



Bill Ritter, Jr.
Governor

Colorado Department of Local Affairs
Susan E. Kirkpatrick
Executive Director

DIVISION OF PROPERTY TAXATION
JoAnn Groff
Property Tax Administrator

BULLETIN NO. 15

TO: County Assessors
FROM: JoAnn Groff
Property Tax Administrator
DATE: April 23, 2009

THE BULLETIN IS AVAILABLE ON OUR WEBSITE
New website address: <http://dola.colorado.gov/dpt>

<u>Date</u>	<u>Title</u>	<u>Distribution</u>
4/23/09	Residential Assessment Rate Study and House Bill 09-1360	Review with interested personnel
4/22/09	Consumable Exemption Clarification	Review with personal property staff. File this memorandum in the county Personal Property File.
4/17/09	Ski Area Possessory Interest Capitalization Rate	All appraisers





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JoAnn Groff
Property Tax Administrator

TO: All County Assessors

FROM: JoAnn Groff
Property Tax Administrator

SUBJECT: Residential Assessment Rate Study and House Bill 09-1360

DATE: April 23, 2009

DISTRIBUTION: Review with interested personnel

MEMORANDUM

I would like to express my sincere appreciation to assessors and staff for assisting us with this year's residential assessment rate study! Although our request for final value estimates comes at a very inopportune time of the year, it was apparent that assessors across the state took the request seriously and provided the best estimates possible. Thank you for your continued help with this study.

We were not sure if the legislature would introduce this bill containing our final rate study figure of 8.85 percent or reenact the existing residential assessment rate of 7.96 percent. House Bill 09-1360 was introduced on 4/21/09. The bill contains the existing residential assessment rate of **7.96 percent** and a new target percentage of **46.82 percent**. We anticipate that it will be enacted with these figures.

Both the final and preliminary residential assessment rate study reports can be viewed on our web site at http://www.dola.state.co.us/dpt/dpt_news/index.htm. If you have questions about the residential assessment rate study, please contact Greg Schroeder at 303-866-2681 or greg.schroeder@state.co.us.





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DIVISION OF PROPERTY TAXATION

JoAnn Groff
Property Tax Administrator

TO: All Colorado County Assessors

FROM: JoAnn Groff
Property Tax Administrator

SUBJECT: Consumable Exemption Clarification

DATE: April 22, 2009

DISTRIBUTION: Review with personal property staff
File this memorandum in the County Personal Property File

MEMORANDUM

This memorandum is in response to a number of questions that the Division has recently received related to the application of the “consumable” exemption.

As noted in the Assessors Reference Library, Volume 5, Personal Property Manual, on page 7.42, “The \$250 threshold should be applied to personal property that is completely assembled and ready to perform the end user’s intended purpose(s). The threshold should not be applied to the personal property’s or personal property system’s unassembled, individual component parts or separate accessories. In cases where there is a separation in the ownership of the system components/accessories, the sum of the original installed costs of all of the components/accessories that are **under common ownership per location** should be added together for the \$250 or less ‘consumable’ exemption consideration. If the reasonable original installed costs for the personal property or personal property system including components/accessories cannot be determined based on the information received by the assessor, the assessor may use the best information available process to determine a reasonable estimate of the original installed cost for \$250 or less ‘consumable’ exemption consideration.”

Taxpayers claiming that their personal property qualifies for this exemption must provide reasonable documentation to the assessor. Reasonable documentation includes detailed property listings with specific installed cost information (at the appropriate retail “end user” trade level), ownership information, location information, and other supporting information and documents.

If you have any questions regarding this memorandum, please contact Ken Beazer at (303) 866-2790.

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DIVISION OF PROPERTY TAXATION

JoAnn Groff
Property Tax Administrator

TO: Ski Area County Appraisers and Other Interested Parties
FROM: JoAnn Groff
Property Tax Administrator
DATE: April 17, 2009
SUBJECT: Ski Area Possessory Interest Capitalization Rate

M E M O R A N D U M

The ski area possessory interest capitalization rate for 2009 is 18.7 percent plus the effective tax rate. Because of changes in the Federal law, House Resolution 1424 [110th Congress] (2008), relating to National Forest Payments, the Division of Property Taxation has developed only a single capitalization rate this year.

