. Counties can’t self-collect because of state statute. Counties should have the ability to self-collect. Waiting for the federal government to help is not a good plan.

Response: The Department is unable to enforce sales tax nexus on vendors with no physical presence in the state pursuant to the Quill v North Dakota Supreme Court decision from 1992. The United States Congress has debated legislation commonly known as the Marketplace Fairness Act several times since 2013. In 2013, the state legislature passed HB 13-1295, which provides direction to the Department to collect taxes from vendors without a physical presence in the state.



9.) Need for local taxpayer data

There is a need for local taxpayer statistics for planning and economic development analysis. We currently do not have access to data that would tell us where county sales are being made and the sales history of locations.

Response: Every county that the Department collects sales tax for has access to this information through the assigned person (MOU). The Department's Local Government Liaison travels the state year round to help local jurisdictions understand all the reports available to them. Training is provided to every new person that signs a MOU.

10.) ListServe for Sales Tax Administrators

I would like to see some kind of ListServe for sales tax administrators and the like; also notification when bills come up in the legislature (part of the ListServe); clearer definition on things like "when tax is paid" (does that mean your tax or mine or both?)

[CCI to represent this question.](#)