CHAPTER 12
SPECIAL TOPICS

TAX INCREMENT FINANCING (TIF) EFFECTIVE JANUARY 1, 2017

OVERVIEW

Throughout this section the following abbreviations are used:

"URA" means urban renewal authority/ies
"DDA" means downtown development authority/ies
"UR" means urban renewal
"DD" means downtown development
"TIF" means tax increment financing
"UR" or "DD" or simply "TIF" plan means a plan approved for urban renewal or downtown development that includes a provision authorizing a URA or DDA to utilize TIF

The statutory definitions related to these abbreviations are covered later in this section.

Title 31 of the Colorado Revised Statutes authorizes urban renewal authorities (URA) and downtown development authorities (DDA) to use tax increment financing (TIF). TIF revenue may be derived from municipal sales taxes, ad valorem property taxes, or both.

Both §§ 31-25-107(9)(h) (governing urban renewal TIF) and 31-25-807(3)(f) (governing downtown development TIF) require the Property Tax Administrator (PTA) to prepare and publish manuals to give direction to county assessors regarding the manner and methods by which the statutory TIF provisions are to be implemented. Additionally, the PTA has the general requirement to assist in the administration of all property tax laws, § 39-2-109, C.R.S.

Some differences between the urban renewal and downtown development statutes are identified in this section. Each TIF plan is unique. The Assessors' Reference Library (ARL) cannot anticipate every TIF related issue and does not summarize all provisions of UR/DD law. This section is intended to be a procedural resource for county assessors and focuses only on ad valorem property tax procedural issues related to administering the TIF provisions of the UR and DD statutes, § 31-25-101, C.R.S., et seq. and § 31-25-801, C.R.S., et seq. Sales tax issues do not fall under the authority of the Division or county assessors.

TIF statutes do not supersede or alter the ad valorem statutes in title 39, C.R.S. requiring assessors to value all taxable property according to its actual value pursuant to section 3, article X, Colorado Constitution.

THE TIF PROVISION

A TIF provision is a component of an urban renewal plan or plan of development intended to finance projects from future tax revenues. When a TIF-funded project is undertaken as part of a UR or DD plan, there is an expectation that the project will drive new growth and redevelopment within the plan area and, in turn, new and increased property value within the plan area. The increase in value will generate increased tax revenue that the municipality can use to help pay for the project.

A UR plan may contain a provision that property taxes levied upon taxable property in the urban renewal area (TIF area) after the effective date of the plan may be split between the authority and local taxing entities for a period that cannot exceed 25 years. A DD plan may contain a provision that property taxes levied upon taxable property in the downtown development area (TIF area) after the effective date of the plan may be split between the authority and local taxing entities for a period that cannot exceed 30 years, except when a 20-year extension is enacted pursuant to § 31-25-807(3)(a)(IV), C.R.S. (See ***20-Year Extension to DDA TIF Area*** in this chapter.) The process for determining the final year of a TIF's life is discussed later in this chapter under ***Determining the Final Year***.

The division of property tax is made according to the "base" valuation of the area and any "increment" valuation that may have occurred in the area. The base valuation of the tax increment area begins as the total assessed valuation of all taxable property last certified by the assessor prior to the effective date of the approval of the urban renewal or downtown development tax increment financing plan. All property taxes attributable to the base valuation are paid to each taxing entity (school district, county, city, etc.) within the area according to the mill levy rates fixed each year by or for each such political body.

The "increment" valuation of the tax increment financing area is the amount of assessed valuation, if any, which exceeds the base valuation. All property taxes attributable to the "increment" valuation are paid into the special fund of the URA or DDA to pay debt service on the bonds and other indebtedness. Division of Property Taxation policy is that the increment value never drops below zero even if the total valuation of the area drops below the established base valuation. The assessor reports a negative increment as a zero increment and does not certify a negative increment to taxing entities.

The mills of these same taxing authorities are also levied on the increment and paid into the special fund of the URA or, for a DDA, into the special fund of the municipality. There is no separate mill levy for the increment. However, an exception exists for certain urban renewal plans created or substantially modified after January 1, 2016. Authorities with such plans are not entitled to receive the additional revenue generated by voter-approved measures that allow taxing entities to assess an additional mill levy or to retain and spend previously collected excess revenue, if those measures were approved after January 1, 2016.

In its simplest form, a TIF project is funded with debt, typically in the form of bonds issued by the authority or the underlying municipality. Various other financing agreements involving government entities and private developers are permitted by UR and DD law, and are common. The tax revenue derived from the increment is pledged as the basis for payment of debt.

Once increment value exists, the taxes on that value are statutorily required to be put into a special fund of the URA or municipality (DDA) to pay debts and other obligations. When the obligations of the TIF have been paid, or the maximum time period authorized has elapsed, the base/increment division stops and all taxes from that point on are paid to the tax entities for that tax area. A TIF provision in a UR plan may last for a maximum of 25 years. A TIF provision in a DD plan may last for a maximum of 30 years, unless within the last 10 years of the 30 year term it is extended for no more than an additional 20 years.

The UR/DD statutes require the municipality in which the URA or DDA is established to timely notify the assessor when any of the following occur:

- A plan has been approved or modified that includes a TIF provision.
- TIF funded debt has been repaid.
- The purposes of the authority have been otherwise achieved.

The assessor's role in TIF is to track and segregate the two property value components, base and increment, annually for the maximum duration authorized by statute, or until the assessor is notified that a project is completed, whichever comes first.

Base value generates property tax revenue within the plan area as if the TIF plan never existed. Once established, base and increment values are adjusted proportionately or exclusively as a result of at least one of nine of the following events:

NOTE: Proportional adjustments are covered in more detail later in this section, under the heading:
Base and Increment Proportional Adjustments

1. The biennial reassessment of real property to a new level of value. (proportionately)
2. The annual valuation of personal property, natural resource production, state assessed property, and possessory interests. (proportionately)
3. The adoption of a substantial modification to a UR or DD plan. (exclusively)
4. Modifications to a UR or DD plan area adding property (exclusively)
5. Modifications to a UR or DD plan area removing property (proportionately)
6. The issuance of a reappraisal order by the State Board of Equalization. (proportionately or exclusively)
7. A valuation adjustment ordered as a result of an appeal or abatement. (proportionately or exclusively)
8. The identification of omissions or errors that the assessor is required to correct. (proportionately or exclusively)
9. A 20-year extension of a DDA. (proportionately)

Increment value is tracked and calculated annually, as of the assessment date, to capture new and changed values not resulting from these nine events. Such non-reassessment changes are property specific and are presumed to result from the effects of the UR or DD plan.

(Note: the increment value may be subject to proportional adjustment as described later in the section ***Base and Increment Proportional Adjustments***.)

All taxes in excess of the base are allocated to and, when collected, paid into the special fund. No taxes are exempt from this division. However, §§31-25-107(9.5) & (11), C.R.S. allow the URA and a taxing entity whose mill levy contributes to incremental property tax revenues to negotiate an agreement for sharing the incremental property tax revenue. These agreements are administered by the URA. The assessor has no role in the distribution of these shared funds. The assessor certifies values to the taxing entities and delivers the tax warrant to the treasurer such that 100 percent of the taxes derived from the increment is paid into the special fund without regard to the portion of that revenue that is shared by the URA with the various taxing entities.

PROPERTY TAX ADMINISTRATOR'S AUTHORITY

The manner and methods by which TIF provisions are to be implemented by assessors are prepared and published by the Property Tax Administrator. The PTA has direct statutory authority over these procedures, §§ 31-25-107(9)(h) and 807(3)(f), C.R.S.

For most practical purposes, implementation of the TIF provisions of both the UR law and the DD law is the same except where noted.

NOTE: Other than certain provisions related to the inclusion of agricultural land in a UR plan, the assessor has no role in administering a UR or DD plan that has no property TIF provision.

FORMATION AND POWERS OF URA AND DDA RELEVANT TO TAX INCREMENT FINANCING

CREATION

The governing body of any Colorado municipality may create and establish a URA, a DDA, or both. URA is created by a resolution of the governing body of the municipality upon the petition of twenty-five electors. A DDA may be created only after the qualified electors in the municipality have approved the establishment of a DDA at a regular or special election. The election question must state the boundaries of the DDA district and whether an ad valorem tax or sales tax, or both, will be used to finance DDA operations.

NOTE: If a UR plan and a DD plan that both contain a TIF provision coexist in the same area, only one TIF diversion is possible. However, the law does contemplate that the two authorities overseeing the coexisting plans could manage to share increment revenue through the terms of an intergovernmental agreement. When UR and DD plans coexist in the same area the Division recommends that assessors administer the TIF diversion according to whichever plan was first approved.

AREA OF AUTHORITY

URA boundaries are identical to those of the municipality. A governing body may approve any number of UR plans, each of which contain a UR project with one or more TIF areas. A UR plan may also include property outside the boundary of the municipality if that inclusion is approved by the county commissioners, the owners of each property, and the mortgagees of each property, § 31-25-112.5, C.R.S.

DDA boundaries are limited to the "central business district" of the municipality. A DDA TIF area can be any approved, specified area within that central business district. See ***Inclusion of Property to a TIF Area*** later in this section.

AUTHORITY TO LEVY TAXES

A URA does not have the authority to levy ad valorem taxes. It can only receive property tax revenue if that revenue is derived from ad valorem taxes on increment value from a UR plan with a TIF provision, or by agreement with another taxing body.

A municipality is authorized to levy up to five mills on behalf of its DDA, §31-25-817, C.R.S. If the total valuation for assessment within a DD plan area is divided pursuant to a TIF provision, this levy is on the base (net) valuation within the DD plan area. A DDA therefore has potentially two separate property tax revenue streams authorized by two separate statutory provisions. Revenue from the ad valorem tax on the base (net) valuation may be used for a development project, for non-debt funded expenditures of the authority, and for its annually budgeted operations, §31-25-817, C.R.S. TIF revenues paid into a special fund (which includes the increment portion of the DDA’s mill levy) are to be used to finance project debt, §31-25-809, C.R.S.

All taxing entities determine their mill levies and derive their revenue from the net value. If increment value exists, the certifications of value that are annually prepared by the assessor, report the total valuation for assessment, the increment value and the net value. See **Chapter 7, Abstract, Certification and Tax Warrant** for more information about certification of levies.

ISSUANCE OF BONDS/DEBT

A URA has the discretion to issue bonds or other debt obligations without prior voter approval. Such debt may finance URA activities or operations and may be either general obligations or special obligations. General obligations are secured by the full faith and credit of the authority. Special obligations are payable solely from and secured only by a pledge of the specific revenue identified in the debt documents, including money paid into the special fund of the URA from a TIF project, § 31-25-109, C.R.S.

DDA do not have independent authority to issue tax increment bonds, but the municipality may issue such bonds approved by the qualified electors within the boundaries of the DDA at a special election held for that purpose. Such bonds are payable either from revenues paid into the special fund derived from TIF or from property tax revenues derived from the DDA's mill levy, § 31-25-809, C.R.S.

RELEVANT STATUTES

UR Plans

UR plan "means a plan, as it exists from time to time, for an urban renewal project…," §31-25-103(9), C.R.S. A UR project "means undertakings and activities for the elimination and for the prevention of the development or spread of slums and blight…," §31-25-103(10), C.R.S. A UR area "means a slum area, or a blighted area, or a combination thereof which the local governing body designates as appropriate for an urban renewal project," §31-25-103(8), C.R.S. In other words, there is only one UR project, consisting of multiple undertakings and activities in each UR area designated by an approved UR plan.

Following is an abbreviated summary of some of the statutory provisions to which UR plans are subject pursuant to § 31-25-107, C.R.S. Familiarity with these statutes can aid in discovering information about proposed UR plans, planning workflow, and establishing communications with the appropriate personnel.

- (1)(a), Governing body must pass a resolution determining an area to be blighted before a URA can undertake a UR project within a UR area.

- (1)(c)(I), Except for UR plans subject to § 31-25-103(2)(l), C.R.S., the boundaries of a UR plan area shall be drawn as narrowly as feasible to accomplish the planning and development objectives of the proposed UR area.

- Further in (1)(c)(I), a URA shall not acquire real property for a UR project unless a UR plan has been approved.

- (1)(c)(II), No UR area shall contain agricultural land unless…. Refer to ***Agricultural Land Inclusion*** in this section.

- (1)(d), In the case of an urban renewal plan approved or substantially modified on or after June 1, 2010, the plan shall include a legal description of the urban renewal area, including the legal description of any agricultural land proposed for inclusion within the urban renewal area, pursuant to subparagraph (II) OR (III) of paragraph (c) of this subsection (1).

- (2), Prior to approval of a UR plan, the governing body shall submit such plan to the municipality planning commission for review and recommendations as to its conformity with the municipality's master plan.

- (3)(a), The governing body shall hold a public hearing on a UR plan or substantial modification of an approved plan, no less than thirty days after public notice thereof.

- (3.5)(a), At least thirty days prior to the hearing on a UR plan or substantial modification of a plan, the governing body or URA shall submit such plan or modification to the county board of commissioners. If property taxes collected as a result of the county levy will be utilized, the governing body or URA shall also submit a UR impact report, which shall include certain information. (Refer to § 31-25-107(3.5)(a) for the complete list.)

- (7), If a plan is modified that substantially changes previously approved provisions of the UR plan regarding land area, land use, authorization to collect incremental tax revenue, the extent of the use of tax increment financing, the scope or nature of the urban renewal project, the scope or method of financing, design, building requirements, timing or procedure, or where such modification substantially clarifies a plan that, when approved, was lacking in specificity as to the urban renewal project or financing, then the modification is substantial and all of the requirements of § 31-25-107, C.R.S, apply.

- (8) Upon the approval by the governing body of a UR plan or a substantial modification, the provisions of the plan with respect to the land area, land use, design, building requirements, timing, or procedure applicable to the property covered by the plan shall be controlling with respect thereto.

- (9) The TIF provision, covered in more detail later in this section.

- (9.5) Before a municipal governing body may approve a UR plan, representatives of the governing body, the board of county commissioners and each public body whose taxes would be diverted shall negotiate an agreement governing the types and limits of tax revenues of each taxing entity to be allocated to the urban renewal plan. In the absence of an agreement the parties must submit to mediation.

- (9.6)(a) Permits urban renewal plans to specify that the valuation attributable to extraction of mineral resources shall not be subject to the division of base/increment value. If a UR plan specifies this exclusion, all property tax revenue derived from the extraction of mineral resources within the UR plan area is distributed to the public bodies as if the UR plan was not in effect. Value attributable to mineral resources includes both real and personal property associated with extracting oil, gas, coal, sand, gravel, and other minerals, §36-1-100.3, C.R.S.

- (9.7)(b) The changes enacted by HB15-1348 and SB17-279 apply to municipalities, urban renewal authorities, and urban renewal plans created or substantially modified after January 1, 2016

- (10) The municipality in which an urban renewal authority has been established shall timely notify the assessor of the county in which such authority has been established when:

> (a) An urban renewal plan or a substantial modification has been approved that contains a TIF provision or a substantial modification of the plan adds land to the plan, which plan contains a TIF provision;
> (b) Any outstanding obligation incurred by such authority pursuant to the provisions of subsection (9) of this section has been paid off; and
> (c) The purposes of such authority have otherwise been achieved.
>
> (11) The governing body or the authority may enter into an agreement with any taxing entity within the boundaries of which property taxes collected as a result of the taxing entity's levy, or any portion of the levy, will be subject to allocation pursuant to subsection (9) of this section. The agreement may provide for the allocation of responsibility among the parties to the agreement for payment of the costs of any additional county infrastructure or services necessary to offset the impacts of an urban renewal project and for the sharing of revenues.
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> And, §31-25-110(2), C.R.S. All property of an authority acquired or held for any purpose of this part 1…shall be exempt from all taxes of the state of Colorado or any other public body thereof; except that such tax exemption shall terminate when the authority sells, leases, or otherwise disposes of the particular property to a purchaser, lessee, or other alienee which is not a public body entitled to tax exemption with respect to such property.

DD Plans

The term "DD plan" used in this section is synonymous with the statutory term "plan of development" which "means a plan as it exists from time to time, for the development or redevelopment of a downtown development area, including all properly approved amendments thereto," §31-25-802(6.6), C.R.S. "'Development project' or 'project' means undertakings and activities of an authority or municipality as authorized in this part 8 in a plan of development area…," §31-25-802(3.5), C.R.S. "'Downtown' means a specifically defined area of the municipality in the central business district, established by the governing body of the municipality pursuant to this part 8," §31-25-802(5), C.R.S. "'Central business district' means the area in a municipality which is and traditionally has been the location of the principal business, commercial, financial, service and governmental center, zoned and used accordingly," §31-25-802(3), C.R.S. As with a UR project, there is just one DD project consisting of multiple undertakings and activities within a DD area approved by a DD plan, and all properly approved amendments thereto.

The statutory provisions for creating a DD plan are less comprehensive than those for a UR plan. The DDA statutes do not provide a notification requirement similar to that found in the UR statute. The assessor should rely on the results of the election and public hearings in determining whether a DD plan has been approved, as provided for in §§ 31-25-804 and 807(4), C.R.S.

Following is an abbreviated summary of some of the provisions to which DD plans are subject, pursuant to § 31-25-807, C.R.S. The DDA may:

- (2)(d) Plan and propose, within the downtown development area, plans of development for public facilities and other improvements to public or private property of all kinds, including removal, site preparation, renovation, repair, remodeling, reconstruction, or other changes in existing buildings which may be necessary or appropriate to the execution of any such plan which in the opinion of the board will aid and improve the downtown development area;

- (2)(e) Implement, as provided in this part 8, any plan of development, whether economic or physical, in the downtown development area as is necessary to carry out its functions.

