

TAX AND FINANCE

Research Notes are prepared by Legislative Council Staff's nonpartisan research and committee staff. Research notes provide a summary of the bill, background information on the bill, and information on committee hearings and amendments adopted on the bill as it moves through the legislative process. Legislative Council Staff prepares final research notes for bills passed by the General Assembly as well as select bills that were considered but not adopted, and may be accessed through the links below. Research notes are provided for informational purposes only and should not be relied upon as an official record of action by the General Assembly.

Income Taxes

HB 15-1307 (Enacted)
Modify Definition Preserve Historic
Structures Tax Credit

HB 15-1366 (Enacted)
Expand Job Growth Tax Credit for
Higher Education Project

Income Tax Checkoff Programs

HB 15-1340 (Enacted)
Extend Multiple Sclerosis Check-off

Sales and Use Taxes

HB 15-1012 (Enacted)
Sales & Use Tax Exemption for Dyed Diesel

HB 15-1180 (Enacted)
Sales & Use Tax Refund Medical &
Clean Technology

Property Taxes

HB 15-1069 (Enacted)
Homestead Exemption Recorded
Instrument

HB 15-1357 (Enacted)
Assessment Ratio for Residential
Real Property

SB 15-142 (Enacted)
Property Tax Escrow Same as
Federal RESPA

Excise and Gaming Taxes

HB 15-1228 (Enacted)
Special Fuel Tax on Liquified Petroleum
Gas

HB 15-1301 (Enacted)
Tobacco Credit Shipped to Out-of-
State Consumers

State Fees

HB 15-1261 (Enacted)
Maximum Reserve for Cash Funds with Fee
Revenue

Unclaimed Property

HB 15-1371 (Enacted)
Exempt Lawyer Trust Account funds from
Unclaimed Property

Date: 5/26/2015

Version: Final



Legislative Council Staff

Research Note

Bill Number: HB15-1371

Short Title: *Exempt Lawyer Trust Acct Funds From Unclaimed Prop*

Prime Sponsors: Representative Pabon
Senator Johnston

Research Analyst: Katie Ruedebusch (x3001)

Current Status

This research note reflects the final version of the bill, which was signed by the Governor and became effective on May 29, 2015.

Summary

The bill exempts Colorado Lawyer Trust Account Foundation (COLTAF) trust accounts from the Unclaimed Property Act.

Background

Lawyers hold client money in trust accounts. The money in the trust accounts belong to individual clients, with the lawyer acting as a fiduciary to those funds. In numerous cases, these trust accounts hold money from more than one client. When funds among multiple clients are co-mingled, challenges arise in determining the amount of interest owed each client. In order to solve this problem, all states created interest on lawyer trust accounts (IOLTA) programs. The interest is pooled and the funds given to a IOLTA sponsored program.

COLTAF, Colorado's IOLTA program, was established in 1982 by the Colorado Supreme Court. Rule 1.15B of the Colorado Rules of Professional Conduct requires that the interest funds in these trust accounts are payable to COLTAF. COLTAF then uses the funds to improve access to civil justice in Colorado by making grants to legal aid organizations. From 1982-2013, COLTAF has made over \$36 million in grants to Colorado organizations.

Prior to the passage of House Bill 15-1371, when a client's whereabouts are no longer known to his or her lawyer, the lawyer may proceed under the Unclaimed Property Act to have the

Date: 5/26/2015

Version: Final

client's funds in the COLTAF account be categorized as abandoned property and turned over to the State Treasurer. This bill exempts COLTAF trust accounts from Unclaimed Property Act rules and regulations, which allows funds to stay in COLTAF trust accounts and accrue interest.

House Action

House Finance Committee (April 23, 2015). At the hearing, a representative of Colorado Legal Services testified in support of the bill. The committee referred the bill, unamended, to the House Committee of the Whole.

House second reading (April 23, 2015). The bill passed the House Committee of the Whole with no amendments.

House third reading (April 27, 2015). The bill passed the House with no amendments.

Senate Action

Senate Finance Committee (April 30, 2015). At the hearing, a representative of Colorado Legal Services testified in support of the bill. The committee referred the bill, unamended, to the Senate Committee of the Whole with the recommendation that it be placed on the consent calendar.

Senate second reading (May 5, 2015). The bill passed the Senate Committee of the Whole with no amendments.

Senate third reading (May 6, 2015). The bill passed the Senate with no amendments.



Legislative Council Staff

Research Note

Bill Number: HB15-1366

Short Title: *Expand Job Growth Tax Credit For Higher Education Project*

Prime Sponsors: Representative Pabon
Senator Balmer

Research Analyst: Katie Ruedebusch (x3001)

Current Status

This research note reflects the final version of the bill, which was signed by the Governor and became effective on June 5, 2015.

