MINERAL LEASES

WHAT IS REQUIRED BY LAW?

The lessor of a mineral lease is required to file an affidavit with the assessor stating the annual net rent payable, within ten days of the execution of a mineral lease, 39-5-115(2) C.R.S. Such affidavit shall constitute a private document and shall be available on a confidential basis as provided in section 39-5-120 C.R.S.

NOTIFICATION OF VALUE

ASSESSOR'S RESPONSIBILITY

Each year, owners of taxable property will receive a Notice of Valuation for each class of property they own. The notice indicates the actual value of the property and advises the owner of the right to protest the value.

TAXPAYER'S RESPONSIBILITY

When taxpayers receive a Notice of Valuation, they should study it carefully. The notice describes the property that the taxpayer owns, gives the actual value for both the prior and current year, advises of the amount of change, and describes the opportunity for taxpayers to present their objections to the assessor. Keep in mind that the changed value on the notice affects the amount of taxes the taxpayer must pay the following January.

If the Notice of Valuation reflects a value with which the taxpayer disagrees or that raises any questions, they are advised to **CONTACT THE COUNTY ASSESSOR!**

TAXPAYER REMEDIES

LEGAL RIGHTS UNDER THE LAW

If taxpayers disagree with the assessor's value, they must file an objection with the assessor in the county where the property is located.

REAL PROPERTY OWNERS:
A mailed objection must be postmarked by May 27. If taxpayers appear in person, they must do so by June 1.

PERSONAL PROPERTY OWNERS:
A mailed objection must be postmarked by June 30. If taxpayers appear in person, they must do so on or before July 5.

The assessor must give a decision, in writing:

TO REAL PROPERTY OWNERS by the last regular working day in June.

TO PERSONAL PROPERTY OWNERS by July 10.

Denver, Boulder, El Paso and Jefferson Counties may elect to use an alternate appeal procedure. Such Election will be made on or before May 1 of each year pursuant to 39-5-122.7, C.R.S.

For counties electing to use the alternate appeals procedure, deadline for real and personal property NODs is the last working day in August.

If taxpayers are dissatisfied with the assessor's decision, they can appeal to the county board of equalization (county commissioners) by July 15 for real property or July 20 for personal property. The county board of equalization conducts hearings through August 5. The board must notify the taxpayer in writing within five business days of its decision.

If taxpayers are dissatisfied with the county board of equalization's decision, they may appeal to the Board of Assessment Appeals, binding arbitration, or the district court of the county in which the property is located. The taxpayer must appeal within 30 days of the county board of equalization's decision.

Decisions reached through the arbitration procedure are final and not subject to review.

If taxpayers are dissatisfied with the decision of the Board of Assessment Appeals or district court, they can appeal to the Court of Appeals within 30 days of the Board of Assessment Appeals decision or 45 days of a district court decision.

WHEN TO PAY PROPERTY TAXES

COUNTY TREASURER

The county treasurer is responsible for mailing the tax bill and the collection of the property taxes. Each year taxpayers receive their property tax bills after January 1.

The county treasurer may add an administrative fee of $5 to a bill if the tax amount is $10 or less. If the tax amount is GREATER than $25, a taxpayer can pay the taxes in two EQUAL payments.

A. The first half payment is due the last day of February. However, if the tax bills are mailed after January 29, payment is due 30 days from the date the tax bills were mailed.

B. The second half payment is due by June 15.

If a taxpayer pays their taxes in a lump sum, the payment is due by the last day in April.

If the payment is LATE, penalty interest is added to the tax amount.

ASSESSMENT TERMINOLOGY

TAXABLE PROPERTY – all property, real or personal, not exempted by law.

REAL PROPERTY - permanently fixed in nature such as land, interest in the land, and improvements on the land.

Improvements – all structures, buildings, fixtures, fences, and water rights attached to the land.

Fixtures – items that were once moveable chattels but have become physically incorporated into an improvement or affixed to land. "Fixtures" include systems for heating, air conditioning, ventilation, sanitation, lighting and plumbing; and do not include machinery, equipment, or other articles related to commercial or industrial operations that are affixed to the real property for proper utilization.