- (2)(f) In cooperation with the planning board and the planning department of the municipality, develop long-range plans designed to carry out the purposes of the authority as stated in section 31-25-801, C.R.S., and to promote the economic growth of the district and may take such steps as may be necessary to persuade property owners and business proprietors to implement such plans to the fullest extent possible.

- (3) The TIF provision, covered in more detail later in this section.

- (4)(a) A DDA shall not actually undertake a development project for a plan of development area unless the governing body, by resolution, has first approved the plan of development which applies to such development project.

- (4)(b) Prior to its approval of a plan of development, the governing body shall submit such plan to the planning board of the municipality, if any, for review and recommendations.

- (4)(c) The governing body shall hold a public hearing on a plan of development, or substantial modification of an approved plan of development.

- (4)(d) Following such hearing, the governing body may approve a plan of development if it finds that there is a need to take corrective measures in order to halt or prevent deterioration of property values or structures within the plan of development area or to halt or prevent the growth of blighted areas therein.

TIF PROCEDURES FOR ASSESSORS

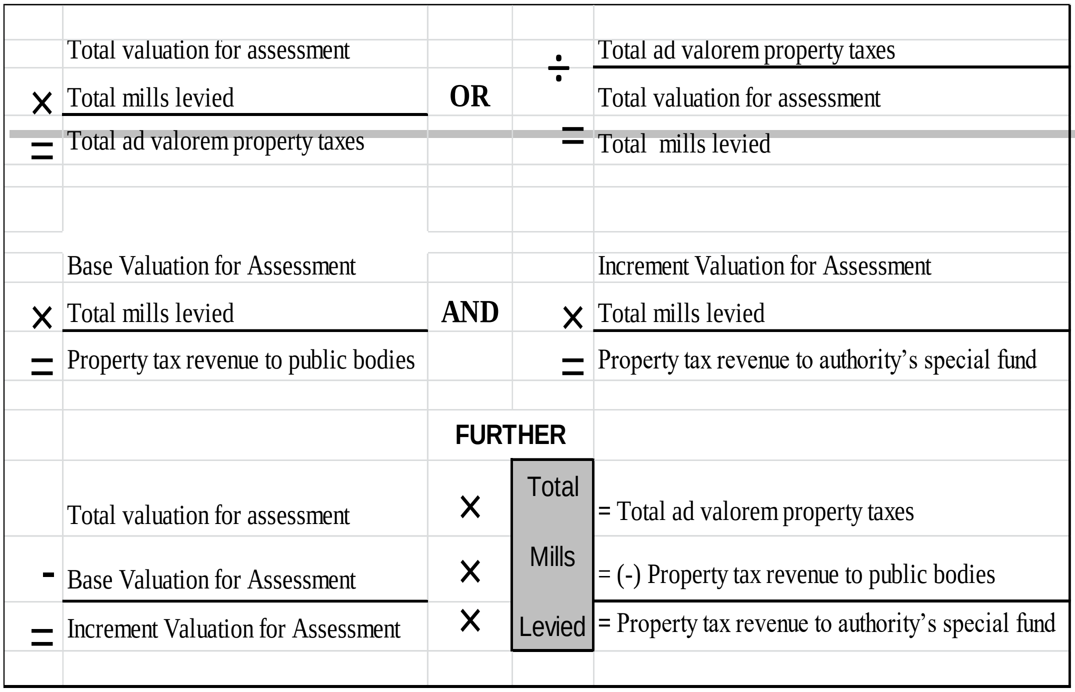
TIF procedures are implemented when a municipality approves a new UR or DD plan that includes a TIF provision, or when an existing plan is substantially modified to add a TIF provision. Once notified of the approval of a plan that contains a TIF provision, the assessor sets up the TIF area in their records, establishes an initial base value for the TIF area, and then annually calculates and certifies the base and increment values in the TIF area. This process continues annually until the assessor receives notification that the TIF plan is complete, or after the statutory time limit of the TIF has expired.

All taxing entities that service the TIF area calculate their mill levies based on the net total taxable value (gross total taxable value minus increment value) certified each year by the assessor. The treasurer then divides property tax revenue between the taxing entity and the authority based on the annual base/increment split calculated by the assessor. The tax revenue on the base goes to the taxing entity. The tax revenue on the increment goes to the TIF special fund.

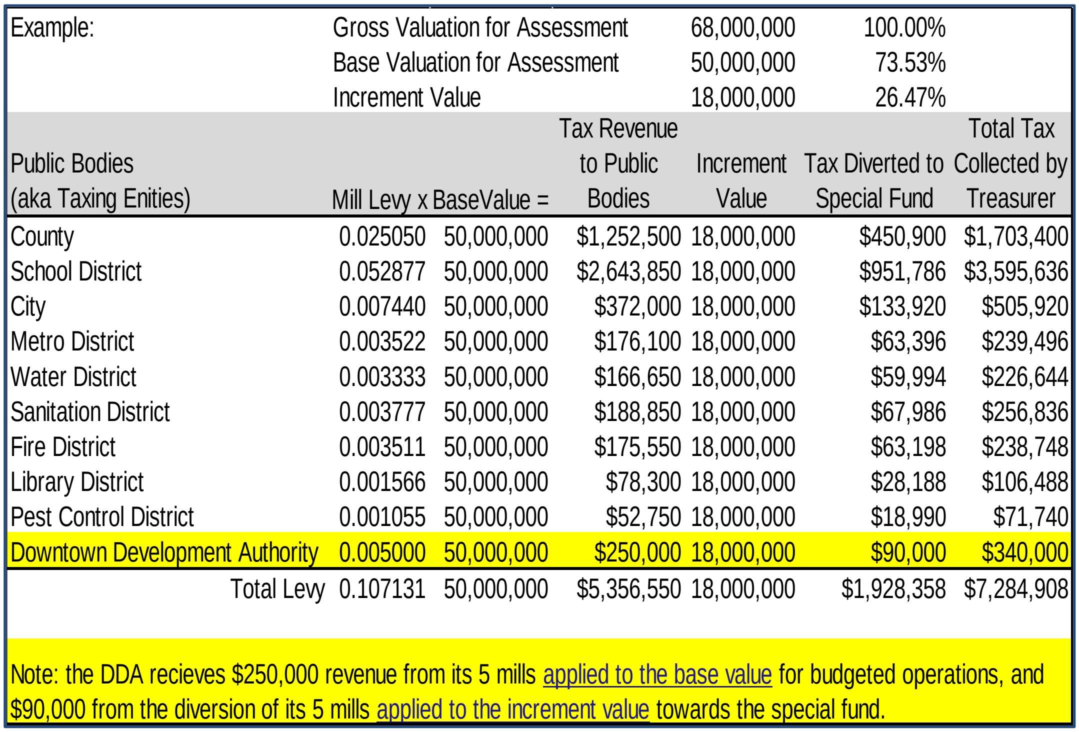
The assessor may enforce a provision that restricts the inclusion of agricultural land into an urban renewal area for which the use of sales or property tax TIF has been authorized. There is no such restriction for the inclusion of agricultural land in DDA law. Refer to ***Assessor Enforcement of Agricultural Land Restriction***.

The assessor must annually account for the total assessed valuation of the tax increment area so that the amount of the increment, if any, can be determined. In order to identify all of the taxing entities authorized to levy within the boundaries of the TIF plan area, the assessor first maps the boundaries and then creates a specific tax area or authority area identification code, and then assigns each parcel this code.

See the following illustrations:



	Total valuation for assessment		÷	Total ad valorem property taxes
×	Total mills levied	OR		Total valuation for assessment
=	Total ad valorem property taxes		=	Total mills levied
	Base Valuation for Assessment			Increment Valuation for Assessment
×	Total mills levied	AND	×	Total mills levied
=	Property tax revenue to public bodies		=	Property tax revenue to authority’s special fund
		FURTHER		
	Total valuation for assessment	×	Total	= Total ad valorem property taxes
-	Base Valuation for Assessment	×	Mills	= (-) Property tax revenue to public bodies
=	Increment Valuation for Assessment	×	Levied	= Property tax revenue to authority’s special fund



Example:	Gross Valuation for Assessment	68,000,000	100.00%
	Base Valuation for Assessment	50,000,000	73.53%
	Increment Value	18,000,000	26.47%

Public Bodies (aka Taxing Enities)	Mill Levy	x BaseValue =	Tax Revenue to Public Bodies	Increment Value	Tax Diverted to Special Fund	Total Tax Collected by Treasurer
County	0.025050	50,000,000	$1,252,500	18,000,000	$450,900	$1,703,400
School District	0.052877	50,000,000	$2,643,850	18,000,000	$951,786	$3,595,636
City	0.007440	50,000,000	$372,000	18,000,000	$133,920	$505,920
Metro District	0.003522	50,000,000	$176,100	18,000,000	$63,396	$239,496
Water District	0.003333	50,000,000	$166,650	18,000,000	$59,994	$226,644
Sanitation District	0.003777	50,000,000	$188,850	18,000,000	$67,986	$256,836
Fire District	0.003511	50,000,000	$175,550	18,000,000	$63,198	$238,748
Library District	0.001566	50,000,000	$78,300	18,000,000	$28,188	$106,488
Pest Control District	0.001055	50,000,000	$52,750	18,000,000	$18,990	$71,740
Downtown Development Authority	0.005000	50,000,000	$250,000	18,000,000	$90,000	$340,000
Total Levy	0.107131	50,000,000	$5,356,550	18,000,000	$1,928,358	$7,284,908

Note: the DDA recieves $250,000 revenue from its 5 mills applied to the base value for budgeted operations, and $90,000 from the diversion of its 5 mills applied to the increment value towards the special fund.

In the examples above, the individual property owner whose property is located in the DD plan area pays taxes on the total assessed value of their property, then 73.5% of his taxes are disbursed to the taxing entities and 26.47% is diverted into the special fund.

The procedures listed below explain the process by which the assessor:

- Establishes the TIF area in the assessor's records
- Enforces the agricultural land restriction, if applicable. Refer to ***Agricultural Land in Urban Renewal Area.***
  NOTE: procedurally the agricultural land restriction analyses must occur before establishing the initial base value. But for clarity, these procedures are covered separately, later in this section.
- Sets the initial base value
- Calculates the base and increment value during each successive year
- Reports those values to taxing entities, the authority, and the county treasurer

Setting Up the TIF Area in the Assessor's Records

The assessor typically receives advance notice when a municipality is considering adoption of a plan that uses TIF. The authority and municipality often consult with the assessor as they determine the boundaries of the proposed TIF area, which properties are located in the area, the classification of those properties, and the properties' values. Assessors are encouraged to work with the municipality and authority during this process but are cautioned against providing forecasts of future valuations.

A municipality is required to timely notify the assessor when it has approved a UR plan authorizing the use of TIF, §31-25-107(10), C.R.S. In addition, the plan shall include a legal description of the UR area, §31-25-107(1)(d), C.R.S. The assessor should also obtain a copy of the plan, the relevant city ordinances and corresponding resolutions.

When a UR or DD plan containing a TIF provision is approved, the assessor's office should first complete related steps A and B, then proceed with steps 1 through 7:

A - With a UR plan containing a TIF provision, determine whether agricultural land has been properly included within the area, even if the TIF provision only pertains to sales tax. Refer to ***Assessor Enforcement of Agricultural Land Restriction*** and ***Setting the Initial Base Value*** in this section. There are no such agricultural land restrictions for DD plans.

B - Determine whether the plan authorizes the use of property tax increment. If such a TIF provision is not part of the approved plan, the assessor has no further role other than opting to enforce the agricultural land restriction. If the approved plan authorizes property tax increment, complete the steps that follow:

1. Determine the date on which the plan was approved by the municipality. The date of approval directly affects the establishment of the initial base value. Refer to ***Setting the Initial Base Value*** in this section.

   NOTE: Both UR and DD statutes permit the addition of land to an existing plan. Although these statutes are silent on the issue of removing land from an existing plan, courts have concluded that such removal is permissible under statute. Either event, adding or removing land, does not necessarily restart the base value or the timing of TIF, unless such event is part of new or substantially modified plan, which then must include the due process, notification, or election requirements outlined in statute. Such events require the base value to be increased when land is added, and may require the base value to be reduced when land is removed. See, NURA v. Reyes, 300 P.3d 984 (Colo. App. 2013).

2. Map the legal description of the TIF area. Confirm that the boundaries of the legal description stated in the plan match the boundaries on the map provided by the authority.

3. Identify all property, real and personal, located within the TIF area.

4. Establish a new tax area code for each portion of the TIF area that is serviced by the same set of taxing entities. When values are certified in subsequent years, taxing entities that overlap less than 100 percent of the TIF area will be certified only their proportionate share of the increment value. Refer to ***Taxing Entity Covers Part of TIF Area*** in this section.

5. Assign the new tax area code to each parcel/schedule located within the TIF area.

6. Closely analyze land uses, zoning regulations, classification codes, and property values to determine if any parcels are erroneously classified or valued. All errors should be corrected promptly to avoid future errors in the base/increment calculations.

7. Establish the initial base value.

Upon completing these steps the assessor's work file will include the following information. The assessor should strive to share this information with the municipality and/or authority to verify accuracy and correct mistakes prior to certifying final values.

- ✓ The map provided by the authority and reviewed by the assessor, showing the TIF area boundaries, the tax area boundaries within the TIF area, and each parcel/schedule located within the TIF area.

- ✓ A list of taxable and exempt parcels/schedules in the TIF area, including their classification, current year assessed value, tax area code and mill levy, along with any parcels whose classification and/or value should be corrected.

- ✓ If the initial base value is calculated from prior year values, provide a second list containing the same information stated above as it existed when values were last certified during the prior year. If corrections have been made to those values, include the corrected values.

- ✓ The initial base value

- ✓ A list of the taxing entities and mill levies associated with each tax area

Setting the Initial Base Value

The assessor's annual calculations of the base and increment value begin with the establishment of the initial base value. Pursuant to §§ 31-25-107(9)(a)(I) and 31-25-807(3)(a)(I), C.R.S., the initial base value is the total assessed valuation of all taxable property last certified by the assessor prior to the effective date of the approval of the urban renewal or downtown development tax increment financing plan.

Assessors certify final values to entities by December 10. The base of any UR or DD plan with a TIF provision that is approved prior to this final certification will reflect the total taxable value in the plan area as of the prior assessment year. If a TIF plan is approved in December, after final values are certified, the base is derived from the most recent certified values, and the plan could not realize an increment until the following year.

For more information on this subject, see ***Determining the Final Year*** in this section.

Identify and Correct Errors Prior to Setting the Initial Base Value

Prior to establishing the initial base value, the assessor's office should carefully review the classification and value of each property in the TIF area as it existed when values were last certified. If errors are discovered, they should be corrected prior to setting the initial base value. If the errors are for the prior tax year, they generally can be corrected only through the approval of abatement petitions or the issuance of Special Notices of Valuation. Such corrections should be made without delay because a failure to make them before setting the initial base value can cause repeating annual shortages or windfalls of TIF revenue.

- For locally assessed property, real and personal property appraisers should review the listing, classification, inventory and valuation of each property located within the TIF area.

- Areas included in a UR/DD plan containing a TIF provision are likely to transition from decline to redevelopment. Therefore, it is crucial for appraisers to accurately value land and improvements according to its condition, zoning and land-use regulations in place prior to the approval of a UR or DD plan.

- For state assessed property, provide each state assessed company with an updated tax area map and explain in a cover letter why it is important to have a correct distribution of state assessed values for the new TIF area. When a distribution appears to be unreasonable, contact the state assessed company and discuss how the distribution percentages were derived.

Adjusting the Base Value in Subsequent Years

Each year, the assessments of many properties within a TIF area change as a result of changes to the characteristics or use of properties and as a result of statutory reassessments. Therefore, the total assessed valuation of the area is recalculated annually at the appropriate level of value. When the total valuation of the TIF area exceeds the adjusted base valuation, the portion of value that exceeds the adjusted base is the increment.

Once established, the base valuation of the TIF area is adjusted in subsequent years to account for the following changes:

1. Pursuant to §§31-25-107(9)(e), and 31-25-807(3)(e), C.R.S., whenever there is a general reassessment of property, the base and increment values are proportionately adjusted in accordance with the reassessment. UR and DD law does not define general reassessment. Current statutes provide that odd numbered years are years of general reassessment for real property, while the general reassessment of personal property, natural resources, state assessed public utilities and possessory interests occurs annually as of the January 1st assessment date. Therefore, the following events affect base valuation:

- ✓ A general reassessment of real property to a new “level of value’ occurs in odd numbered years, pursuant to §39-1-104(10.2)(d), C.R.S.

- ✓ The State Board of Equalization issues an order pursuant to its authority to reappraise a class or subclass of property, some of which is located in a TIF area, pursuant to §§ 39-1-105.5, 39-2-111, and 114, C.R.S.

- ✓ The annual reassessment of personal property, §39-1-104(12.3), C.R.S. In an intervening year the change in value attributable to personal property is proportionately adjusted, including personal property associated with oil and gas production, § 39-7-103, C.R.S.

- ✓ The annual reassessment of natural resource operations, oil & gas wells, and producing mines. The increase or decrease of such valuation is a reassessment change and therefore requires proportionate adjustment of the base and increment, §§ 39-6-104, 39-6-106, and 39-7-102, C.R.S.