Summary

This bill changes the job growth incentive tax credit for taxpayers who enter into a qualified partnership with a state institution of higher education. In particular, this bill relaxes the requirements to qualify for the credit. To qualify, businesses must create at least five jobs, instead of 20, with wages of at least 100 percent of the average wage within the county in which the new jobs are located and retain those jobs for one year. The Colorado Economic Development Commission (EDC) also does not need to determine that the tax credit is a major factor in the taxpayer's decision to locate or retain his/her business in Colorado. In addition, taxpayers entering into a qualified partnership are not required to provide documentation that the credit is a major factor in the taxpayer's decision to locate or retain the project in Colorado or identify the cost differential between the projected costs in Colorado versus a competing state, in order to receive the credit.

To qualify for the relaxed requirements, the EDC must determine that a taxpayer has an agreement with a state institution of higher education that aligns with or furthers the academic mission of the institution, results in positive benefits for the community and local economy, and allows the taxpayer to take advantage of certain resources of the institution. The taxpayer's business must also be located within one mile of the institution or on other property owned the institution.

Date: 5/26/2015

Version: Final

Background

The job growth incentive tax credit is equal to one-half of the amount the employer is required to pay in federal Social Security and Medicare taxes on the created jobs. For each job created, businesses receive the credit each year the job is retained for up to eight years after the credit is first received. Each year's credit may be carried forward for ten years and is non-refundable.

In order to qualify for the credit, businesses are required to file an initial application to EDC outlining the number of jobs they expect to create over a period of up to eight years and must provide documentation indicating that, if not for the credit, the jobs would have been created in a competing state. A business must create at least 20 jobs with wages of at least 100 percent of the average wage within the county in which the new jobs are located. The business must retain those jobs for one year. If the jobs are created within an enhanced rural enterprise zone, a business must create at least five jobs with wages equal to 100 percent of the county-wide average and retain them for one year. Enhanced rural enterprise zones are areas in a county that meet two or more economic criteria as set out in statute, such as a population less than 5,000 or 50 percent higher unemployment over a 12-month period.

Under this bill, in order to receive relaxed requirements for the credit, the taxpayer must enter into a partnership with a state institution of higher education. A "qualified partnership" is an agreement between the taxpayer and a state institution of higher education that aligns with or furthers the academic mission of the state institution of higher education, results in positive benefits for the community and the local economy, and allows a taxpayer to utilize the product for a project. In addition, a "state institution of higher education" is a state institution of higher education as defined in 23-18-102, C.R.S., a junior college, or an area vocational school. An example of a qualified partnership might be the creation of a new company based on the intellectual property of the state institution of higher education, such as the manufacturing of new medical device.

House Action

House Finance Committee (April 22, 2015). At the hearing, a representative of both the University of Colorado System and the Fitzsimons Redevelopment Authority testified in support of the bill. A representative of the Colorado Fiscal Institute testified in opposition to the bill. A representative of the Office of Legislative Legal Services answered committee questions regarding the bill. The committee adopted amendments L.001, L.002, and L.003. Amendment L.001 was a technical amendment, while amendment L.002 ended the program in January 2018. Amendment L.003 clarified which higher education institutions qualify for the program. The committee referred the bill, as amended, to the House Committee of the Whole.

House second reading (April 23, 2015). The committee adopted the Finance committee report and passed the bill on second reading.

House third reading (April 28, 2015). The bill passed the House with no further amendments.

House concur with Senate amendments (May 6, 2015). The House voted to concur with Senate amendments and repassed the bill.

Date: 5/26/2015

Version: Final

Senate Action

Senate Business, Labor, and Technology Committee (April 30, 2015). At the hearing, representatives of the Office of Economic Development and Trade and the University of Colorado System testified in support of the bill. The committee referred the bill, unamended, to the Senate Finance Committee.

Senate Finance Committee (April 30, 2015). At the hearing, representatives of the Colorado State University System and the University of Colorado System testified in support of the bill. The committee referred the bill, unamended, to the Senate Appropriations Committee.

Senate Appropriations Committee (May 4, 2015). The committee adopted amendment J.001, which adds an appropriation to the bill. The committee referred the bill, as amended, to the Senate Committee of the Whole.

Senate second reading (May 5, 2015). The committee adopted the Appropriations committee report and amendment L.006, which strikes a portion of the bill to narrow the scope of the credit and does not allow the credit to be refundable. The bill passed the Senate Committee of the Whole on second reading.

Senate third reading (May 6, 2015). The bill passed the Senate with no further amendments.

Relevant Research

Job Growth Incentive Tax Credit:

<http://www.advancecolorado.com/funding-incentives/incentives/job-growth-incentive-tax-credit>

Date: June 30, 2015

Version: Final



Legislative Council Staff

Research Note

Bill Number: HB15-1357

Short Title: *Assessment Ratio For Residential Real Property*

Prime Sponsors: Representative Court
Senator Neville T.