Leasehold improvements – additions or remodeling permanently made by a lessee, and are considered fixtures and valued as real property.

Mines, quarries, and minerals – real property including rights and privileges connected with mines and quarries in and under the land and minerals connected with it.

PERSONAL PROPERTY – everything that is not included under the term real property. Personal property is typically portable or movable items.

Tangible personal property – physical objects such as equipment, furniture, drapes, and free standing appliances.

Taxable personal property – all personal property that is not specifically exempted by law.

Exempt personal property – includes: inventories for sale, "consumable" personal property, property that is typically rented for 30 days or less, livestock, agricultural and livestock products; agricultural equipment used on the farm or ranch to produce agricultural products, residential non-income producing personal property, and all personal property owned by a taxpayer with a total actual value of $2,500 or less per owner per county.

Intangible personal property – a right rather than a physical object; consists of: trademarks, patents, copyrights, stocks, bonds, and computer software not used as the basic input-output system (BIOS). Except for public utility valuation, all intangible personal property is exempt from taxation in Colorado.

"Consumable" personal property is defined as any item having a life of one year or less regardless of cost or any item with a life longer than one year that has a cost of $250 or less at the time of acquisition. The $250 limitation applies to each item of personal property fully assembled and ready for use including all installation costs, sales taxes and freight expenses.

POSSESSORY INTERESTS – are private property interests in an otherwise tax-exempt property or, the right to the occupancy and use of any benefit in a tax-exempt property that has been granted under lease, permit, license, concession, contract, or other agreement.

STARTING OR OPERATATING A BUSINESS

For information concerning starting a business in Colorado you may request:

COLORADO BUSINESS START-UP KIT
From: **Colorado Business Assistance Center**
2745 Welton Street
Denver, Colorado 80202
(303) 592-5920
(800) 333-7798
www.state.co.us/gov_dir/oed.html

For information concerning operating a business in Colorado you may request:

BUSINESS DEVELOPMENT MATERIALS
From: **Small Business Development Center**
1445 Market Street
Denver, Colorado 80202
Attn: Amanda Berlin
(303) 620-8076
www.state.co.us/gov_dir/oed/sbdc.html

If there are any questions that are not addressed in this brochure, contact the county assessor.

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PROPERTY VALUATION AND TAXATION FOR BUSINESS and INDUSTRY IN COLORADO

We have prepared this brochure to provide business and industry property owners a better understanding of how the property tax system works in Colorado.

For Further information please visit our website at: www.dola.state.co.us/propertytax/index.htm.

HOW PROPERTY IS VALUED

CLASSIFICATION

Property is classified as real or personal property.

The county assessor's duty is to value property for property tax purposes. The primary responsibility is to determine an equitable value for the taxable property so taxpayers pay only their fair share of the taxes.

If the property is owned by a public utility, please contact the State Assessed Section of the Division of Property Taxation at (303) 866-2371

THE LEVEL OF VALUE

A. Real property is reappraised by the assessor's office every odd numbered year. The value determined by the assessor for the year of reappraisal is generally used for the intervening year. The actual value of real property is based on its value as of the appraisal date, which is June 30 of the year prior to the reappraisal year.

B. The actual value of personal property is based on its current value adjusted to the level of value used for real property.

C. The actual value of producing mines, producing coal mines, other lands producing nonmetallic minerals, oil and gas, and agricultural lands is based on earnings and/or productive capacity of the land, where applicable, and is not subject to the level of value adjustment procedure.

APPROACHES TO APPRAISAL

The assessor determines the actual value of property by considering the three generally accepted approaches to appraisal: the market (sales comparison) approach, the cost approach, and the income approach.

Market (Sales Comparison) Approach - consists of comparing fair market sales of comparable properties.