- ✓ The annual reassessment of state assessed property, §39-4-106, C.R.S. The increase or decrease of such valuation is a reassessment change and therefore requires proportionate adjustment of the base and increment.

- ✓ The annual reassessment of possessory interests, pursuant to § 39-1-103(17)(a)(I) and (II)(B), C.R.S.

2. The base and increment may be proportionately adjusted as a result of abatement or an appeals board or court order. Abatement petitions can be filed up to two full tax years after a property’s change in level of value, and court ordered adjustments can take even longer. Therefore, the base/increment split must be recalculated retroactively, in the year that produced the incorrect value, and then carried forward; otherwise, base/increment proportions will be incorrect in subsequent years. Refer to ***Value Reductions Resulting from Abatements or Orders*** in this section.

3. If a UR or DD plan is modified to include additional property in the TIF area, the added property value is included in the base value. Refer to ***Inclusion of Property to a TIF Area*** in this section.

4. Pursuant to § 39-5-125 C.R.S., when errors or omissions are discovered that pertain to either the base or increment, and it can be ascertained what was intended, such errors should be corrected in the current year but not retroactively. The basis for correction should be documented and communicated to the authority and the taxing entities when the assessor certifies values annually. Such corrections do not include abatements or orders issued by an appeals board or court. See ***Value Corrections due to Mistakes*** in this section.

5. When property is removed from a TIF area, the total valuation for assessment should be reduced according to the value of the removed property and the removed property’s base value should be removed from the base. The removal of property from a TIF area is significantly different from property within a TIF area going from taxable to exempt. In the former event the taxing entities continue to receive taxes from the removed property. In the latter event the tax revenue derived from the exempt property is eliminated. Refer to ***Removal of Property from a TIF Area*** in this section**.**

URA and DDA laws do not require an assessor to calculate an increment value for each property. Rather, the amount of the increment, if any, is based on the aggregate total valuation for assessment of the entire TIF area. However, the assessor must know of and track the changes in each property in a TIF area. The Division recommends that a TIF model or tracking system be developed that produces and preserves the portion of the increment value, if any, attributed to each property in TIF area due to non-reassessment changes.

Increment Value Adjustments Only: Attributable to Non-Reassessment Changes

Non-reassessment changes are property specific and affect the increment only. Value changes to specific properties are caused by one or more of three events:

1) changes to the physical characteristics of a property

2) changes to the legal characteristics of a property

3) changes in a property's use

Typically these events follow the undertakings of a URA or DDA. The value, if any, attributed to new development is evidenced by these events. A non-reassessment event that impacts the value of property in a TIF area is attributable to the increment, whether or not such change is demonstrated to be directly caused by undertakings of the URA or DDA. However, indirect benefits resulting from market perceptions that properties located in a TIF plan are more or less desirable/valuable are evidenced when any sort of reassessment event occurs, and such event applies proportionately to both the base and increment.

Prior to the assessor's annual calculation of the base and the increment, the URA or DDA is encouraged to provide the assessor with a description of planned redevelopment activities and a list of properties that the authority believes fall within any of the three events described above. Although the assessor is responsible for making any determination and calculating the associated value, it may be difficult for the assessor to identify every change that satisfies one or more of the above non-reassessment conditions.

Listed below are examples of changes to properties that may fall within one or more of the three events described above. The list is not intended to encompass all possible examples.

a. Value attributable to new construction, including new improvements, remodels, additions, new personal property associated with newly constructed real property and state assessed new construction.

b. Value attributable to new personal property accounts located within the TIF area as a result of the development project.

   NOTE: Value changes to existing personal property accounts are the result of annual reassessment and affect the base and increment proportionately.

c. Value attributable to a change in taxable status. A classification change can increase value within a UR or DD plan area (for example, exempt to taxable or residential to commercial) or decrease value (for example, taxable to exempt or vacant to partially complete residential). Such changes are attributed entirely to the increment. Value attributable to demolished or destroyed real property. Demolition can decrease or increase the value of property, such as in the case of the demolition of an improvement that is contaminated or which has reached the end of its economic life.

d. Value attributable to changes in land use entitlements, such as the platting or re-platting of land, the filing of a condominium declaration and plat, or a change in zoning.

e. Value attributable to the assemblage or splitting of land parcels.

f. Value attributable to an "unusual condition" as defined in § 39-1-104(11)(b)(I), C.R.S.

g. Value attributable to the development of public improvements such as the installation of roads, streets, curbs, sidewalks and utilities; the mitigation of environmental contamination; the mitigation of unusual topography; or similar site improvements, when those improvements are an inherent characteristic of the property and are necessary to its intended development.

When errors are discovered that pertain solely to increment property, or when a value adjustment is ordered or abatement is processed on a property or a portion of a property that contributed solely to the increment value, only the increment should be adjusted.

In deriving changes in value due to a non-reassessment event, the objective is to isolate the value attributable solely to the change in the property. If the current value of the subject is at the current level of value and its prior year value is based on the prior level of value, simply subtracting the current year value from the prior year value will produce an inaccurate value change, one that accounts for reappraisal and non-reassessment changes. This mistake overstates the increment gain when the current level of value reflects an appreciating market. Similarly, when the current level of value reflects a depreciating market, the mistake will understate the increment gain.

When changes occur in an intervening year, the calculation is simple: the new value minus the prior year value accounts for the change. In a reappraisal year this calculation applies a hypothetical condition. The appraiser must compare the value of the changed property to its value as if the change had not occurred; both need to be at the current level of value. See the proper calculation that follows:

[Current assessed value of subject property
(non-reassessment change effective at current level of value)]

- [Assessed value assigned to the property
(as if the change is not effective, but at the current level of value)]

= Value attributable to non-reassessment change(s)

Base and Increment Proportional Adjustments

Proportional adjustment means that when a class or subclass of property is revalued as a result of statutory ad valorem provisions, such revaluation must be applied uniformly so that similar properties are valued similarly according to how the physical, economic, governmental, and social market forces affect such properties. Proportional adjustments recognize that the appreciation or depreciation of property located within a TIF area, whether caused directly by, or incidental to, the undertakings of a URA or DDA, affect all property similarly. This is why, after accounting for non-reassessment changes, the base and increment are adjusted annually by the change demonstrated within each TIF area due to reassessment.

The statutory ad valorem provisions that change the value of class or subclass of property are as follows, with the last item being a specific DD law provision:

- A change in the "level of value" of all taxable real property due to reappraisal every odd-numbered year.
- The annual valuation of existing personal property, natural resources, state assessed property, and possessory interests. This does not include new personal property associated with new development, state assessed new construction or new oil and gas well basic equipment lists.
- The State Board of Equalization issues a reappraisal order, if such order includes property located in a UR/DD plan area.
- A valuation adjustment resulting from an appeal or abatement, if such adjustment pertains to both base and increment.
- The identification of errors and omissions that the assessor is required to correct, if such corrections pertain equally to base and increment. For example, if a newly platted parcel with partially complete new construction is omitted by the assessor, the assessor should enter the omitted property on the tax roll and correct the base/increment calculation to reflect the base portion attributed to the value of the parent parcel, and the increment portion attributed to both new platting and new construction.
- The residential assessment rate is changed based on the findings of the biennial residential assessment study. All properties located in a UR/DD plan area subject to such change will automatically be reassessed accordingly.
- The 20-year extension of DD plan containing a TIF provision. Refer to ***20-Year Extension to DDA TIF Area*** later in this section.

Procedures for Annual Calculation of the Base and the Increment

Every year the base and increment are affected by two broad categories of changes:

- Changes due to non-reassessment
- Changes due to reassessment

Applying a single calculation annually creates consistency and accounts for all changes that can occur within these two broad categories. The outline for the annual calculation is as follows:

1. Apply tax roll corrections to the prior year's total valuation for assessment and re-establish a corrected base/increment split as if these corrections were in place and reflected on the annual certification of value that the assessor issued the prior year.

2. Determine the current year total valuation for assessment.

3. Subtract the corrected prior year total valuation for assessment (Step 1) from the current year total valuation for assessment (Step 2) to determine the year-over-year change in the total valuation for assessment. This includes changes due to both reassessment and non-reassessment.

4. Identify and total the value changes resulting from non-reassessment events. This will be the increment gain or loss in the current year.

5. Subtract the result in Step 4 from the result in Step 3. This reflects all value changes resulting from reassessment in any year. It includes increases or decreases in the prior year base and increment caused by a real property reassessment, personal property reassessment, reassessment of natural resources, reassessment of state assessed public utilities, and reassessment of possessory interests.

6. The value derived in Step 5 is proportioned by multiplying by the prior year (corrected if necessary) base/increment percentages as follows:

   a. Multiply the result in Step 5 by last year's base percentage to find the current year adjusted base portion.
   b. Multiply the result in Step 5 by last year's increment percentage to find the current year's adjusted increment portion.

7. Add the adjusted increment calculated in Step 6.b. to the increment gain or loss calculated in Step 4. This is the total increment portion in the current year.

8. Calculate the new total current year base and increment values
   a. New Base =
   Result in Step 6.a. + the prior year corrected base value (Step 1)

   b. New Increment =
   Result in Step 7 + prior year corrected increment value (Step 1)

   c. Step 8.a. + Step 8.b. = the current year total valuation for assessment

9. Reconcile and calculate new base/increment percentages.
   Step 8.a. + Step 8.b. should equal the current year total valuation for assessment (Step 2).

   - Step 8.a. divided by Step 2 equal the new base percentage

   - Step 8.b. divided by Step 2 equal the new increment percentage

Changes in Taxable/Exempt Status

A change in taxable status to property located in a UR/DD plan area can occur as a result of six events:

1) Transfer of property from a taxable owner to an exempt owner, or the reverse.

2) The PTA grants or revokes tax exempt status to property owned by a religious, private school or charitable entity.

3) Property is leased to a political subdivision of the state, §39-3-124(1)(b)(I)(A), C.R.S.

4) Property owned by a URA is leased to a non-public body, §31-25-110, C.R.S.

5) A change in use creates a different assessment rate, from non-residential to residential, or the reverse.

6) When the value of a personal property account moves below the exempt threshold it becomes entirely exempt; and, when it moves above this threshold it becomes entirely taxable.

These events have both positive and negative effects on the total valuation for assessment within a UR or DD plan area and must be accounted for so as to track the change in value annually.

The statutory scheme, outlined below, which is identical in UR and DD law, precludes such events from applying to the base value. "Valuations for assessment" is comprised of taxable property and never includes exempt property. Only value that generates taxes can be attributable to the base value. The base value, excepting specific statutory provisions that require its adjustment, is constant. Increment value, however, is variable and is qualified by statute as being dependent on the base value. Mathematically, barring no other changes, this dependent function means that when the total valuation for assessment decreases from one year to the next due to property changing from taxable to exempt, the increment value must decrease accordingly.

On the other hand, property that is exempt when a TIF plan is approved contributes no assessed value to the base or to the plan area, even though the property may have significant market value. When such property becomes taxable, all the value and revenue it now generates was never before realized by the public bodies. Whether or not such increase in property valuation would, or would not, exist but for the project, the clear intent of the law is that the increment, if any, is comprised of value that exceeds the base.

Statutory scheme (only the UR provisions are referenced pertaining to §31-25-107(9), C.R.S.):

- Exempt property does not generate "tax by or for the benefit of [any] designated public body [that] must be divided", (9)(a).
- Exempt property is absent from "such portion" that "shall be paid into the funds of each public body", (9)(a)(I) – the base.
- "Unless and until the total valuation for assessment of the taxable property exceeds the base valuation for assessment of the taxable property in such urban renewal area, all of the taxes levied upon the taxable property in such urban renewal area must be paid into the funds of the respective public bodies," (9)(a)(II)

- When property goes from exempt to taxable, the increase in value creates a "portion of property taxes in excess of the property taxes paid into the funds of each public body", (9)(a)(II) –the increment.
- "As used in this subsection (9), the word 'taxes' shall include all levies authorized to be made on an ad valorem basis", (9)(c) – for exempt property no such levy exists.
- These changes are property specific, are not due to reassessment; therefore, (9)(e), does not apply.

Mathematical Scheme

Valuation for Assessment = Gross Taxable Value

Base Valuation = Net Value

Increment Value = Increment

Then, according to the statutory function,

Gross = Net + Increment; and, Gross – Net = Increment

If Gross = Net, then Increment = 0

If Gross < Net, then Increment is < 0 (taxable to exempt)

If Gross > Net, then Increment is > 0 (exempt to taxable)

In order to account for value increases and decreases resulting from the changes enumerated above the assessor must:

- track these changes on a property by property basis
- quantify the difference from the prior year accounting for the change at the current level of value
- include these value changes as non-reassessment events (Step 4) in the calculations for determining base and increment values annually

The following example outlines and illustrates the negative impact that a change in taxable to exempt status can have on the increment. The impact will be positive when a property goes from exempt to taxable. Ultimately, the net effect of these possible events impacts the increment.

EXAMPLE

Assume that the base value in 2014 is $15,000,000 and that the only non-reassessment change occurring in the UR plan area in 2014 is the completed construction of a new office building. Here are the hypothetical facts:

1) As of January 1, 2014 a new office building, 100% taxable, is completed as an undertaking of a UR plan with a TIF provision. This building's 2014 market value, estimated by the assessor as of June 30, 2012 (the 2013/2014 level of value) is $1,724,140 with an assessed value of $500,000, producing an increment increase of $500,000.

2) In March 2015, an abatement petition is filed with the assessor's office demonstrating that, as of July 1, 2014, fifty percent of the subject office space

was leased to a state agency, creating an exempt use, pursuant to §39-3-124(1)(b), C.R.S. The assessor processes the abatement and determines a valuation reduction of $126,030 according to the following prorated corrections:

a. 50% × $500,000 = $250,000 assessed value

b. Taxable: January 1 to June 30, 2014 = 181 days taxable.

$250,000 assessed / 365 days = $684.90 assessed value per day

$684.90 × 181 days = $123,970 assessed taxable value

c. Exempt: July 1 to December 31, 2014 = 184 days exempt

$684.90 × 184 days = $126,030 assessed exempt value

3) The assessor applies these corrected values in 2015 to correct the prior year base/increment calculations as follows.

a. Correct last year's increment value increase.

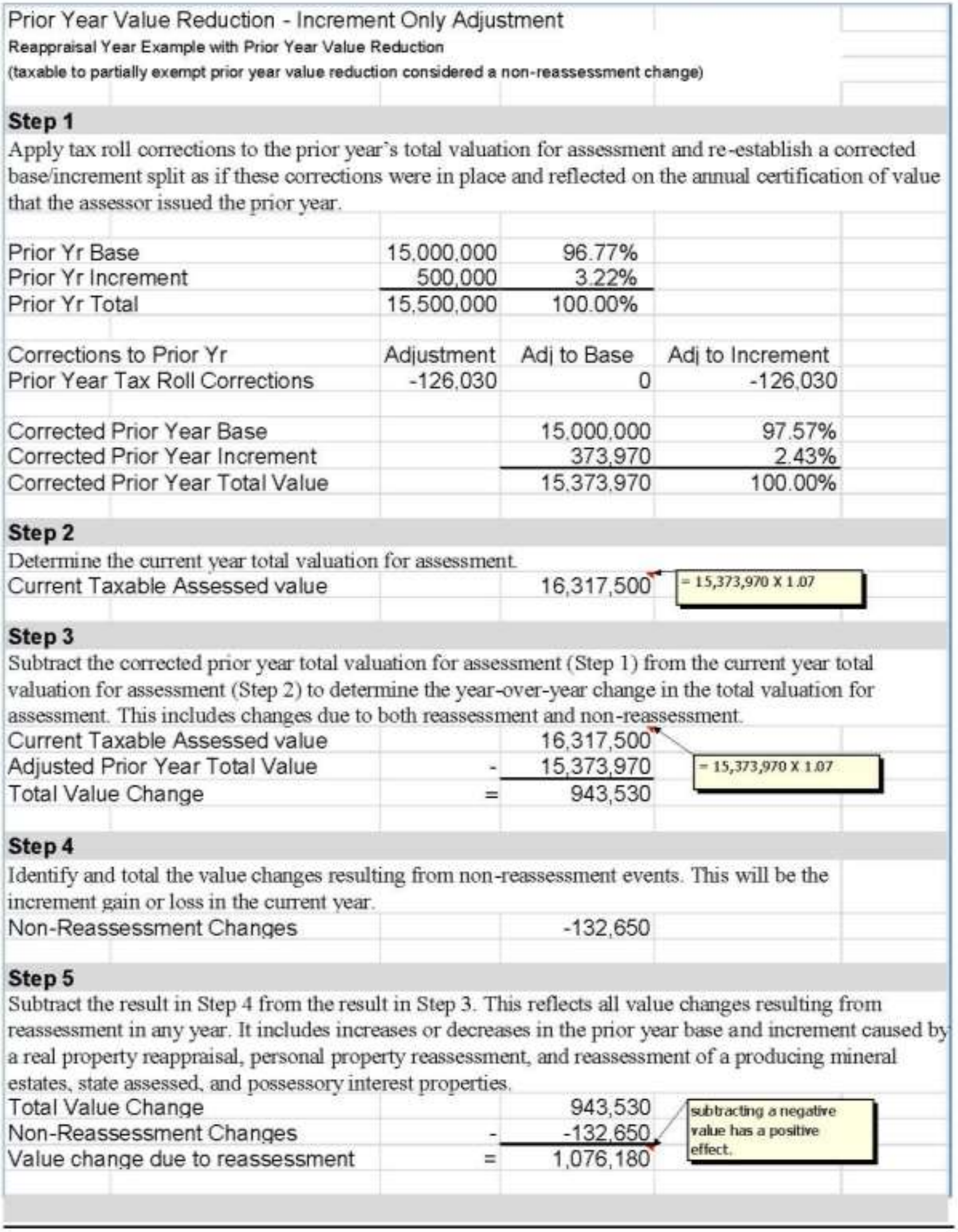
b. In 2015, the assessor revalues all real property within the county and determines that values in the subject UR plan area have appreciated since the prior level of value by 7%.

c. The assessor applies a hypothetical condition and determines that the 2015 value for the office building at 100% taxable is $535,000 assessed.

d. Unlike last year, in 2015 the exemption is complete (not prorated), reducing the total valuation for assessment (gross value) by last year's taxable prorated assessed value, expressed at the current level of value, or $123,970 × 1.07 = $132,650.