Research Analyst: Damion Pechota (x4789)

Current Status

This research note reflects the final version of the bill. The bill was signed by the governor and became effective on June 5, 2015.

Summary

The bill sets the ratio of valuation for assessment for real property at 7.96 percent for the 2015 and 2016 tax years.

Background

Section 3 (1)(b) of Article X of the State Constitution, commonly known as the Gallagher Amendment, requires the General Assembly to set the residential assessment rate every two years at a rate that satisfies the requirements of the amendment. The Gallagher Amendment is structured to keep the residential share of the property tax base constant by increasing or decreasing the assessment rate. When residential property appreciates at a different rate than non-residential property, the residential assessment rate is adjusted each assessment cycle to maintain the share of the residential property tax base. Since 1982, the residential assessment rate has decreased from 29 percent to 7.96 percent in 2003. However, in 1999 and each of the last five reassessment cycles the residential assessment rate should have increased but remained unchanged because of TABOR restrictions on increasing assessment rates without a vote of the people. Consequently, the residential share of the property tax base under current law is less than anticipated under the Gallagher Amendment alone.

Date: *June 30, 2015*

Version: *Final*

House Action

House Local Government Committee (April 22, 2015). At the hearing, a representative of the Division of Property Taxation in the Department of Local Affairs spoke for information purposes only.

The committee referred the bill, unamended, to the House Committee of the Whole.

House second reading (April 23, 2015). The House Committee of the Whole passed the bill, unamended, on second reading.

House third reading (April 27, 2015). The House passed the bill, unamended, on third reading.

Senate Action

Senate Local Government Committee (April 29, 2015). At the hearing, a representative of the Division of Property Taxation spoke for information purposes only.

The committee referred the bill, unamended, to the Senate Committee of the Whole with a recommendation that it be placed on the consent calendar.

Senate second reading (April 30, 2015). The Senate Committee of the Whole passed the bill, unamended, on second reading.

Senate third reading (May 1, 2015). The Senate passed the bill, unamended, on third reading.

Date: 5/18/2015

Version: Final



Legislative Council Staff

Research Note

Bill Number: HB15-1340

Short Title: *Extend Multiple Sclerosis Check-off*

Prime Sponsors: Representative Winter
Senator Martinez Humenik

Research Analyst: Katie Ruedebusch (x3001)

Current Status

This research note reflects the final version of the bill, which becomes effective on August 5, 2015, assuming no referendum petition is filed.

Summary

The bill extends the income tax checkoff for the Colorado-Wyoming Chapter of the National Multiple Sclerosis (MS) Society in income tax years prior to January 1, 2022.

Background

In 1977, Colorado was the first state to create a tax "checkoff" allowing taxpayers to voluntarily contribute to an organization on their income tax form. Colorado Individual Income Tax Return Form 104 allows taxpayers to contribute to various organizations listed on the form by donating a portion of their income tax refund or increasing the amount owed on their tax return. Under current law, tax checkoffs must be renewed and meet a yearly minimum contribution of \$75,000 for three years to remain on the tax form.

The Colorado-Wyoming Chapter of the National MS Society (MS Society) works to improve the quality of life for people affected by MS in Colorado and Wyoming and raise funds for critical MS research. The income tax checkoff for the MS Society first appeared in 2006. The tax checkoff was amended and extended with in 2009 by Senate Bill 09-126 and in 2011 by House Bill 11-1295.

Date: 5/18/2015

Version: Final

House Action

House Finance Committee (April 23, 2015). At the hearing, a representative of the Colorado-Wyoming Chapter of the National MS Society came to the table to discuss the bill. The committee referred the bill to the House Committee of the Whole

House Second Reading (April 23, 2015). The bill passed the House Committee of the Whole on second reading.

House Third Reading (April 27, 2015). The bill passed the House with no amendments

Senate Action

Senate Finance Committee (April 30, 2015). At the hearing, a representative of the Colorado-Wyoming Chapter of the National MS Society came to the table to discuss the bill. The committee referred the bill to the Senate Committee of the Whole.

House Second Reading (May 5, 2015). The bill passed the Senate Committee of the Whole on second reading.

House Third Reading (May 6, 2015). The bill passed the Senate with no amendments.



Legislative Council Staff

Research Note

Bill Number: HB15-1307

Short Title: *Modify Definition Preserve Historic Structures Tax Credit*

Prime Sponsors: Representative Esgar
Senator Steadman

Research Analyst: Luisa Altmann (x3518)

Current Status

This research note reflects the final version of the bill, which became effective on August 5, 2015.

Summary

The bill modifies the definition of the term "qualified commercial structure" for the purposes of the historic preservation tax credit. The bill defines a "qualified commercial structure" as an income-producing or commercial property in Colorado that is at least 50 years old and:

- is listed individually or as a contributing property in a district included within the state register of historic properties;
- is designated as a landmark by a certified local government; or
- is listed as a contributing property that is included within a designated historic district of a certified local government.