Real Property - arm's length market sales of similar properties are analyzed, compared, and adjusted to arrive at a value for the subject property. These sales must have occurred during the eighteen-month period prior to and including the appraisal date of June 30. If a sufficient number of sales are not available during this eighteen-month period, the assessor may go back in six-month intervals up to a maximum of five years to collect the required number of sales needed to set values.

Personal Property - estimates of the most probable selling price of taxable personal property as of the assessment date. The selling price is then rolled back to the appropriate level of value used for real property.

Cost Approach - estimates the material and labor costs to replace the subject property with an equally desirable substitute property that is equivalent in function and utility.

Real Property - estimates the replacement cost new of improvements, less total accrued depreciation plus land value as of the appraisal date.

Personal Property – estimates the replacement cost new, less the total accrued depreciation of each personal property item as of the assessment date. The estimate of value is then rolled back to the appropriate level of value used for real property.

Income Approach – estimates the present value of the future net benefits to be derived from a property by capitalizing net income into an indication of value.

Real Property – estimates the present value of the future net benefits by deducting vacancy and operating expenses from the estimated gross income. The net income is then capitalized into an indication of value.

Personal Property – estimates the present value of the future net benefits of the personal property by deducting allowable expenses from the estimated gross income. The net income is then capitalized into an indication of value. The estimate of value is then rolled back to the appropriate level of value used for real property.

EXCEPTIONS TO THE THREE APPROACHES:

Residential Real Property

The assessor determines the actual value of residential property by considering only the market (sales comparison) approach to appraisal as required by the Colorado Constitution.

Agricultural Land

The assessor determines the actual value of agricultural land, exclusive of buildings or improvements, by considering the earning or productive capacity of the land over a reasonable time, capitalized at a rate of 13 percent.

Natural Resource Properties

- **Oil and Gas Leasehold and Lands** – The valuation or assessment for producing oil and gas leaseholds and lands is 87½ percent of the average wellhead selling price of oil and gas sold or transported from the premises from primary recovery during the preceding calendar year; or 75 percent of the average wellhead selling price of oil or gas sold or transported during the preceding calendar year from secondary recovery.
- **Producing Mines** – All mines whose gross proceeds during the preceding calendar year have exceeded $5,000 are classified as producing mines. Producing mines are valued by the assessor at 25 percent of the gross proceeds or 100 percent of the net proceeds whichever amount is greater. Equipment and improvements or buildings on natural resource properties are valued separately by considering the three approaches to appraisal.
- **Excepted Mines** – Mineral operations extracting coal, rock, limestone, dolomite, or other stone products, sand, gravel, clay, or soils are excepted out of the definition of producing mines and are valued considering the three approaches to appraisal.

ASSESSMENT DATE

Colorado law establishes January 1 as the assessment date. Property is assessed according to its status, use, and condition on the assessment date.

ASSESSED VALUE

The assessor multiplies the actual value by the assessment rate of 29 percent (except residential property, oil and gas leaseholds, and producing mines) to arrive at an assessed value. The assessed value is multiplied by the appropriate mill levy to calculate the tax bill for the property.

EXAMPLE: RETAIL STORE

The assessor determines the following property values at the appropriate level of value:

REAL PROPERTY	ACTUAL VALUES
Land	$ 40,000
Building	$ 160,800
Actual Value	$ 200,800

PERSONAL PROPERTY	ACTUAL VALUES
Equipment	$ 23,000
Furniture	$ 17,000
Actual Value	$ 40,000

The taxpayer would receive two Notices of Valuation (NOVs): a real property notice and a personal property notice. The assessment rate applied to all non-residential taxable real and personal property is 29 percent as shown below in the example.

ACTUAL VALUE
X ASSESSMENT RATE
ASSESSED VALUE

PROPERTY	ACTUAL VALUES	X	ASSMT RATE	=	ASSD VALUES
Real Property	$200,800	X	29%	=	$ 58,232
Personal Property	$ 40,000	X	29%	=	$ 11,600

The taxing entities calculate the mill levy based on the allowable budgets in your tax area. For the purpose of this example, 82 mills are used, which is equivalent to 0.082.