4) Such reduction eliminates any property tax revenues that could be collected by the taxing entities, and also reduces the increment diversion to the URA's special fund.

5) Applying the 9-Step base and increment calculations follow:



Prior Year Value Reduction - Increment Only Adjustment

Reappraisal Year Example with Prior Year Value Reduction

(taxable to partially exempt prior year value reduction considered a non-reassessment change)

Step 1

Apply tax roll corrections to the prior year's total valuation for assessment and re-establish a corrected base/increment split as if these corrections were in place and reflected on the annual certification of value that the assessor issued the prior year.

Prior Yr Base	15,000,000	96.77%
Prior Yr Increment	500,000	3.22%
Prior Yr Total	15,500,000	100.00%

Corrections to Prior Yr	Adjustment	Adj to Base	Adj to Increment
Prior Year Tax Roll Corrections	-126,030	0	-126,030

Corrected Prior Year Base	15,000,000	97.57%
Corrected Prior Year Increment	373,970	2.43%
Corrected Prior Year Total Value	15,373,970	100.00%

Step 2

Determine the current year total valuation for assessment.

Current Taxable Assessed value	16,317,500

= 15,373,970 X 1.07

Step 3

Subtract the corrected prior year total valuation for assessment (Step 1) from the current year total valuation for assessment (Step 2) to determine the year-over-year change in the total valuation for assessment. This includes changes due to both reassessment and non-reassessment.

Current Taxable Assessed value		16,317,500
Adjusted Prior Year Total Value	-	15,373,970
Total Value Change	=	943,530

= 15,373,970 X 1.07

Step 4

Identify and total the value changes resulting from non-reassessment events. This will be the increment gain or loss in the current year.

Non-Reassessment Changes	-132,650

Step 5

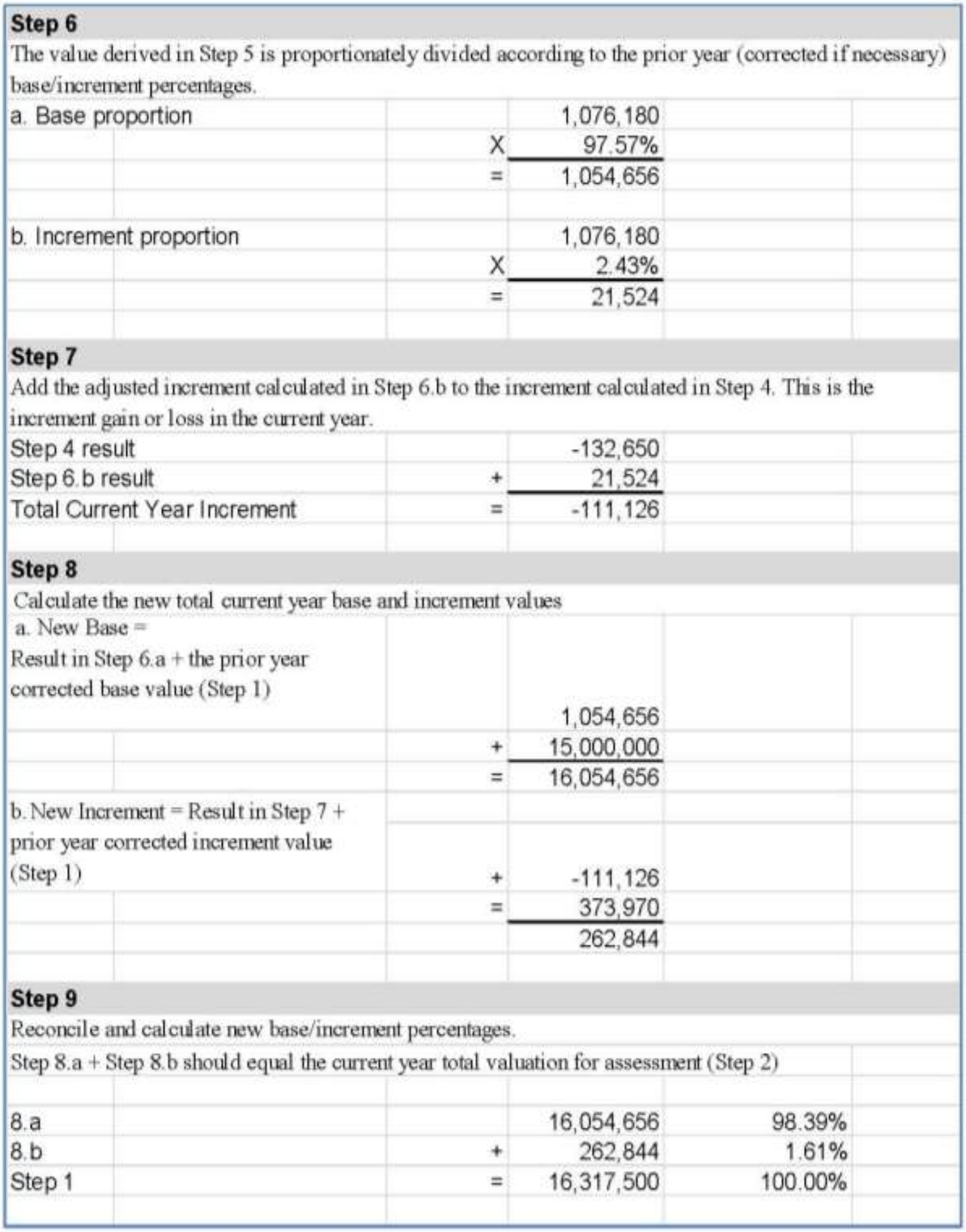
Subtract the result in Step 4 from the result in Step 3. This reflects all value changes resulting from reassessment in any year. It includes increases or decreases in the prior year base and increment caused by a real property reappraisal, personal property reassessment, and reassessment of a producing mineral estates, state assessed, and possessory interest properties.

Total Value Change		943,530
Non-Reassessment Changes	-	-132,650
Value change due to reassessment	=	1,076,180

subtracting a negative value has a positive effect.

12.22

Illustration of the Annual Calculation of the Base and the Increment



Step 6			
The value derived in Step 5 is proportionately divided according to the prior year (corrected if necessary) base/increment percentages.			
a. Base proportion		1,076,180	
	X	97.57%	
	=	1,054,656	
b. Increment proportion		1,076,180	
	X	2.43%	
	=	21,524	
Step 7			
Add the adjusted increment calculated in Step 6.b to the increment calculated in Step 4. This is the increment gain or loss in the current year.			
Step 4 result		-132,650	
Step 6.b result	+	21,524	
Total Current Year Increment	=	-111,126	
Step 8			
Calculate the new total current year base and increment values			
a. New Base = Result in Step 6.a + the prior year corrected base value (Step 1)			
		1,054,656	
	+	15,000,000	
	=	16,054,656	
b. New Increment = Result in Step 7 + prior year corrected increment value (Step 1)	+	-111,126	
	=	373,970	
		262,844	
Step 9			
Reconcile and calculate new base/increment percentages.			
Step 8.a + Step 8.b should equal the current year total valuation for assessment (Step 2)			
8.a		16,054,656	98.39%
8.b	+	262,844	1.61%
Step 1	=	16,317,500	100.00%

Recall this procedure involves 9 basic steps. Depending on which events take place annually, each basic step may have to be further segregated into minor steps.

Step 1:
All tax roll corrections discovered in the current year were applied to the prior year. Corrected prior year base value = 3,375,000. Corrected prior year increment value = 1,125,000. Corrected percentages: 75% base, 25% increment.

Step 2:
Determine the current year total taxable assessed value. 5,000,000

Step 3:
Subtract the prior year corrected total taxable assessed value. - 4,500,000
Difference = non-reassessment changes and all = 500,000
reassessment changes, if any

Step 4:
Track and sum non-reassessment changes

New Construction	+250,000
New Platted subdivision with installed site improvements	+120,000
Contaminated land mitigated	+ 70,000
Changes from taxable to exempt	- 20,000
Total	= 420,000

Step 5:

Step 3 result minus Step 4 result = reassessment changes	500,000
	- 420,000
	80,000

Step 6:
Proportional allocation according to last year's (corrected if necessary) base/increment percentages.

a. 80,000 X 75% = base portion	60,000
b. 80,000 X 25% = increment portion	20,000

Step 7:

non-reassessment gain (Step 4) =	420,000
+ reassessment increment gain Step 6.b=	+ 20,000
	= 440,000

Step 8:
Calculate the current year total base and increment values.

a.	Base = base gain in step 6 plus	60,000
	+ prior year base value	+ 3,375,000
	= Current Year Total Base Value	= 3,435,000
b.	Increment = increment gain in step 7 plus	440,000
	+ Prior year Increment value	+ 1,125,000
	= Current Year Total Increment Value	= 1,565,000

c.	Step 8.a	3,435,000
	+ Step 8.b	+ 1,565,000
	= Current Year Total Value (Step 2)	+ 5,000,000

Step 9:
Reconcile and calculate new base/increment percentages

Base percentage = 3,435,000/5,000,000	= 68.70%
Increment percentage = 1,565,000/5,000,000	= 31.30%
Total	= 100.00%

EXCEPTION: VALUE REDUCTIONS

Any time the total valuation for assessment is reduced as a result of appeals or ordered adjustments, the base and increment values must be adjusted. If the adjusted value pertains to base property in the year of the ordered adjustment, the base value is adjusted. If the adjustment was due to non-reassessment (e.g., new construction), adjustment is made to the increment value. The basic steps for these two scenarios are as follows:

Scenario 1: Ordered Adjustment Requiring Adjustment to Base Value

Step 1: Determine the current year total taxable assessed value.

Current year total taxable assessed value	9,310,000

Step 2: Adjust the prior year total and base values for abatement or appeals board reduction.

	Prior year total value	9,248,220	100.00%
-	Prior year base value	- 5,553,300	60.05%
=	Prior year increment value	3,694,920	39.95%

Reduction ordered by appeals board for prior year: 42,220

	Prior year total value	9,248,220
-	Ordered reduction	- 42,220
=	Adjusted prior year total taxable value	= 9,206,000

	Adjusted prior year total assessed valuation	9,206,000
-	Prior year increment value	- 3,694,920
=	Prior year Adjusted base value	= 5,511,080

Step 3: Calculate the increment value and distribution percentages.

	Adjusted Prior Year Total Assessed Value	100.00%	9,206,000
-	Prior Year Base Value	59.86%	5,511,080
=	Adjusted Prior Year Increment Value	40.14%	3,694,920

(If the calculated increment is negative, the increment for distribution purposes is zero.)

Scenario 2: Ordered Adjustment requiring adjustment to Increment Value

Step 1: Determine the current year total taxable assessed value.

Current year total taxable assessed value	9,310,000

Step 2: Adjust the prior year total and increment values for abatement or appeals board reduction.

	Prior year total value	9,248,220	100.00%
-	Prior year base value	- 5,553,300	- 60.05%
=	Prior year increment value	= 3,694,920	39.95%

New construction property ordered reduction by appeals board for prior year: 42,220

	Prior year total value	9,248,220
-	Ordered reduction	- 42,220
=	Adjusted prior year total taxable value	9,206,000
-	Prior year base value	- 5,553,300
=	Adjusted increment value	= 3,652,700

Step 3: Calculate the adjusted percentages.

	Adjusted Prior Year Total Assessed Value	100.00%	9,206,000
-	Prior Year Base Value	60.32%	5,553,300
=	Adjusted Prior Year Increment Value	39.68%	3,652,700

Step 4: Apply Adjusted Percentages to Current Year's Value

	Current year total taxable assessed value	9,310,000
-	Prior Year Base Value	-5,553,300
=	Current Year Increment Value	= 3,756,700

(If the calculated increment is negative, the increment for distribution purposes is zero.)

The reasons for the division of the reduced valuation are twofold. First, statute provides that when there is a general reassessment of taxable property in any county in which there is a TIF area, the portions of assessed valuation attributable to the base and the increment are to be proportionately adjusted in accordance with such reassessment, or change. A reassessment cycle is not complete until the review and appeal process has concluded and final values have been set for all properties. In certain instances, final values of appealed properties may not be determined until later.

Second, division of the reduced valuation ensures that only those increases in property tax revenue occurring because of the redevelopment project are used to pay the revenue bonds. This prevents a "windfall" in increased revenues to the authority caused only by a reappraisal at a higher level of value. When value accrues to the increment as a result of redevelopment, later reductions in that same value are subtracted from the increment.

Value Corrections Due To Mistakes

The statutory TIF provisions presume that the assessor's certification of values prior to the approval of a TIF plan is accurate, that the information contained in the TIF plan is accurate, and that the communication of this information between the assessor and the authority is accurate. The Division instructs in these procedures that mistakes are to be identified and corrected prior to initially establishing the base value.

However, it is always possible that some mistakes will be discovered later. Except with regard to abatements and refunds, UR/DD law does not provide any instruction on how mistakes should be corrected.

However, Title 39, C.R.S. provides instruction:

> **Omission – correction of errors.**
> (2) Omissions and errors in the assessment roll, when it can be ascertained therefrom what was intended, may be supplied or corrected by the assessor at any time before the tax warrant is delivered to the treasurer or by the treasurer at any time after the tax warrant has come into his hands.
>
> **§39-5-125, C.R.S.**

When mistakes are discovered relating to TIF plans, the assessor should first confirm the mistake and then correct it in the year that it is discovered, so that going forward the division of the valuation for assessment is reliable.

Corrections should be handled in a manner similar to that outlined in the above procedures for addressing value reductions. If the correction is related to base valuation, the base value should be increased or decreased according to the correction. If the correction is related to increment valuation, the same should apply. Unlike ordered valuation adjustments, such corrections are not applied retroactively.

AGRICULTURAL LAND IN URBAN RENEWAL AREA

The General Assembly has prohibited inclusion of agricultural land within an urban renewal area unless certain exceptions are satisfied. The prohibition does not affect agricultural land made part of a UR area prior to June 1, 2010. For the purposes of the prohibition, agricultural land is defined as land that was classified by the assessor as agricultural land at any time during the five years prior to its inclusion into a UR area, § 31-25-103(1), C.R.S.

UR plans approved or substantially modified after May 31, 2010, must include the legal description of any agricultural land added to the urban renewal area. It is crucial that assessors independently verify the existence of agricultural land when enforcing the agricultural land restriction.

Exceptions Under Which Agricultural Land May be Included

A municipality may not include agricultural land into a new or existing urban renewal area after May 31, 2010, unless the land meets one or more of the five conditions enumerated in subparagraph (II), OR, all three of the conditions enumerated in subparagraph (III) of § 31-25-107(1)(c), C.R.S.

The five conditions in subparagraph (II) are as follows:

a. The land is a brownfield site. The term "brownfield site" is defined at § 31-25-103(3.1), C.R.S, as real property, the development, expansion, redevelopment, or reuse of which will be complicated by the presence of a substantial amount of one or more hazardous substances, pollutants, or contaminants, as designated by the United States Environmental Protection Agency (EPA)."

   This brownfield site definition is based on the federal definition of the same term. The general portion of that definition reads as follows. "The term 'brownfield site' means real property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant," § 42 U.S.C. 9601(39)(A). The Colorado definition requires the "presence of a substantial amount" of hazardous substances, pollutants, or contaminants, whereas the federal definition requires only their "potential presence." Therefore, it is possible for an area that has been labeled a "brownfield site" in accordance with federal law to fall short of the Colorado definition of a brownfield site.

The identification of a property as a brownfield site is typically made by the property owner, the Colorado Department of Public Health and Environment (CDPHE), a municipality, or other local government. For more information on brownfield sites, contact CDPHE.

b. At least one-half of the urban renewal area consists of parcels containing "urban level development" that constitute a slum or blighted area, and at least two-thirds of the perimeter of the urban renewal area borders "urban level development." The Division's position is that "perimeter" means properties outside of and touching the UR plan boundary.

As defined in § 31-25-103(7.5), C.R.S., "'urban level development' means an area in which there is a predominance of either permanent structures or above-ground or at-grade infrastructure."

c. The land is an enclave within the municipality, and the entire perimeter of the enclave borders "urban level development." The Division's position is that enclave parcel(s) must be surrounded by urban level development.

d. Each public body that levies a property tax on the agricultural land agrees to its inclusion into the urban renewal area.

e. The agricultural land was included in an approved urban renewal plan prior to June 1, 2010.

Or agricultural land may be incorporated into an urban renewal area prior to June 1, 2020, if each of the conditions found in subparagraph (III) are satisfied:

a. The agricultural land is contiguous to the urban renewal area, and the urban renewal area existed on June 1, 2010; and

b. Since June 1, 2010, the current owner has owned both the agricultural land and other land located within the urban renewal area that is contiguous to the agricultural land; and

c. Both the agricultural land, and the owner's other land described in item b., are to be developed solely to create long-term jobs related to manufacturing.