Background

House Bill 14-1311 created the Colorado Job Creation and Main Street Revitalization Act. The bill created a tax credit for qualified costs incurred in the preservation of historic structures from 2016 to 2020. Both federal and state laws provide tax incentives to encourage the preservation of historic buildings. This tax credit expands upon a state tax credit in place since 1990. To qualify for the tax credit, a property must be listed on the Colorado State Register of Historic Properties and have a rehabilitation plan that follows the Secretary of the Interior's Standards for Rehabilitation. The Office of Economic Development and International Trade and the Historical Society will review the tax credit application and rehabilitation plan to determine if it qualifies as a

Date: 8/21/2015

Version: Final

certified rehabilitation that is eligible for the tax credit. Under current law, a "qualified commercial structure" is defined as a certified historic structure that has been certified by the historical society as meeting the requirements specified by the Internal Revenue Code.

The Certified Local Government Program is jointly administered by the National Park Service and State Historic Preservation Offices, and is designed to encourage local governments to become active partners in the work to help communities protect local historic properties. Local governments are certified to participate in this preservation partnership if they meet certain requirements, including enacting local ordinances or resolutions that provide a legal framework for the local preservation program and establishing a local historic preservation commission.

House Action

House Business Affairs and Labor Committee (April 2, 2015). At the hearing, a representative from History Colorado testified in support of the bill. The committee adopted amendment L.001, which makes a technical change, substituting an "or" in place of an "and" thereby requiring a qualified commercial structure to meet one of three criteria instead of all three. The committee referred the bill to the House Committee of the Whole.

House Second Reading (April 10, 2015). The House Committee of the Whole adopted the committee report and the bill.

House Third Reading (April 13, 2015). The House adopted the bill, unamended.

Senate Action

Senate Business, Labor, & Technology Committee (April 28, 2015). The committee referred the bill, unamended, to the Senate Committee of the Whole.

Senate Second Reading (April 30, 2015). The Senate Committee of the Whole adopted the bill, unamended.

Senate Third Reading (May 1, 2015). The Senate adopted the bill, unamended.

Date: 8/21/2015

Version: Final



Legislative Council Staff

Research Note

Bill Number: HB15-1301

Short Title: *Tobacco Credit Shipped To Out-of-state Consumers*

Prime Sponsors: Representative Williams
Senator Grantham and Senator Hill

Research Analyst: Luisa Altmann (x3518)

Current Status

This research note reflects the final version of the bill, which was signed by the Governor and became effective on June 5, 2015.

Summary

The bill creates an excise tax credit for tobacco products which are shipped or transported by the distributor to a consumer outside the state. The tax credit applies from September 1, 2015, to September 1, 2018.

Background

Current law provides an excise tax credit for tobacco products which are shipped or transported by the distributor to retailers outside the state to be sold by those retailers. It also provides a tax credit for tobacco products which are returned to the manufacturer by the distributor or destroyed by the distributor.

Date: 8/21/2015

Version: Final

House Action

House Business Affairs and Labor Committee (March 26, 2015). At the hearing, representatives from local businesses which sell tobacco products testified in support of the bill. The committee referred the bill, unamended, to the House Finance Committee.

House Finance Committee (April 22, 2015). At the hearing, representatives from the Department of Revenue discussed the tax implications of the bill and current tobacco excise taxes. The committee adopted amendment L.002, which specifies that the tax credit for tobacco products which are shipped or transported by the distributor to a consumer outside of the state applies from September 1, 2015, to September 1, 2018. The committee referred the bill to the House Appropriations Committee.

House Appropriations Committee (April 29, 2015). The committee adopted amendment L.003, which added an appropriation of \$15,826 to the Department of Revenue from the General Fund, and also replaced the petition clause with a safety clause. The committee referred the bill to the House Committee of the Whole.

House Second Reading (April 29, 2015). The House Committee of the Whole adopted the Finance and Appropriations Committee reports and the bill.

House Third Reading (April 30, 2015). The House adopted the bill, unamended.

Senate Action

Senate Finance Committee (May 1, 2015). The committee referred the bill, unamended, to the Senate Appropriations Committee.

Senate Appropriations Committee (May 4, 2015). The committee referred the bill, unamended, to the Senate Committee of the Whole.

Senate Second Reading (May 5, 2015). The Senate Committee of the Whole adopted the bill, unamended.

Senate Third Reading (May 6, 2015). The Senate adopted the bill, unamended.



Legislative Council Staff

Research Note

Bill Number: HB15-1261

Short Title: *Maximum Reserve For Cash Funds With Fee Revenue*

Prime Sponsors: Representative Young
Senator Grantham

Research Analyst: Katie Ruedebusch (x3001)

Current Status

This research note reflects the final version of the bill, which was signed by the Governor and became effective on June 5, 2015.