ASSESSED VALUE x MILL LEVY = TAX BILL

PROPERTY	ASSD VALUES	X	MILL LEVY	=	TAX BILLS
Real Property	$ 58,232	X	0.082	=	$ 4,775.02
Personal Property	$ 11,600	X	0.082	=	$ 951.20

The taxing entities calculate the mill levy based on the allowable budgets in your tax area

VALUATION OF PERSONAL PROPERTY

Personal property is not taxable until the assessment date following the year in which the property was acquired and first put into use.

Personal property values are not prorated. The valuation and taxable status as of January 1 remains for the entire year even if the property is destroyed, conveyed, enters or leaves the state, or changes taxable status after the assessment date. When any of these changes occur, taxpayers need to modify their asset listing when filing the declaration schedule the following year.

$2,500 EXEMPTION FOR PERSONAL PROPERTY

Exemption of personal property equal to or less than $2,500 in total actual value is provided for in 39-3-119.5, C.R.S. An exemption is allowed and should only be applied if the total actual value of taxpayer's taxable personal property per county is equal to or less than $2,500. The statute does not exempt the first $2,500 of each personal property taxpayer's schedule.

REAL PROPERTY

Statute requires all property in the state to be valued according to its status, use, and condition on January 1 of the assessment year. However, certain exceptions "to the rule" require the assessor's office to prorate values according to the period of time the property was legally taxable. The word "prorate" means to divide or distribute proportionately. Circumstances that require proration include:

REAL PROPERTY DESTROYED AFTER THE ASSESSMENT DATE

The assessed value of a real property improvement that is demolished or destroyed is prorated from January 1 of the current year to the date of destruction. The date the property was destroyed is not counted as a taxable day. The property's value is based upon the total number of days it was taxable.

If improvements are demolished or destroyed, the property owner is responsible for reporting the date of the occurrence to the assessor. If the demolition or destruction is not reported, the property remains taxable for the full year and does not qualify for the abatement and/or refund of taxes. "Land" is never considered to be destroyed.

NOTE: If a real property improvement (structure) is moved, taxes are not prorated; taxes are due for the entire year based on the property's location as of the assessment date.

CHANGE IN TAXABLE STATUS

A change in tax status occurs when a governmental entity buys or sells property, or when the Property Tax Administrator issues a Determination granting exemption, a forfeiture, or a revocation.

If an exempt property becomes taxable or a taxable property becomes exempt for a portion of the assessment year, general proration rules are used to determine the number of taxable days, the actual value per day, the prorated actual value, and the prorated assessed valuation.

DECLARATION SCHEDULES

WHO FILES A DECLARATION SCHEDULE?

The owner of taxable personal property as of January 1 must file a declaration schedule if the total actual value (market value) of all the personal property to be listed on the schedule is greater than $2,500 per county. All personal property, such as a business/organization's equipment, security devices, machinery, household furnishings, personal effects, not otherwise exempt by law, must be listed on the schedule.

WHEN TO FILE?

The assessor mails the declaration schedules as soon after January 1 as possible. If the owner does not receive a declaration schedule in the mail, one may be obtained from the assessor's office. The declaration schedule must be received by the county assessor by the **April 15 deadline every year.** Failure to receive a declaration schedule does not relieve the taxpayer of the requirement to file.

HOW DO YOU FILE FOR AN EXTENSION?

The deadline may be extended if, prior to April 15, the assessor receives a written request AND $20 for a 10-day extension or $40 for a 20-day extension. The extension applies to all personal property schedules (single or multiple) that a person is required to file in a county.

Statutory deadline for filing declaration schedules is April 15!

WHAT HAPPENS IF YOU FAIL TO FILE?

The late filing penalty is $50 or 15 percent of the taxes due, whichever is less. If the owner of taxable personal property fails to file a schedule, the assessor may determine a valuation based upon the BEST INFORMATION AVAILABLE and **may add a penalty of up to 25 percent of assessed value for any omitted property discovered and valued later.**

CONFIDENTIAL DOCUMENTS

Declaration schedules and attachments are confidential and private documents by law.