Assessor Enforcement of Agricultural Land Restriction

The assessor has a statutory enforcement role over the inclusion of agricultural land in a UR plan. Within 30 days after receiving notice that an urban renewal plan authorizing the use of sales or property tax TIF has been approved or substantially modified, the assessor may notify the municipality if he or she believes that agricultural land has been improperly included within the urban renewal area. If the assessor does so, the municipality may file an action in district court to establish its right to include the area in conformance with the exceptions listed above. If the assessor fails to do so, the inclusion of the agricultural land becomes incontestable.

The Division recommends that assessors consult with their county attorney and county commissioners regarding the application of this provision, which reads as follows:

Approval of urban renewal plans by local governing body.
(13) **Not later than thirty days** after the municipality has provided the county assessor the notice required by paragraph (a) of subsection (10) of this section, the county assessor may provide written notice to the municipality if the assessor believes that agricultural land has been improperly included in the urban renewal area in violation of subparagraph (II) **or** (III) of paragraph (c) of subsection (1) of this section. If the notice is not delivered within the thirty-day period, the inclusion of the land in the urban renewal area as described in the urban renewal plan shall be incontestable in any suit or proceeding notwithstanding the presence of any cause. If the assessor provides notice to the municipality within the thirty-day period, the municipality may file an action in state district court exercising jurisdiction over the county in which the land is located for an order determining whether the inclusion of the land in the urban renewal area is consistent with one of the conditions specified in subparagraph (II) **or** (III) of paragraph (c) of subsection (1) of this section and shall have an additional thirty days from the date it receives the notice in which to file such action. If the municipality fails to file such an action within the additional thirty-day period, the agricultural land shall not become part of the urban renewal area.

§ 31-25-107, C.R.S. (emphasis added)

Procedures for Allowing Agricultural Land in an Urban Renewal Area

The following procedures provide an outline for analyzing and determining if the criteria established by §31-25-107(1)(c)(II)(B), C.R.S., are met so that agricultural land can be included in a UR area. Statute requires that two criteria must be met: 1) not less than one-half of the urban renewal area as a whole consists of parcels of land containing urban-level development, and 2) not less than two-thirds of the perimeter of the urban renewal area as a whole is contiguous with urban-level development. Urban Level Development is defined as an area in which there is a predominance of either permanent structures or above-ground or at-grade infrastructure, § 31-25-103(7.5), C.R.S. The "area as a whole" requires that all land within the urban renewal area be considered in analyzing these two criteria: both the parcels to which the assessor has assigned a parcel identification number (PIN) as well as tracts of land to which the assessor does not assign a PIN, such as rights-of-way. The following procedures will refer to these two categories of land respectively as "assessor parcels" and "other tracts of land".

General process and steps in the analysis:

1. An approved UR plan shall include a legal description of the urban renewal area, § 31-25-107(1)(d), C.R.S. The assessor cannot determine if agricultural land is properly included unless a proper legal description, including area and perimeter, is prepared. If other tracts of land such as rights-of-way are included in the UR plan, the legal description should be sufficiently detailed to allow calculation of the area and perimeter of all land within the plan.

2. Verify the physical characteristics of the UR area as of the date of approval. Based on the final adopted legal descriptions of the UR area provided by the urban renewal authority:
    a. Map the UR area.
    b. Identify and list individual assessor parcels based on assessor ownership records.
    c. Identify and list other tracts of land.
    d. Verify the total land area including assessor parcels and other tracts of land.
    e. Verify the total perimeter of the UR area.

3. Categorize each assessor parcel and other tract of land in conformance with the statutory definition of "urban level development".
    a. Verify current development status for each property based on field inspection or review of aerial photographs.
        i. Asphalt, concrete, or gravel surfaced roads and parking lots are considered urban level development.
        ii. Assessor parcels such as undeveloped tracts of land, open space buffers, and vacant land that was previously developed are not considered urban level development. "Vacant Land" includes, but is not limited to, land classified by the assessor as agricultural for property tax purposes.
    b. Determine whether each assessor parcel or other tract of land contains a predominance of urban level development.
        i. Predominance means the permanent structures or above-ground or at-grade infrastructure that due to its nature, size, location or use is greater, superior, or more important to the overall nature or use of the parcel of land than the balance of the parcel. This definition generally conforms to that of The American Heritage Dictionary (Second College Edition): "To be of greater power, importance, or quantity; be most important or outstanding."
        ii. There is no pro-ration. If the predominance test is met, the entire assessor parcel or other tract of land is considered urban level.

4. Each assessor parcel or other tract of land in the UR area should be categorized into either Urban Level or Non-Urban Level.
    a. Label each assessor parcel or other tract of land determined to have a predominance of urban level development as Urban Level.
    b. Label each assessor parcel or other tract of land determined to not have a predominance of urban level development as Non-Urban Level.

5. Categorize each assessor parcel and other tract of land bordering the UR area in accordance with the statutory definition of "urban level development"
    a. Verify current development status for each based on field inspection or review of aerial photographs.
        i. Asphalt, concrete, or gravel surfaced roads and parking lots are considered urban level development.
        ii. Undeveloped tracts of land, open space buffers, vacant land that was previously developed and agriculturally classified land are not considered urban level development.
    b. Determine whether each assessor parcel and other tract of land contain a predominance of urban level development.
        i. For this determination, the definition of predominance provided in step 3.b.i. above is used.

6. All assessor parcels or other tracts of land bordering the UR area should be categorized into either Urban Level or Non-Urban Level.
   a. Label each assessor parcel or other tract of land determined to have a predominance of urban level development as Urban Level.
   b. Label each assessor parcel or other tract of land determined to not have a predominance of urban level development as Non-Urban Level.

7. Tabulate the total acreage of the Urban Level property and the total acreage of the Non-Urban Level property.
   a. Calculate the total, gross acreage of property identified as Urban Level development. That acreage total must be equal to or greater than 50% of the total acreage of the UR area in order to comply with Part B of § 31-25-107(1)(c)(II), C.R.S.
      i. The urban/non-urban analysis is on an individual assessor parcel or other tract of land basis. Each is determined to be either urban or non-urban. There is no pro-ration.
      ii. The urban renewal area as a whole can include public rights-of-way if such are properly described and properly included as being "blighted."
      iii. Public rights-of-way cannot be included for area calculation purposes and then be excluded for perimeter calculations.

8. Tabulate the total perimeter of the Urban Renewal area.
   a. Perimeter is defined in the Assessors' Reference Library (ARL Vol 2, pg. 4.12) as "The total distance around the figure, expressed in linear units, such as feet, miles, yards." This definition is similar to The Dictionary of Real Estate Appraisal, Appraisal Institute, which defines perimeter as "The total length of the periphery of a given area, e.g., the distance around the outside of a building, lot, or other defined area."
   b. Calculate segments of the UR area perimeter that border assessor parcels and other tracts of land that have been determined to be Urban. That total perimeter must be equal to or greater than 66.67% of the total perimeter of the UR area in order to comply with part B of § 31-25-107(1)(c)(II), C.R.S.
      i. Public rights-of-way that border the UR plan area will be included in the calculation of perimeter of the UR plan boundary.

Assessor Determines Market Value of Agricultural Land

If land classified by the assessor as agricultural land is properly included in an urban renewal area the assessor must determine the market value of the agricultural land for the purpose of calculating the base value of the TIF area. This procedure does not affect the classification or valuation for assessment of the land. This procedure is discussed in more detail below.

Adjustment to Initial Base Value of a UR plan for Agricultural Land

As explained above ***Agricultural Land in Urban Renewal Area*** can only be included in a UR area after May 31, 2010, if the land meets a restrictive set of conditions. For this provision, agricultural land is defined in § 31-25-103(1), C.R.S., as land that was classified by the assessor as agricultural land at any time within five years prior to its inclusion into the UR area.

If agricultural land is included within a UR plan for which the use of property tax TIF has been authorized, § 31-25-107(9)(g), C.R.S., directs the assessor to determine the market value of the agricultural land for the purpose of calculating the base value. This provision applies only to land that was classified by the assessor as agricultural land at the time values were last certified prior to the land's inclusion in the UR plan area. The purpose of

§ 31-25-107(9)(g), C.R.S., is to ensure that a future increase in assessed value resulting from the reclassification of agricultural land to another class of taxable property does not cause an increase to the increment value.

Because TIF values are calculated by the assessor in assessed values rather than actual values, the assessor's market value estimate must be multiplied by the appropriate assessment rate prior to calculating the base value. The assessment rate for this purpose is 29 percent, the assessment rate applicable to agricultural land.

The agricultural land adjustment is made according to the following steps:

Step 1: Determine the total taxable assessed value of the TIF area at the time values were last certified after correcting for errors if necessary.

Step 2: Calculate the value adjustment for the agricultural land.

	Market value of agricultural land
×	29% assessment rate
=	Assessed value equivalent of market value of agricultural land
-	True assessed value of agricultural land
=	Agricultural land adjustment value

Step 3: Apply the agricultural land adjustment to calculate the initial base value.

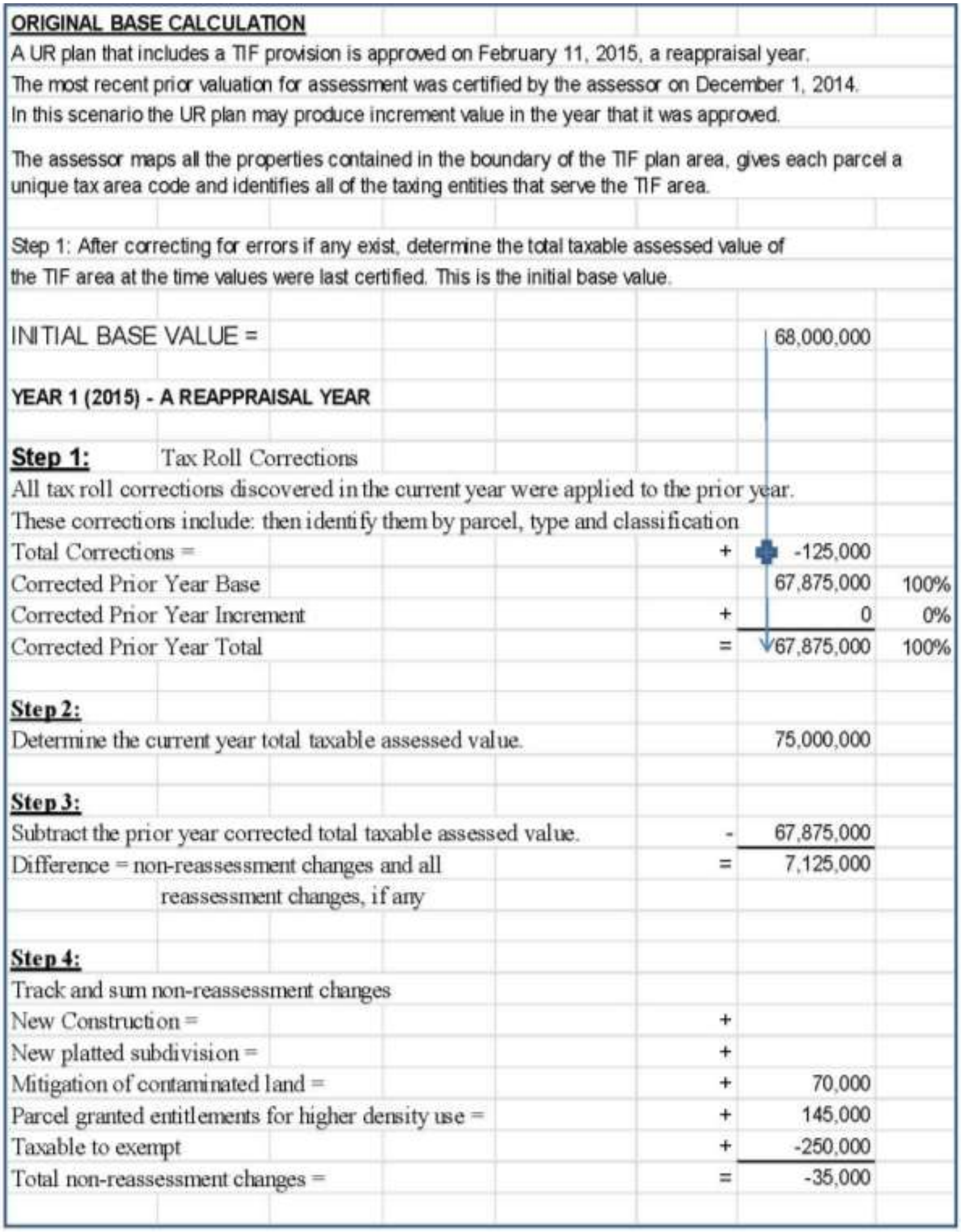
	Total taxable assessed value from Step #1
+	Agricultural land adjustment value from Step #2
=	Initial base value

The procedures for making annual adjustments to the base and increment values in subsequent years do not change as a result of the presence of agricultural land.

NOTE: Assessors need to understand that if an agricultural land adjustment is used in establishing the initial base value, this value will not be duplicated by the assessor's tax roll data base if the subject agricultural parcels continue to be classified and valued as agricultural land. Therefore the assessor needs to maintain and preserve a separate work file tracking market derived base values for agricultural land throughout the life span of the TIF plan.

TIF CALCULATION EXAMPLES

The following examples display the first six years of calculations for a TIF area. In the 5th year agricultural land is included.



ORIGINAL BASE CALCULATION

A UR plan that includes a TIF provision is approved on February 11, 2015, a reappraisal year.
The most recent prior valuation for assessment was certified by the assessor on December 1, 2014.
In this scenario the UR plan may produce increment value in the year that it was approved.

The assessor maps all the properties contained in the boundary of the TIF plan area, gives each parcel a unique tax area code and identifies all of the taxing entities that serve the TIF area.

Step 1: After correcting for errors if any exist, determine the total taxable assessed value of the TIF area at the time values were last certified. This is the initial base value.

INITIAL BASE VALUE =		68,000,000	

YEAR 1 (2015) - A REAPPRAISAL YEAR

Step 1: Tax Roll Corrections

All tax roll corrections discovered in the current year were applied to the prior year.
These corrections include: then identify them by parcel, type and classification

Total Corrections =	+	-125,000	
Corrected Prior Year Base		67,875,000	100%
Corrected Prior Year Increment	+	0	0%
Corrected Prior Year Total	=	67,875,000	100%

Step 2:

Determine the current year total taxable assessed value.		75,000,000

Step 3:

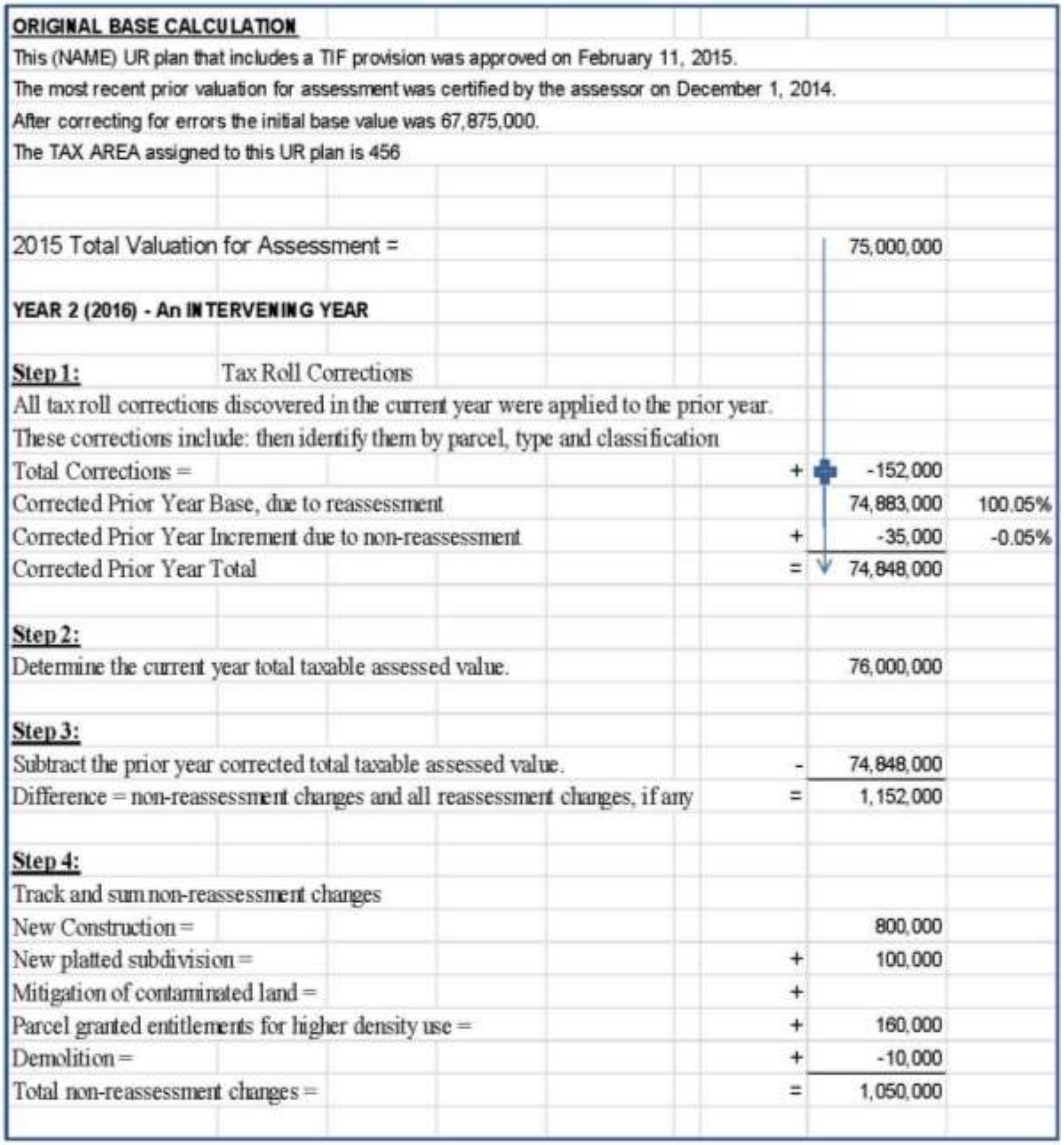
Subtract the prior year corrected total taxable assessed value.	-	67,875,000
Difference = non-reassessment changes and all reassessment changes, if any	=	7,125,000