Summary

The bill makes changes to state law governing the amount that may be held in reserve in cash funds that collect revenue from fees. For FY 2014-15 and subsequent fiscal years, the bill alters the cash fund reserve requirement by:

- changing the name of the "target reserve" to the "maximum reserve" and the "alternative reserve balance" to the "alternative maximum reserve;"
- raising the minimum amount of uncommitted reserves that a cash fund must have trigger the maximum reserve requirement from \$50,000 to \$200,000;
- repealing current exemptions of certain cash funds from the maximum reserve requirement;
- allowing a state agency to request that the State Controller average uncommitted reserves over a multi-year period for the purpose of determining the uncommitted reserve amount for a cash fund with a multi-year collection cycle;
- restricting spending from cash funds that have exceeded their maximum reserve or alternative reserve balance for three consecutive fiscal years by an amount equal to the lesser of the excess uncommitted reserve or the applicable maximum reserve or alternative maximum reserve; and
- creating a process for a state agency to seek from the Joint Budget Committee (JBC) a three-year waiver from the maximum reserve, which may establish an alternative maximum reserve or exempt the cash fund altogether.

The reserve requirement applies only to cash funds that collect revenue from fees that can

Date: 5/19/2015

Version: Final

be adjusted by a state agency. Fees set in statute are exempted from the target reserve requirement and remain exempt from the maximum reserve requirement. Additionally, exemptions in statute preserved for certain cash funds are sunset at the end of FY 2016-17.

Background

Cash funds, where most-fee revenue and program-specific taxes are deposited, are funds earmarked for specific programs in state departments. An amount up to 16.5 percent of certain cash fund moneys could be retained in the funds as a target reserve, unless an alternative reserve balance is established in the Colorado constitution or in statute. If a cash fund exceeded its target reserve or its alternative reserve balance at the end of a fiscal year, fees for the following fiscal year were reduced by an amount calculated to return the year-end balance to the level of the fund's target reserve or alternative reserve balance. Also, the Office of State Auditor (OSA) conducts an audit of the all cash funds with uncommitted reserves each year.

The bill was recommended by the JBC. The JBC is statutorily charged with analyzing the management, operations, programs, and fiscal needs of the departments of the state government, along with reviewing the state's budget. During the 2014 legislative interim, JBC staff met with numerous stakeholders regarding possible legislation addressing excess uncommitted cash reserves. The result of the process was House Bill 15-1261.

House Action

House Finance Committee (April 16, 2015). At the hearing, a member of the JBC staff came to the table to discuss the bill. The committee adopted amendment L.004. Amendment L.004 clarified language regarding cash funds and fees, conformed sunset dates, and added application language and a safety clause. The committee referred the bill, as amended, to the House Committee of the Whole.

House second reading (April 20, 2015). The committee adopted the Finance committee report and amendment L.007. The amendment exempted cash funds affiliated with state institutions of higher education. The bill passed the House Committee of the Whole on second reading.

House third reading (April 21, 2015). The bill passed the House with no further amendments.

House concur with Senate amendments (May 4, 2015). The House voted to concur with Senate amendment and repassed the bill with no further amendments.

Senate Action

Senate Finance Committee (April 28, 2015). At the hearing, a representative of the Colorado Department of Public Health and Environment testified in opposition to the bill. A number of state agencies and the Colorado Oil and Gas Association spoke to their concerns with the bill and testified in support of several amendments. The committee adopted amendment L.009, which

Date: 5/19/2015

Version: Final

clarified language and removed one cash fund exemption. The committee referred the bill, as amended, to the Senate Committee of the Whole.

Senate second reading (April 30, 2015). The committee adopted the Finance committee report and amendment L.018, which removes the sunset for the Employment and Training Technology Fund. The bill passed the Senate Committee of the Whole on second reading.

Senate third reading (May 1, 2015). The bill passed the Senate with no further amendments.

Relevant Research

OSA Uncommitted Reserves Cash Funds Reports:

<https://www.colorado.gov/pacific/osc/cash-funds-uncommitted-reserves-reports>



Legislative Council Staff

Research Note

Bill Number: HB15-1228

Short Title: *Special Fuel Tax on Liquefied Petroleum Gas*

Prime Sponsors: Representative Mitsch Bush and J. Becker
Senator Scott

Research Analyst: Matt Kiszka (x6275)

Current Status

This research note reflects the final version of the bill. Sections 2, 3, 4, 6, 7, and 9 of this act take effect January 1, 2016, and the remainder of this act became effective on August 5, 2015, as no referendum petition was filed.