[Please Note: This is the Division's recommended rate. It does not become final until presented to the Statutory Advisory Committee and approved by the State Board of Equalization.]



STEPS TO VALUE SKI AREA POSSESSORY INTERESTS

Section 39-1-103(17)(a)(I), C.R.S., requires that the assessor use only the capitalization of income approach to determine the value of the possessory interest of ski area recreational lands.

Steps in the valuation process:

STEP #1 Obtain the amount of fees paid for the previous calendar year.

Use data collected by the Division and provided to the counties or contact the United State Forest Service (USFS) district forest supervisor's office in which the ski area is located. If unsure as to where the local office is, refer to *Discovery of Possessory Interests* for the name and address of the central office.

STEP #2 Develop the applicable adjusted capitalization rate.

Calculate the applicable adjusted capitalization rate:

- Capitalization rate (calculated by the Division)
- + Pass-through rate (calculated by the Division)
- + Effective tax rate (calculated by the county)

Adjusted Capitalization Rate*

*The capitalization rate should be rounded to four (4) decimal places.

Additional information regarding how the discount and pass-through rates are developed may be obtained by contacting the Division of Property Taxation.

STEP #3 Calculation of the actual value of the possessory interest.

Example calculation of ski area recreational land:

Assumptions:

Previous Year's USFS fees	\$50,000
Capitalization Rate (published by the Division)	+.1400
Pass-through rate (published by the Division)	+.0470
Effective tax rate (calculated by the county)	+.0232
Adjusted capitalization rate (expressed as a decimal)	.2102

Calculation of Value:

Previous Year's USFS fees	\$50,000
Adjusted Capitalization Rate	<u>÷ .2102</u>
Value of the possessory interest	\$237,868

STEP #4 If an intervening year, apply the level of value adjustment factor published by the Division.

The calculation of the actual value of the possessory interest is:

Capitalized value of the possessory interest
 X Level of value adjustment factor (published by the Division)

Actual Value of the possessory interest

The Division publishes the capitalization rate and pass through rate used by all county assessors each year. For intervening assessment years (even numbered years), the Division publishes the adjustment factor used by all assessors to adjust values to the appraisal date in effect for that reappraisal cycle.

ADMINISTRATIVE ISSUES

Apportionment Between Two or More Counties

In most circumstances, possessory interests are located in a single county and no apportionment is necessary. However in some instances, land under agreement lies in more than one county and thus requires an apportionment of the actual value of the possessory interest to each county.

In the case of agricultural grazing possessory interests, the federal and state agencies have been able to provide the exact acreage of each allotment within each county.

In the case of river-rafting permits the launch site location is to be used in determining the county as well as the taxing district to assign to the account.

For guide and outfitter operations or USFS special use permits located in multiple counties it would be reasonable to assign the base-site of the operation as the location. It is up to each county to communicate with the shared counties to determine the apportionment.

Each county will send a tax bill for its apportioned share of the total value.

Tax Area Assignment

Possessory interest properties will be taxed by a minimum of the county and a school district. The inclusion of property in other taxing entities must be determined using county and taxing entity records, to the best of your ability.

School district boundary information is available from the school district and/or the Department of Education.

When assigning a tax area for possessory interests such as a rafting operation, it would be reasonable to use the location of the launch-site as the determinate factor for establishing the tax area or in the case of multiple counties, the county/tax area where the launch-site is located. The same theory would be reasonable regarding guide and outfitter operations, e.g., the county where the business is based. However, all counties involved need to be in agreement with this assignment.

ADDENDUM 7-D, 2009 POSSESSORY INTEREST VALUATION RATES

The following rates will be used for the valuation of Possessory Interest properties for 2009.

SKI AREA CAPITALIZATION RATE

2009:

The pass-through component of the ski area capitalization rate represents the twenty-five percent of fees returned to the state by the U.S. Forest Service (USFS) from fees paid by users of USFS land.

Capitalization Rate	14.00 percent (Determined by the Division)
Pass-Through Rate	+ 4.70 percent (Determined by the Division)
Effective Tax Rate	+ _____ (Determined Locally)
	= Adjusted Capitalization Rate

2009 LEVEL OF VALUE ADJUSTMENT FACTOR, § 39-1-103(17)(II)(B), C.R.S.

2009 Possessory Interest LOV Factor	.99
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