Step 4:

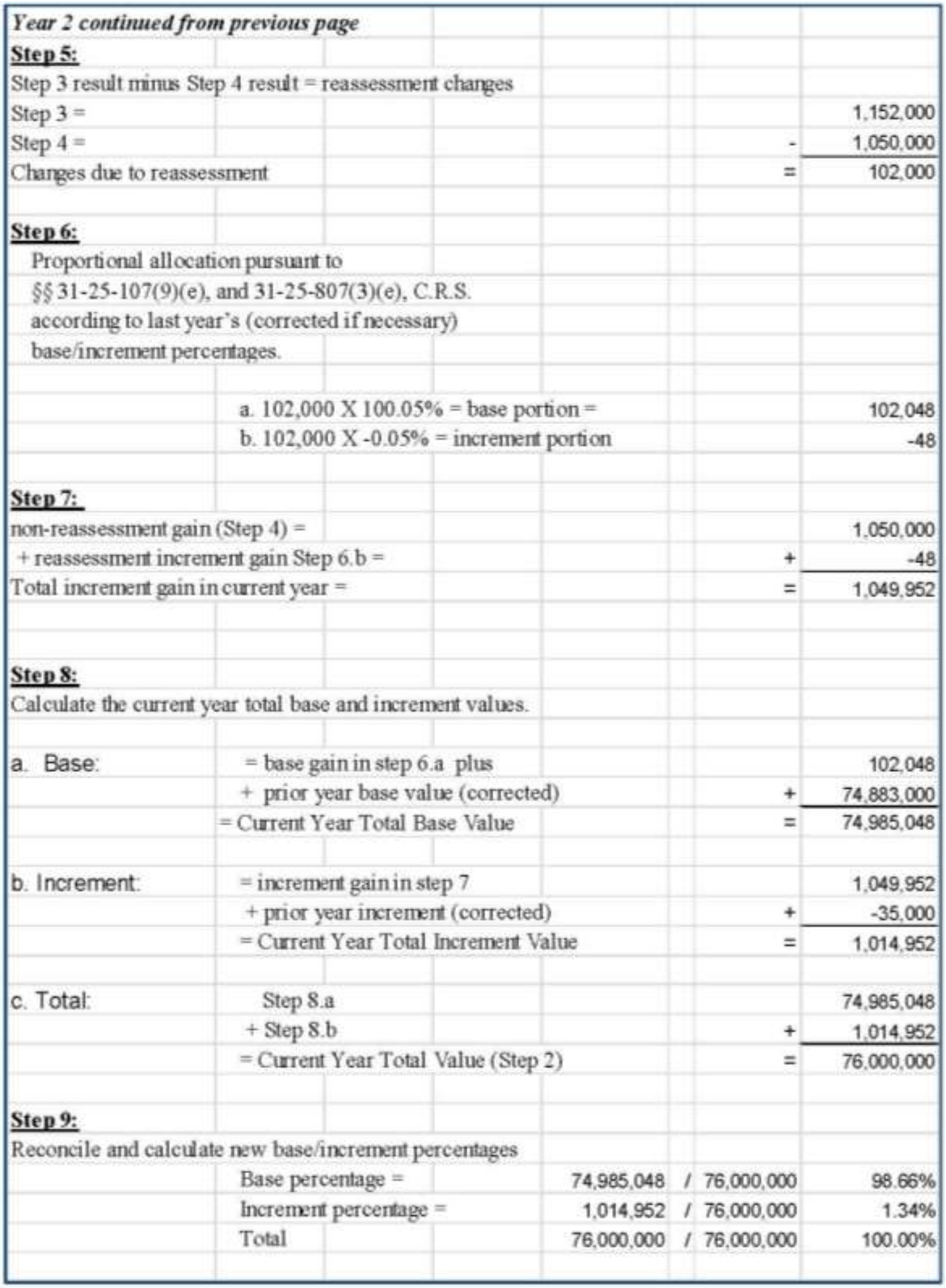
Track and sum non-reassessment changes

New Construction =	+	
New platted subdivision =	+	
Mitigation of contaminated land =	+	70,000
Parcel granted entitlements for higher density use =	+	145,000
Taxable to exempt	+	-250,000
Total non-reassessment changes =	=	-35,000

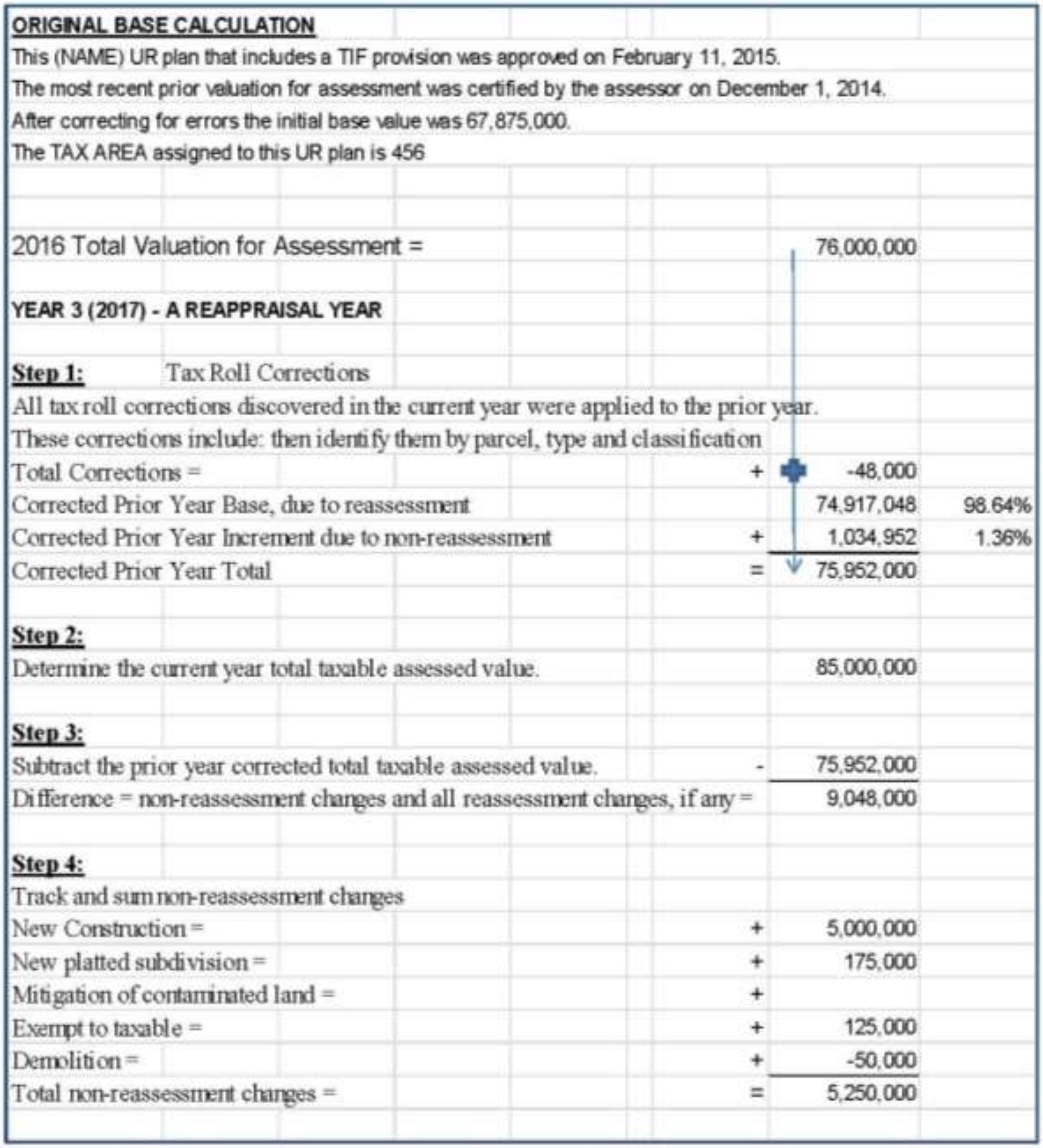
Year 1 continued from previous page					
Step 5:					
Step 3 result minus Step 4 result = reassessment changes					
Step 3 =				7,125,000	
Step 4 =			-	-35,000	
Changes due to reassessment			=	7,160,000	
Step 6:					
Proportional allocation pursuant to					
§§ 31-25-107(9)(e), and 31-25-807(3)(e), C.R.S.					
according to last year's (corrected if necessary)					
base/increment percentages.					
	a. 7,160,000 X 100% = base portion =			7,160,000	
	b. 7,160,00 X 0% = increment portion			0	
Step 7:					
non-reassessment gain (Step 4) =				-35,000	
+ reassessment increment gain Step 6.b =			+	0	
Total increment gain in current year =			=	-35,000	
Step 8:					
Calculate the current year total base and increment values.					
a. Base:	= base gain in step 6 plus			7,160,000	
	+ prior year base value		+	67,875,000	
	= Current Year Total Base Value		=	75,035,000	
b. Increment:	= increment gain in step 7			-35,000	
	+ prior year increment		+	0	
	= Current Year Total Increment Value		=	-35,000	
c. Total:	Step 8.a			75,035,000	
	+ Step 8.b		+	-35,000	
	= Current Year Total Value (Step 2)		=	75,000,000	
Step 9:					
Reconcile and calculate new base/increment percentages					
	Base percentage =	75,035,000/75,000,000		100.05%	
	Increment percentage =	-35,000/75,000,000		-0.05%	*
	Total			100.00%	
*Note: when increment percentage is less than 0, no increment value is certified. In other words, gross value = net value.					



ORIGINAL BASE CALCULATION			
This (NAME) UR plan that includes a TIF provision was approved on February 11, 2015.			
The most recent prior valuation for assessment was certified by the assessor on December 1, 2014.			
After correcting for errors the initial base value was 67,875,000.			
The TAX AREA assigned to this UR plan is 456			
2015 Total Valuation for Assessment =		75,000,000	
YEAR 2 (2016) - An INTERVENING YEAR			
Step 1: Tax Roll Corrections			
All tax roll corrections discovered in the current year were applied to the prior year.			
These corrections include: then identify them by parcel, type and classification			
Total Corrections =	+	-152,000	
Corrected Prior Year Base, due to reassessment		74,883,000	100.05%
Corrected Prior Year Increment due to non-reassessment	+	-35,000	-0.05%
Corrected Prior Year Total	=	74,848,000	
Step 2:			
Determine the current year total taxable assessed value.		76,000,000	
Step 3:			
Subtract the prior year corrected total taxable assessed value.	-	74,848,000	
Difference = non-reassessment changes and all reassessment changes, if any	=	1,152,000	
Step 4:			
Track and sum non-reassessment changes			
New Construction =		800,000	
New platted subdivision =	+	100,000	
Mitigation of contaminated land =	+		
Parcel granted entitlements for higher density use =	+	160,000	
Demolition =	+	-10,000	
Total non-reassessment changes =	=	1,050,000	



Year 2 continued from previous page				
Step 5:				
Step 3 result minus Step 4 result = reassessment changes				
Step 3 =				1,152,000
Step 4 =			-	1,050,000
Changes due to reassessment			=	102,000
Step 6:				
Proportional allocation pursuant to §§ 31-25-107(9)(e), and 31-25-807(3)(e), C.R.S. according to last year's (corrected if necessary) base/increment percentages.				
	a. 102,000 X 100.05% = base portion =			102,048
	b. 102,000 X -0.05% = increment portion			-48
Step 7:				
non-reassessment gain (Step 4) =				1,050,000
+ reassessment increment gain Step 6.b =			+	-48
Total increment gain in current year =			=	1,049,952
Step 8:				
Calculate the current year total base and increment values.				
a. Base:	= base gain in step 6.a plus			102,048
	+ prior year base value (corrected)		+	74,883,000
	= Current Year Total Base Value		=	74,985,048
b. Increment:	= increment gain in step 7			1,049,952
	+ prior year increment (corrected)		+	-35,000
	= Current Year Total Increment Value		=	1,014,952
c. Total:	Step 8.a			74,985,048
	+ Step 8.b		+	1,014,952
	= Current Year Total Value (Step 2)		=	76,000,000
Step 9:				
Reconcile and calculate new base/increment percentages				
	Base percentage =	74,985,048	/ 76,000,000	98.66%
	Increment percentage =	1,014,952	/ 76,000,000	1.34%
	Total	76,000,000	/ 76,000,000	100.00%



ORIGINAL BASE CALCULATION

This (NAME) UR plan that includes a TIF provision was approved on February 11, 2015.

The most recent prior valuation for assessment was certified by the assessor on December 1, 2014.

After correcting for errors the initial base value was 67,875,000.

The TAX AREA assigned to this UR plan is 456

2016 Total Valuation for Assessment =		76,000,000	

YEAR 3 (2017) - A REAPPRAISAL YEAR

Step 1: Tax Roll Corrections

All tax roll corrections discovered in the current year were applied to the prior year.

These corrections include: then identify them by parcel, type and classification

Total Corrections =	+	-48,000	
Corrected Prior Year Base, due to reassessment		74,917,048	98.64%
Corrected Prior Year Increment due to non-reassessment	+	1,034,952	1.36%
Corrected Prior Year Total	=	75,952,000	

Step 2:

Determine the current year total taxable assessed value.	85,000,000

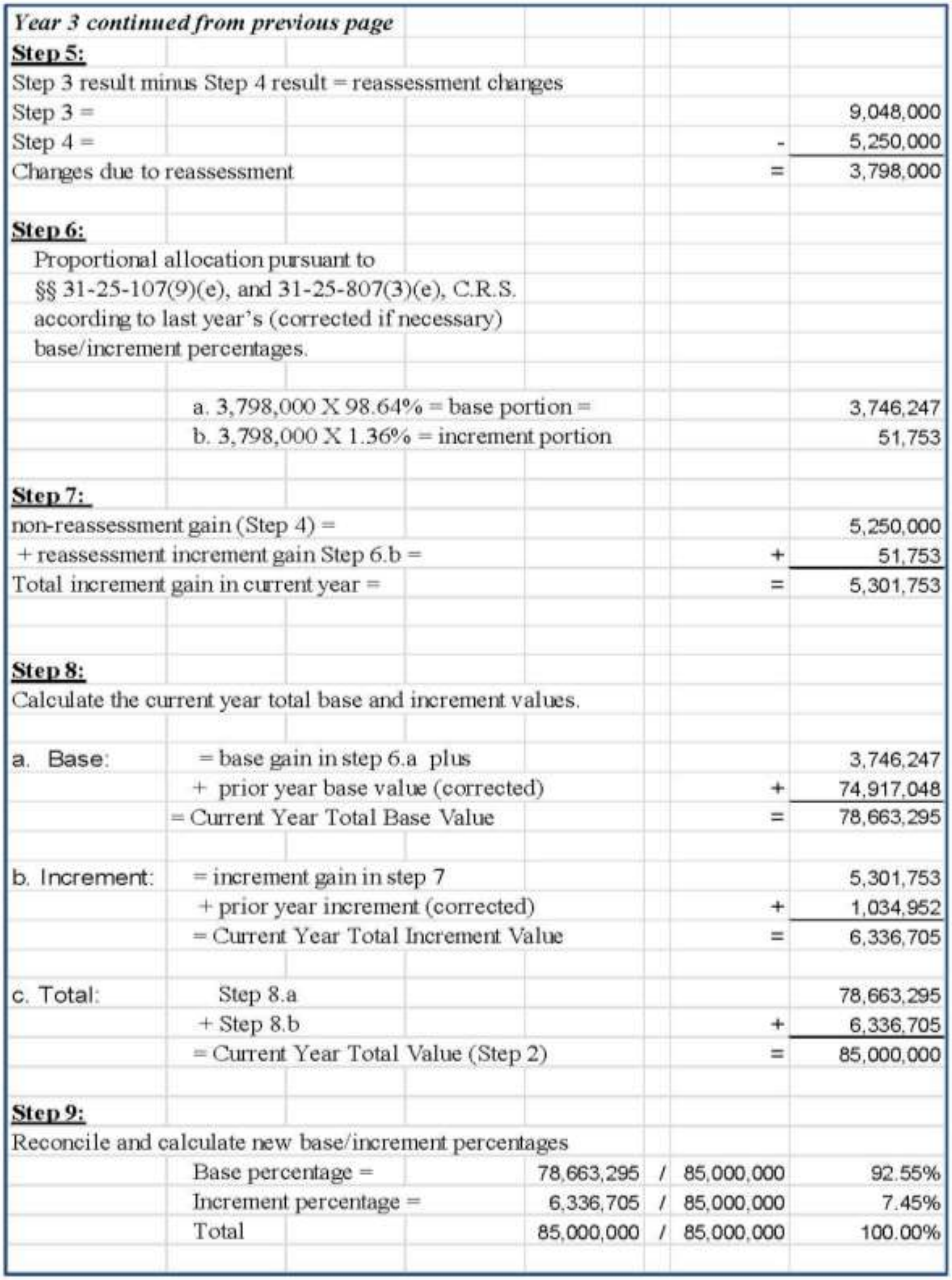
Step 3:

Subtract the prior year corrected total taxable assessed value.	-	75,952,000
Difference = non-reassessment changes and all reassessment changes, if any =		9,048,000

Step 4:

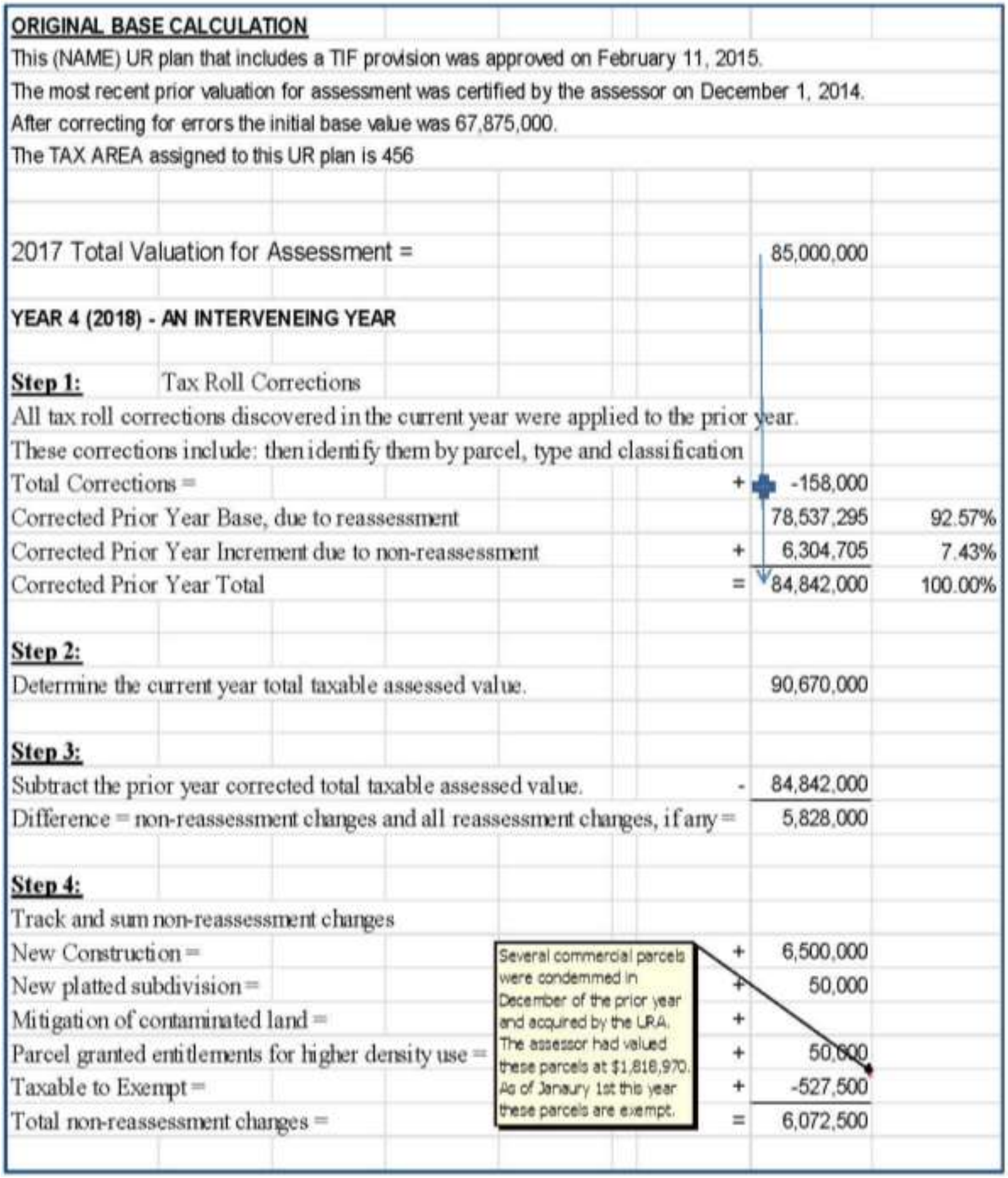
Track and sum non-reassessment changes

New Construction =	+	5,000,000
New platted subdivision =	+	175,000
Mitigation of contaminated land =	+	
Exempt to taxable =	+	125,000
Demolition =	+	-50,000
Total non-reassessment changes =	=	5,250,000



Year 3 continued from previous page						
Step 5:						
Step 3 result minus Step 4 result = reassessment changes						
Step 3 =						9,048,000
Step 4 =					-	5,250,000
Changes due to reassessment					=	3,798,000
Step 6:						
Proportional allocation pursuant to						
§§ 31-25-107(9)(e), and 31-25-807(3)(e), C.R.S.						
according to last year's (corrected if necessary)						
base/increment percentages.						
	a. 3,798,000 X 98.64% = base portion =					3,746,247
	b. 3,798,000 X 1.36% = increment portion					51,753
Step 7:						
non-reassessment gain (Step 4) =						5,250,000
+ reassessment increment gain Step 6.b =					+	51,753
Total increment gain in current year =					=	5,301,753
Step 8:						
Calculate the current year total base and increment values.						
a. Base:	= base gain in step 6.a plus					3,746,247
	+ prior year base value (corrected)				+	74,917,048
	= Current Year Total Base Value				=	78,663,295
b. Increment:	= increment gain in step 7					5,301,753
	+ prior year increment (corrected)				+	1,034,952
	= Current Year Total Increment Value				=	6,336,705
c. Total:	Step 8.a					78,663,295
	+ Step 8.b				+	6,336,705
	= Current Year Total Value (Step 2)				=	85,000,000
Step 9:						
Reconcile and calculate new base/increment percentages						
	Base percentage =	78,663,295	/	85,000,000		92.55%
	Increment percentage =	6,336,705	/	85,000,000		7.45%
	Total	85,000,000	/	85,000,000		100.00%

12.38



ORIGINAL BASE CALCULATION

This (NAME) UR plan that includes a TIF provision was approved on February 11, 2015.

The most recent prior valuation for assessment was certified by the assessor on December 1, 2014.

After correcting for errors the initial base value was 67,875,000.

The TAX AREA assigned to this UR plan is 456

2017 Total Valuation for Assessment =		85,000,000	

YEAR 4 (2018) - AN INTERVENEING YEAR

Step 1: Tax Roll Corrections

All tax roll corrections discovered in the current year were applied to the prior year.

These corrections include: then identify them by parcel, type and classification

Total Corrections =	+	-158,000	
Corrected Prior Year Base, due to reassessment		78,537,295	92.57%
Corrected Prior Year Increment due to non-reassessment	+	6,304,705	7.43%
Corrected Prior Year Total	=	84,842,000	100.00%

Step 2:

Determine the current year total taxable assessed value.	90,670,000

Step 3:

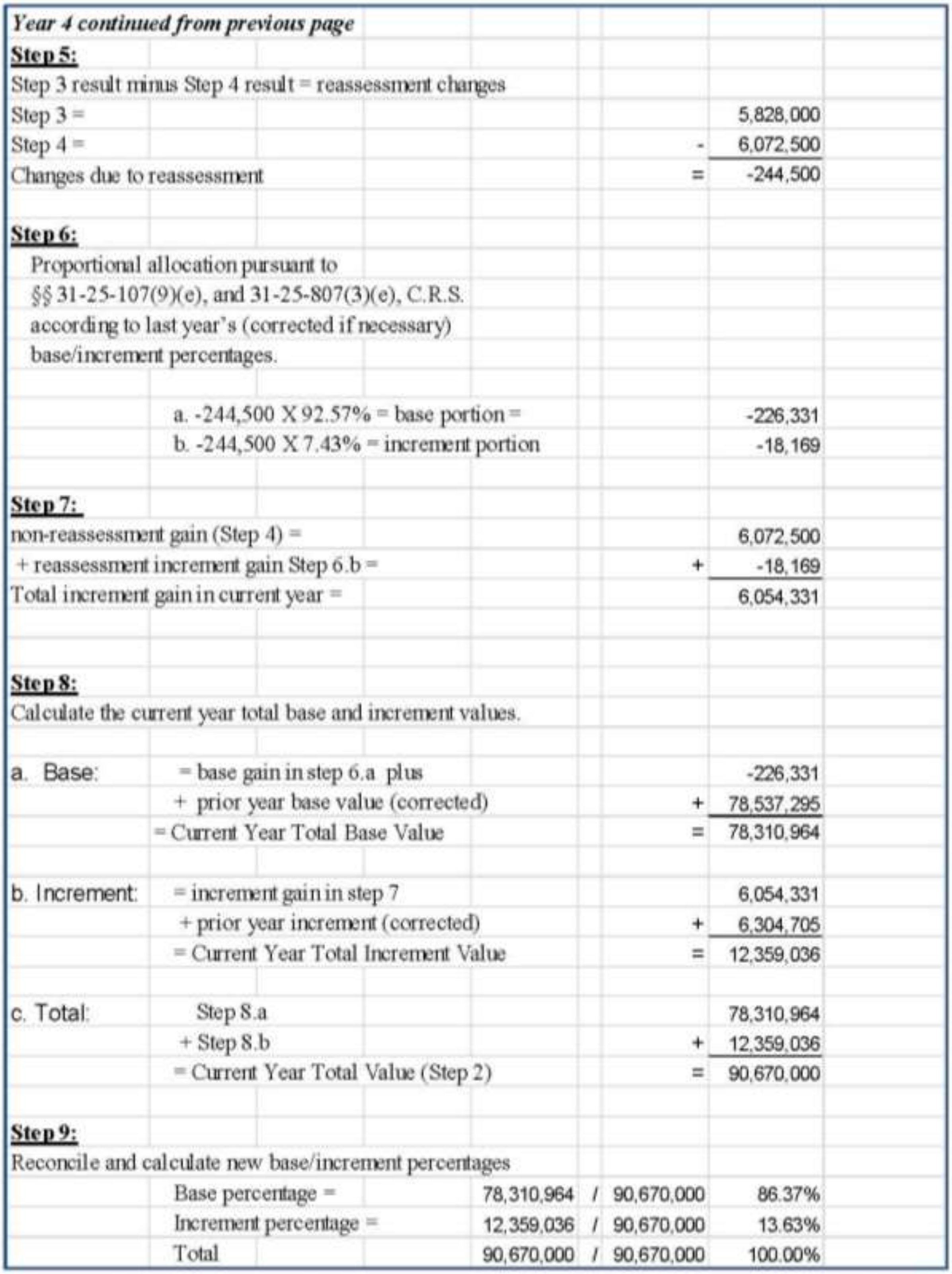
Subtract the prior year corrected total taxable assessed value.	-	84,842,000
Difference = non-reassessment changes and all reassessment changes, if any =		5,828,000

Step 4:

Track and sum non-reassessment changes

New Construction =	+	6,500,000
New platted subdivision =	+	50,000
Mitigation of contaminated land =	+	
Parcel granted entitlements for higher density use =	+	50,000
Taxable to Exempt =	+	-527,500
Total non-reassessment changes =	=	6,072,500

Several commercial parcels were condemned in December of the prior year and acquired by the URA. The assessor had valued these parcels at $1,818,970. As of Janaury 1st this year these parcels are exempt.



Year 4 continued from previous page

Step 5:

Step 3 result minus Step 4 result = reassessment changes

Step 3 =		5,828,000
Step 4 =	-	6,072,500
Changes due to reassessment	=	-244,500

Step 6:

Proportional allocation pursuant to
§§ 31-25-107(9)(e), and 31-25-807(3)(e), C.R.S.
according to last year's (corrected if necessary)
base/increment percentages.

a. -244,500 X 92.57% = base portion =	-226,331
b. -244,500 X 7.43% = increment portion	-18,169

Step 7:

non-reassessment gain (Step 4) =		6,072,500
+ reassessment increment gain Step 6.b =	+	-18,169
Total increment gain in current year =		6,054,331

Step 8:

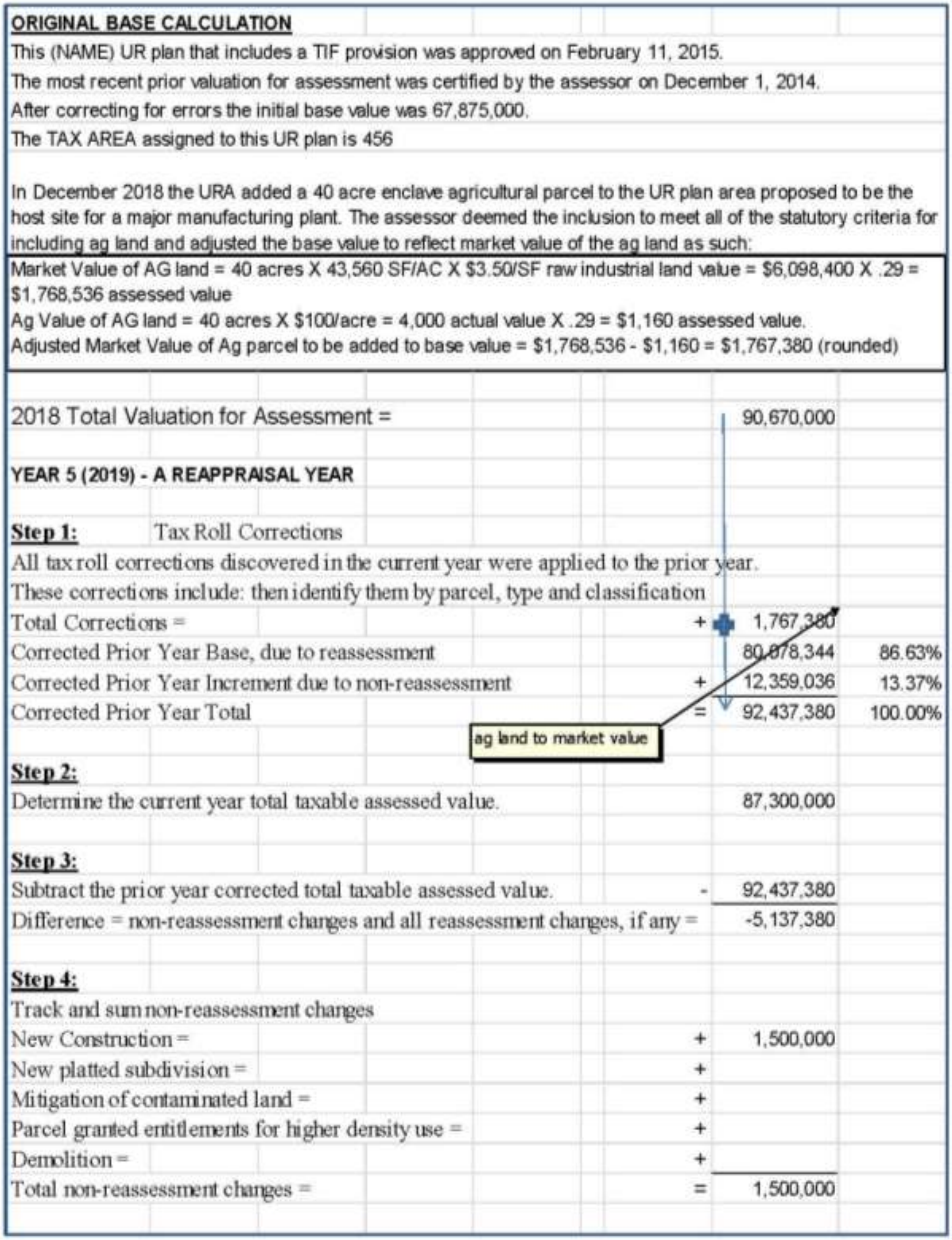
Calculate the current year total base and increment values.

a. Base:	= base gain in step 6.a plus		-226,331
	+ prior year base value (corrected)	+	78,537,295
	= Current Year Total Base Value	=	78,310,964
b. Increment:	= increment gain in step 7		6,054,331
	+ prior year increment (corrected)	+	6,304,705
	= Current Year Total Increment Value	=	12,359,036
c. Total:	Step 8.a		78,310,964
	+ Step 8.b	+	12,359,036
	= Current Year Total Value (Step 2)	=	90,670,000

Step 9:

Reconcile and calculate new base/increment percentages

Base percentage =	78,310,964	/	90,670,000	86.37%
Increment percentage =	12,359,036	/	90,670,000	13.63%
Total	90,670,000	/	90,670,000	100.00%



ORIGINAL BASE CALCULATION

This (NAME) UR plan that includes a TIF provision was approved on February 11, 2015.

The most recent prior valuation for assessment was certified by the assessor on December 1, 2014.

After correcting for errors the initial base value was 67,875,000.