Summary

This bill makes several changes to the administration and collection of the special fuel excise tax on liquefied petroleum gas (LPG), beginning in calendar year 2016. These changes include:

- limiting the imposition of the tax on LPG so that, in most instances, the tax is levied when LPG is placed in a motor vehicle's fuel tank, instead of when the LPG is acquired, sold, offered for sale, or used for any purpose whatsoever;
- requiring a distributor that places LPG in a fuel tank to pay the tax;
- allowing a retailer not to be considered as a distributor, provided it files an affidavit with the Department of Revenue (DOR) and posts a notice stating that the LPG it sells is not for vehicle use;
- designating the operator of a private commercial fleet that uses LPG as a distributor where no other distribution contract is in place;
- requiring a distributor that uses LPG to propel a cargo tank motor vehicle to pay the tax on the LPG used for this purpose, based on odometer readings of the mileage traveled by the vehicle;
- assessing the tax on the volume of net gallons, rather than gross gallons, of LPG;
- eliminating the 2 percent allowance for LPG lost in transit or handling;
- eliminating the minimum amount, currently \$25,000, of a surety bond that an LPG distributor may deposit with the DOR in lieu of evidence of a savings account, deposit, or certificate of deposit; and
- prohibiting the DOR from collecting any penalties or interest related to the tax on LPG sold in calendar years 2014 and 2015.

Additionally, the bill changes the definition of "gallon" for the purpose of assessing the special fuel excise tax on compressed natural gas (CNG). The bill defines "gallon" so that the tax is assessed on a quantity of fuel computed using the same method as was the basis for the purchase of gas at the wholesale level, provided that the method is one of three identified in statute.

Background

Colorado collects excise taxes on gasoline and special fuel, defined as diesel engine fuel, kerosene, LPG, and natural gas, to fund the state highway system. House Bill 13-1110 reduced excise tax rates for LPG beginning January 1, 2014. The excise tax on LPG is equal to three cents per gallon for tax year 2014, five cents per gallon for tax year 2015, seven cents per gallon for tax year 2016, and nine cents per gallon for tax year 2017. Taxes are levied when fuel is acquired, sold, offered for sale, or used for any purpose whatsoever.

Special fuel tax refunds. Under current law, a consumer who pays a special fuel excise tax on LPG not used to power a motor vehicle may claim a refund from the DOR if he or she meets certain criteria. Refunds issued to these consumers average less than \$12 each month. Consumers who cannot claim refunds from the DOR may ask the distributor from which they purchased the fuel to refund the tax paid, in which case the distributor may adjust its tax remittance in the DOR's fuel tax collection system.

Distribution of tax revenue. Article X, Section 18, of the Colorado Constitution, requires all excise taxes collected on gasoline and other liquid motor fuel to be used exclusively for the construction, maintenance, and supervision of the state highway system. Special fuel excise taxes are paid to the Highway Users Tax Fund (HUTF), and apportioned to the State Highway Fund (SHF), counties, and municipalities. The first seven cents per gallon of special fuel are apportioned out of the HUTF as follows:

- 65 percent to the SHF;
- 26 percent to counties; and
- 9 percent to municipalities.

Special fuel taxes in excess of seven cents per gallon are apportioned as follows:

- 60 percent to the SHF;
- 22 percent to counties; and
- 18 percent to municipalities.

House Action

House Transportation and Energy Committee (March 4, 2015). At the hearing, representatives of the Colorado Wyoming Petroleum Marketers Association, Colorado Propane Gas Association, and Colorado Energy Office testified in support of the bill. The committee adopted the following amendments:

- Amendment L.001, which allows a retailer not to be considered as a distributor, provided it files an affidavit with the DOR and posts a notice stating that the LPG it sells is not for vehicle use;

- Amendment L.002, which requires distributors to report the mileage on cargo tank motor vehicles that deliver propane;
- Amendment L.004, which made a minor technical fix; and
- Amendment L.006, which made changes to the vehicle LPG consumption reporting requirement under the bill.

The committee referred the bill, as amended, to the House Finance Committee.

House Finance Committee (March 25, 2015). At the hearing, representatives of the Colorado Wyoming Petroleum Marketers Association, Colorado Propane Gas Association, and Colorado Energy Office testified in support of the bill. The committee adopted amendment L.007, which amended the House Transportation and Energy Committee Report to clarify that only retailers at the retail level (and not the wholesale level) can claim they are not a distributor. The committee also adopted amendment L.008, which changes the definition of "gallon" for the purpose of assessing the special fuel excise tax on CNG. The committee referred the bill, as amended, to the House Appropriations Committee.

House Appropriations Committee (April 22, 2015). The committee adopted amendment J.001, which added an appropriation clause to the bill. The committee referred the bill, as amended, to the House Committee of the Whole.

House second reading (April 23, 2015). The House Committee of the Whole adopted the committee report and the bill.

House third reading (April 27, 2015). The House adopted the bill, unamended.

Senate Action

Senate State, Veterans, and Military Affairs Committee (April 29, 2015). At the hearing, the Colorado Propane Gas Association and Colorado Energy Office testified in support of the bill. The committee referred the bill, unamended, to the Senate Appropriations Committee.

Senate Appropriations Committee (May 1, 2015). The committee referred the bill, unamended, to the Senate Committee of the Whole, consent calendar.

Senate Ssecond reading (May 1, 2015). The Senate Committee of the Whole adopted the bill, unamended.

Senate third reading (May 4, 2015). The Senate adopted the bill, unamended.

Date: 8/21/2015

Version: Final



Legislative Council Staff

Research Note

Bill Number: HB15-1180

Short Title: *Sales & Use Tax Refund Medical & Clean Technology*

Prime Sponsors: Representative Kraft-Tharp and Representative Wilson
Senator Heath and Senator Holbert

Research Analyst: Luisa Altmann (x3518)

Current Status

This research note reflects the final version of the bill, which became effective on August 5, 2015.

Summary

The bill creates a sales and use tax refund for qualified medical technology or clean technology companies. Qualified companies are those that employ 35 or fewer full-time employees in Colorado, are either headquartered in Colorado or have more than 50 percent of their employees in Colorado, and conduct research and development of medical or clean technology. A qualified company may receive up to \$50,000 in the 2015, 2016, or 2017 calendar years for sales and use tax paid for property used directly in research and development of medical technology or clean technology.

Background

The bill reenacts and modifies a sales and use tax refund that was available from 2013 to 2014, and extends the refund for expenses incurred through 2017.

Date: 8/21/2015

Version: Final

House Action

House Business Affairs and Labor Committee (February 12, 2015). At the hearing, representatives from the Colorado BioScience Association, Colorado CleanTech Industries Association, Denver Metro Chamber of Commerce, Colorado Competitive Council, and several Colorado medical technology and clean technology companies testified in support of the bill. The committee referred the bill, unamended, to the House Finance Committee.

House Finance Committee (February 26, 2015). At the hearing, representatives from the Colorado BioScience Association, Colorado CleanTech Industries Association, and several Colorado medical technology and clean technology companies testified in support of the bill. The committee adopted amendment L.002, which clarified the definition of clean technology to mean those products and technologies that enhance the efficiency of all types of energy sources and reduced the time period in which the credit could be claimed from 2019 to 2017. The committee referred the bill to the House Appropriations Committee.

House Appropriations Committee (April 10, 2015). The committee referred the bill, unamended, to the House Committee of the Whole.

House Second Reading (April 14, 2015). The House Committee of the Whole adopted the House Finance Committee report and the bill.

House Third Reading (April 15, 2015). The House adopted the bill, unamended, on third reading.

Senate Action

Senate Finance Committee (April 21, 2015). At the hearing, representatives from the Colorado BioScience Association, Colorado CleanTech Industries Association, and a Colorado medical technology company testified in support of the bill. The committee referred the bill, unamended, to the Senate Appropriations Committee.

Senate Appropriations Committee (April 24, 2015). The committee referred the bill, unamended, to the Senate Committee of the Whole.

Senate Second Reading (April 24, 2015). The Senate Committee of the Whole adopted the bill, unamended.

Senate Third Reading (April 27, 2015). The Senate adopted the bill, unamended, on third reading.



Legislative Council Staff

Research Note

Bill Number: House Bill 15-1069

Short Title: *Homestead Exemption Recorded Instrument Requirements*

Prime Sponsors: Representative Ryden
Senator Holbert

Research Analyst: Damion Pechota

Current Status

This research note reflects the final version of the bill, which becomes effective on August 5, 2015, assuming no referendum petition is filed.

Summary

This bill changes the required information for a recorded homestead exemption document. Specifically, the bill requires that the name of the owner of the real property be included in the document claiming a homestead exemption.

Background

Colorado's homestead exemption laws exempt qualified homesteads, up to a certain value, from judgements arising due to a property owner's debt.

Current homestead exemption laws. Current law requires a recorded homestead exemption document to include the following information:

- a description of the nature and source of the owner's interest in the real property; and
- a statement that the owner or the owner's spouse is homesteading the property.

Current law only requires a description of the property and does not require the name of the owner.

Record search. In Colorado, land title records are filed and searched by the name of the property owner. Due to the omission of a name, homestead exemptions are currently searched by matching the property descriptions.

Date: *May 6, 2015*

Version: *Final*

House Action

House Local Government Committee (January 28, 2015). At the hearing, representatives from the Colorado Bar Association and the Land Title Association of Colorado testified in support of the bill.

The committee referred the bill, unamended, to the House Committee on Finance.

House Finance Committee (February 4, 2015). At the hearing, a representative from the Land Title Association of Colorado testified in support of the bill.

The committee referred the bill, unamended, to the House Committee of the Whole.

House second reading (February 9, 2015). The House Committee of the Whole passed the bill, unamended, on second reading.

House third reading (February 10, 2015). The House passed the bill, unamended, on third reading.

Senate Action

Senate Committee on Finance (February 24, 2015). At the hearing, representatives from the Land Title Association of Colorado and the Colorado Bar Association spoke in favor of the bill.

The committee referred the bill to the Senate Committee of the Whole.

Senate second reading (February 27, 2015). The Senate Committee of the Whole passed the bill, unamended, on second reading.

Senate third reading (March 2, 2015). The Senate approved the bill, unamended, on third reading and final passage.



Legislative Council Staff

Research Note

Bill Number: HB15-1012

Short Title: *Sales & Use Tax Exemption For Dyed Diesel*

Prime Sponsors: Representative Becker J.
Senator Sonnenberg

Research Analyst: Katie Ruedebusch (x3001)

Current Status

This research note reflects the final version of the bill, which was signed by the Governor and became effective on March 26, 2015.

Summary

The bill exempts dyed diesel from state sales and use taxes.

Background

Dyed diesel is a fuel designed for off-highway or industrial use. The fuel contains a different sulfur content than is allowed on highways. The fuel is dyed to denote its off-highway purpose and its tax exempt status. Dyed diesel is mostly sold for nontaxable uses.

Nontaxable uses include:

- Agriculture (farm equipment);
- Industrial, manufacturing; and
- Home power use.

An example of a taxable use of dyed diesel is a for-profit hospital using dyed diesel to run a backup power generator. However, most taxable situations are hard to find and tax by the Department of Revenue. In practice, most dyed diesel used is for an off-highway or nontaxable purpose.

Date: 5/20/2015

Version: Final

House Action

House Finance Committee (January 21, 2015). At the hearing, a representative of AgFinity and a representative of the Colorado Wyoming Petroleum Marketers Association testified in support of the bill. A representative of the Colorado Municipal League answered clarification questions on the bill.

The committee adopted amendments L.003 and L.001 and referred the bill to the House Committee on Transportation & Energy. The amendments added a legislative declaration and removed the provision of the bill regarding home rule counties and municipalities.

House Transportation & Energy Committee (January 28, 2015). At the hearing, a representative of AgFinity and a representative of the Colorado Wyoming Petroleum Marketers Association testified in support of the bill. The committee referred the bill to the House Appropriations Committee.

House Appropriations Committee (February 6, 2015). The committee referred the bill to the House Committee of the Whole.

House Second Reading (February 13, 2015). The bill passed the House Committee of the Whole on second reading.

House Third Reading (February 19, 2015). The bill passed the House with no further amendments.

Senate Action

Senate Finance Committee (March 3, 2015). At the hearing, a representative of AgFinity and a representative of the Colorado Wyoming Petroleum Marketers Association testified in support of the bill. A representative of Prowers County testified in opposition to a provision in the bill. The committee referred the bill to the Senate Committee of the Whole with the recommendation that it be placed on the consent calendar.

Senate Second Reading (March 10, 2015). The bill passed the Senate Committee of the Whole on second reading.

Senate Third Reading (March 11, 2015). The bill passed the Senate with no further amendments.

Relevant Research

IRS Publication 510 (1/2015): Fuel Taxes, <http://www.irs.gov/publications/p510/ch01.html>

Date: 5/26/2015

Version: Final



Legislative Council Staff

Research Note

Bill Number: SB15-142

Short Title: *Property Tax Escrow Same As Federal RESPA*

Prime Sponsors: Senator Roberts
Representative Pabon

Research Analyst: Kori Donaldson (x4976)

Current Status

This research note reflects the final version of the bill, which was signed into law by the Governor and became effective on March 18, 2015.

Summary

The bill conforms state law regarding requirements for property taxes held in mortgage escrow accounts to requirements under the federal Real Estate Settlement Procedures Act (RESPA). Specifically, the bill repeals a May 30 date for final settlement and refund of any excess funds in escrow, changing this provision to reference the time and manner of refunds specified under RESPA.

Background

RESPA is administered and enforced by the federal Consumer Financial Protection Bureau. It is intended to ensure that consumers are provided with information about the costs of mortgage settlement and are protected from unnecessarily high settlement costs.

Date: 5/26/2015

Version: Final

Senate Action

Senate Finance Committee (February 10, 2015). At the hearing, representatives of the Independent Bankers of Colorado and the Colorado Bankers' Association testified in support of the bill and responded to questions from the committee. The committee referred the bill, unamended, to the Senate Committee of the Whole with a recommendation that it be placed on the consent calendar.

Senate second reading (February 13, 2015). The Senate Committee of the Whole passed the bill with no amendments.

Senate third reading (February 17, 2015). The bill was adopted by the full Senate.

House Action

House Finance Committee (February 25, 2015). At the hearing, a representative of the Independent Bankers of Colorado testified in support of the bill. The committee referred the bill, unamended, to the House Committee of the Whole.

House second reading (March 2, 2015). The House Committee of the Whole passed the bill with no amendments.

House third reading (March 3, 2015). The bill was adopted by the full House.

Relevant Research

RESPA Home Page: <http://tinyurl.com/3r4thwy>