The TAX AREA assigned to this UR plan is 456

In December 2018 the URA added a 40 acre enclave agricultural parcel to the UR plan area proposed to be the host site for a major manufacturing plant. The assessor deemed the inclusion to meet all of the statutory criteria for including ag land and adjusted the base value to reflect market value of the ag land as such:

Market Value of AG land = 40 acres X 43,560 SF/AC X $3.50/SF raw industrial land value = $6,098,400 X .29 = $1,768,536 assessed value
Ag Value of AG land = 40 acres X $100/acre = 4,000 actual value X .29 = $1,160 assessed value.
Adjusted Market Value of Ag parcel to be added to base value = $1,768,536 - $1,160 = $1,767,380 (rounded)

2018 Total Valuation for Assessment =		90,670,000	

YEAR 5 (2019) - A REAPPRAISAL YEAR

Step 1: Tax Roll Corrections

All tax roll corrections discovered in the current year were applied to the prior year.

These corrections include: then identify them by parcel, type and classification

Total Corrections =	+	1,767,380	
Corrected Prior Year Base, due to reassessment		80,078,344	86.63%
Corrected Prior Year Increment due to non-reassessment	+	12,359,036	13.37%
Corrected Prior Year Total	=	92,437,380	100.00%

ag land to market value

Step 2:

Determine the current year total taxable assessed value.	87,300,000

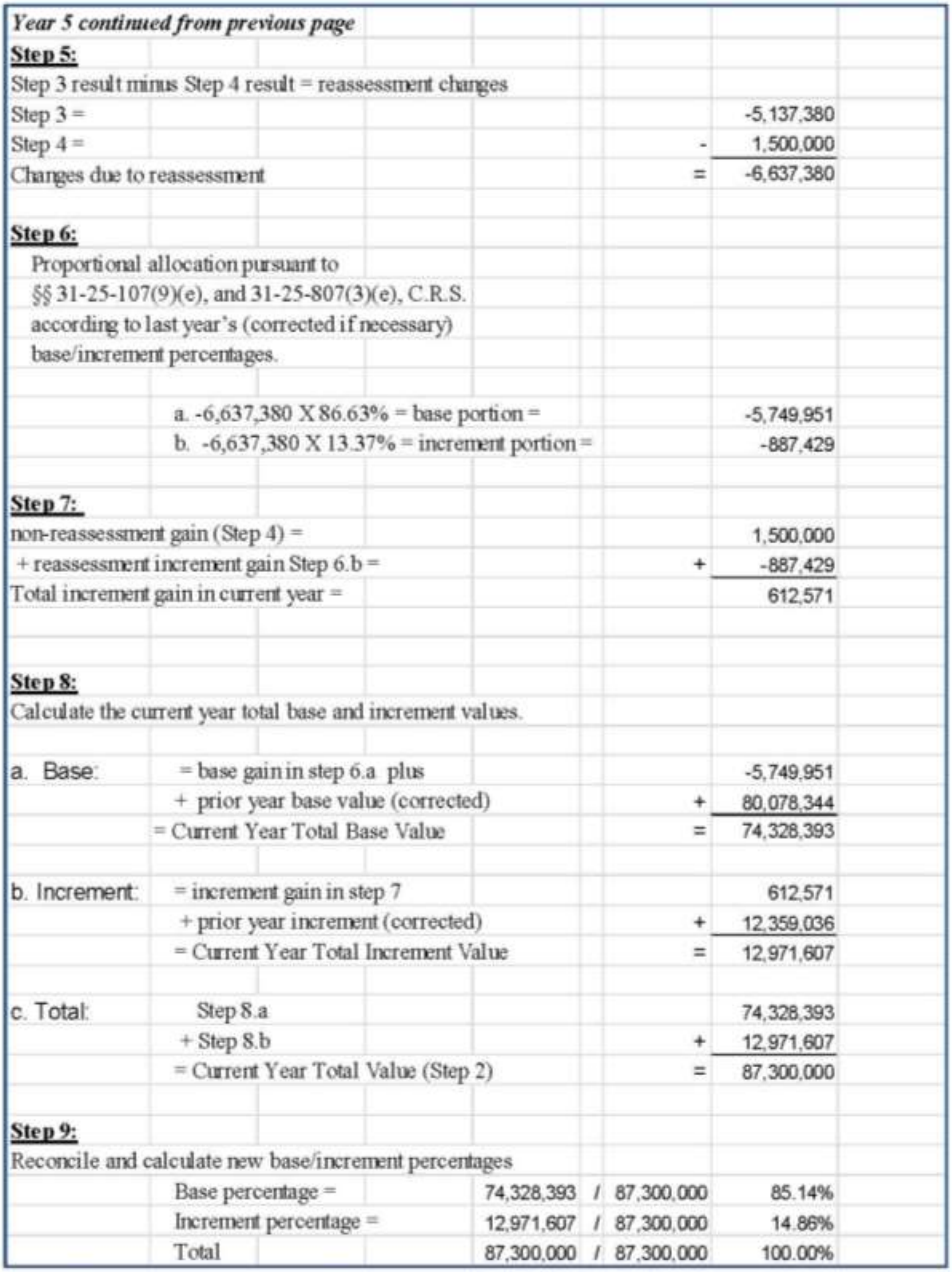
Step 3:

Subtract the prior year corrected total taxable assessed value.	-	92,437,380
Difference = non-reassessment changes and all reassessment changes, if any =		-5,137,380

Step 4:

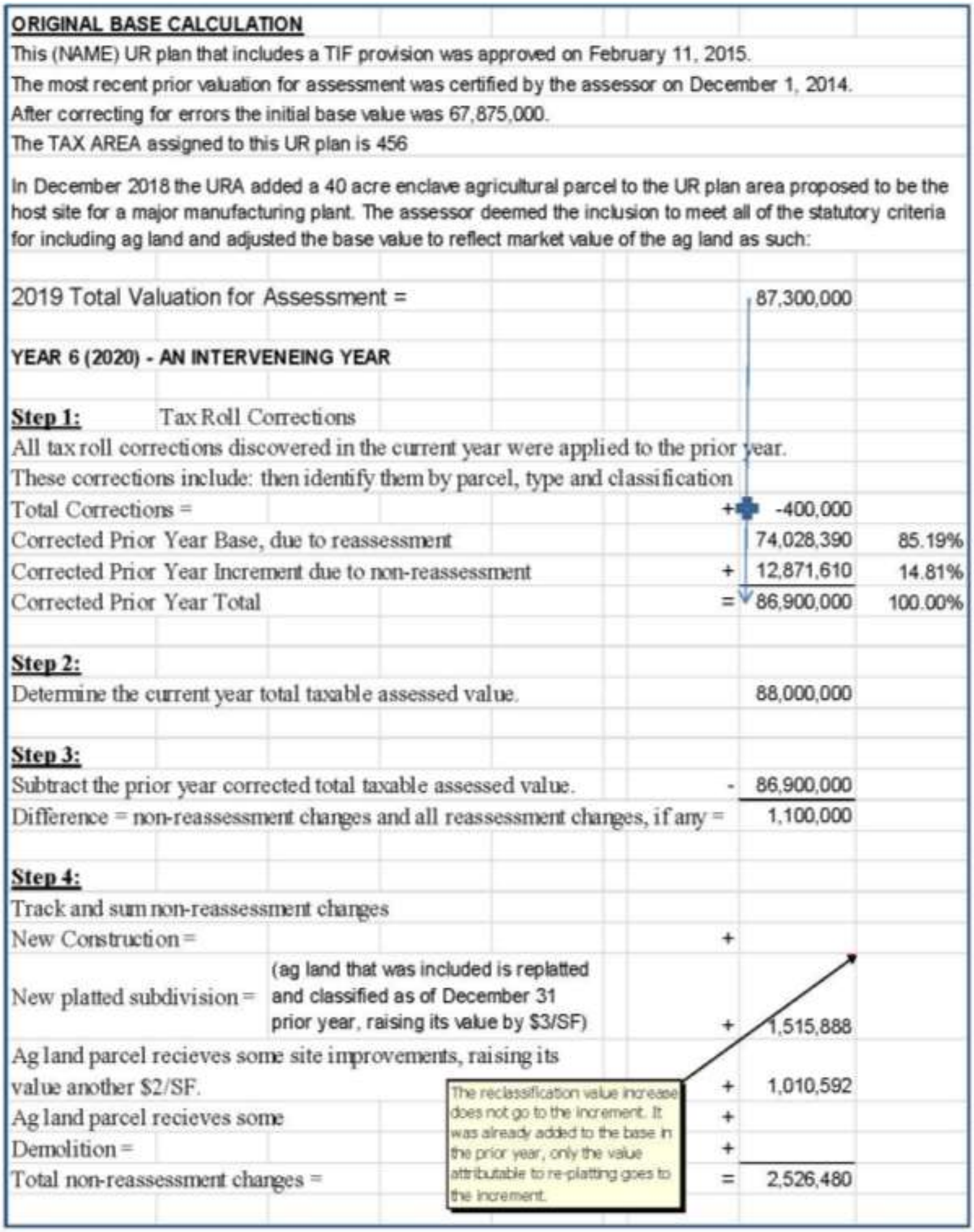
Track and sum non-reassessment changes

New Construction =	+	1,500,000
New platted subdivision =	+	
Mitigation of contaminated land =	+	
Parcel granted entitlements for higher density use =	+	
Demolition =	+	
Total non-reassessment changes =	=	1,500,000



Year 5 continued from previous page					
Step 5:					
Step 3 result minus Step 4 result = reassessment changes					
Step 3 =					-5,137,380
Step 4 =				-	1,500,000
Changes due to reassessment				=	-6,637,380
Step 6:					
Proportional allocation pursuant to					
§§ 31-25-107(9)(e), and 31-25-807(3)(e), C.R.S.					
according to last year's (corrected if necessary)					
base/increment percentages.					
	a. -6,637,380 X 86.63% = base portion =				-5,749,951
	b. -6,637,380 X 13.37% = increment portion =				-887,429
Step 7:					
non-reassessment gain (Step 4) =					1,500,000
+ reassessment increment gain Step 6.b =				+	-887,429
Total increment gain in current year =					612,571
Step 8:					
Calculate the current year total base and increment values.					
a. Base:	= base gain in step 6.a plus				-5,749,951
	+ prior year base value (corrected)			+	80,078,344
	= Current Year Total Base Value			=	74,328,393
b. Increment:	= increment gain in step 7				612,571
	+ prior year increment (corrected)			+	12,359,036
	= Current Year Total Increment Value			=	12,971,607
c. Total:	Step 8.a				74,328,393
	+ Step 8.b			+	12,971,607
	= Current Year Total Value (Step 2)			=	87,300,000
Step 9:					
Reconcile and calculate new base/increment percentages					
	Base percentage =	74,328,393	/	87,300,000	85.14%
	Increment percentage =	12,971,607	/	87,300,000	14.86%
	Total	87,300,000	/	87,300,000	100.00%

12.42



ORIGINAL BASE CALCULATION

This (NAME) UR plan that includes a TIF provision was approved on February 11, 2015.

The most recent prior valuation for assessment was certified by the assessor on December 1, 2014.

After correcting for errors the initial base value was 67,875,000.

The TAX AREA assigned to this UR plan is 456

In December 2018 the URA added a 40 acre enclave agricultural parcel to the UR plan area proposed to be the host site for a major manufacturing plant. The assessor deemed the inclusion to meet all of the statutory criteria for including ag land and adjusted the base value to reflect market value of the ag land as such:

2019 Total Valuation for Assessment =		87,300,000	

YEAR 6 (2020) - AN INTERVENEING YEAR

Step 1: Tax Roll Corrections

All tax roll corrections discovered in the current year were applied to the prior year.

These corrections include: then identify them by parcel, type and classification

Total Corrections =	+	-400,000	
Corrected Prior Year Base, due to reassessment		74,028,390	85.19%
Corrected Prior Year Increment due to non-reassessment	+	12,871,610	14.81%
Corrected Prior Year Total	=	86,900,000	100.00%

Step 2:

Determine the current year total taxable assessed value.		88,000,000

Step 3:

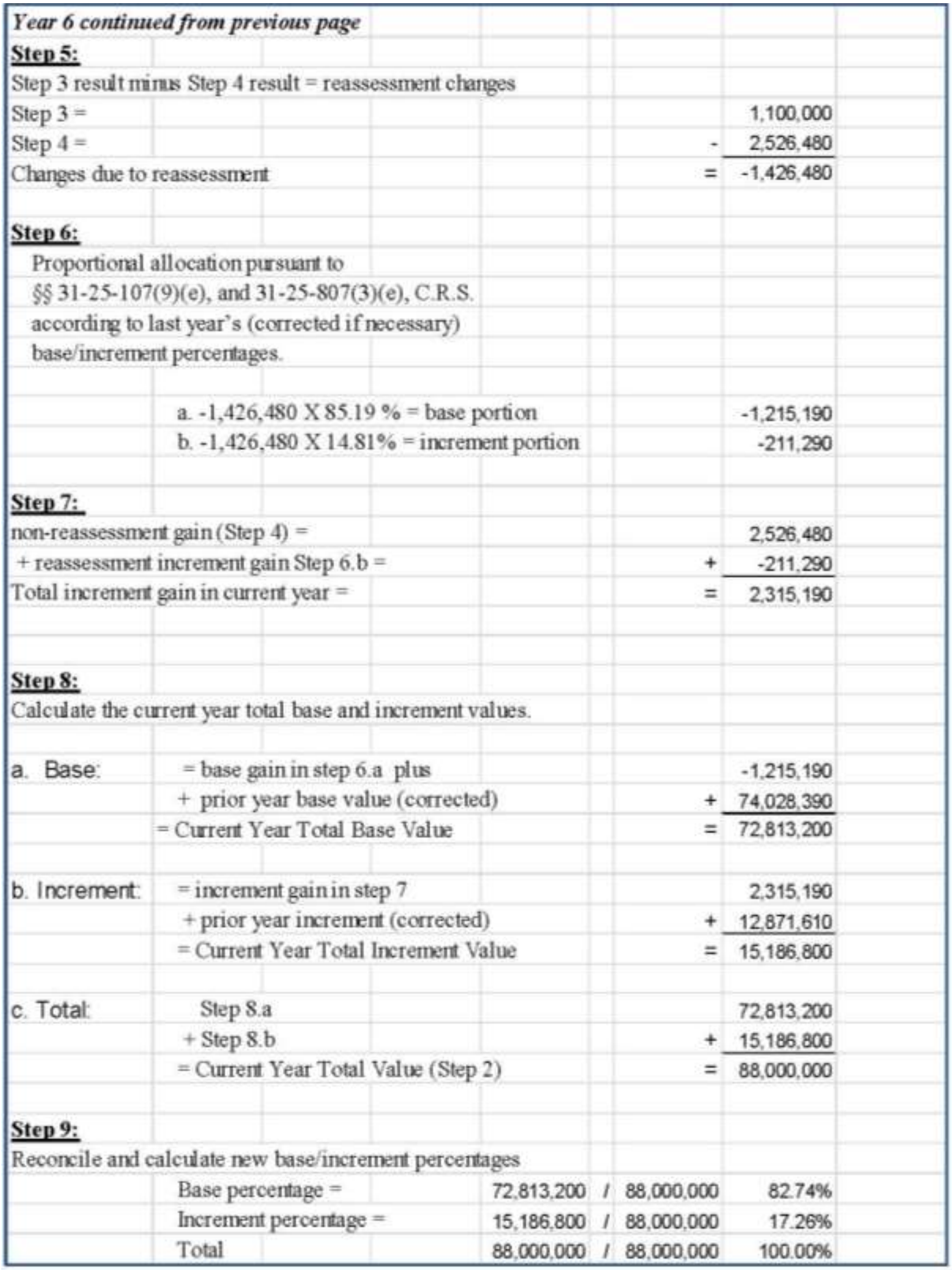
Subtract the prior year corrected total taxable assessed value.	-	86,900,000
Difference = non-reassessment changes and all reassessment changes, if any =		1,100,000

Step 4:

Track and sum non-reassessment changes

New Construction =		+	
New platted subdivision =	(ag land that was included is replatted and classified as of December 31 prior year, raising its value by $3/SF)	+	1,515,888
Ag land parcel recieves some site improvements, raising its value another $2/SF.		+	1,010,592
Ag land parcel recieves some		+	
Demolition =		+	
Total non-reassessment changes =		=	2,526,480

The reclassification value increase does not go to the increment. It was already added to the base in the prior year, only the value attributable to re-platting goes to the increment.



Year 6 continued from previous page					
Step 5:					
Step 3 result minus Step 4 result = reassessment changes					
Step 3 =					1,100,000
Step 4 =				-	2,526,480
Changes due to reassessment				=	-1,426,480
Step 6:					
Proportional allocation pursuant to §§ 31-25-107(9)(e), and 31-25-807(3)(e), C.R.S. according to last year's (corrected if necessary) base/increment percentages.					
	a. -1,426,480 X 85.19 % = base portion				-1,215,190
	b. -1,426,480 X 14.81% = increment portion				-211,290
Step 7:					
non-reassessment gain (Step 4) =					2,526,480
+ reassessment increment gain Step 6.b =				+	-211,290
Total increment gain in current year =				=	2,315,190
Step 8:					
Calculate the current year total base and increment values.					
a. Base:	= base gain in step 6.a plus				-1,215,190
	+ prior year base value (corrected)			+	74,028,390
	= Current Year Total Base Value			=	72,813,200
b. Increment:	= increment gain in step 7				2,315,190
	+ prior year increment (corrected)			+	12,871,610
	= Current Year Total Increment Value			=	15,186,800
c. Total:	Step 8.a				72,813,200
	+ Step 8.b			+	15,186,800
	= Current Year Total Value (Step 2)			=	88,000,000
Step 9:					
Reconcile and calculate new base/increment percentages					
	Base percentage =	72,813,200	/	88,000,000	82.74%
	Increment percentage =	15,186,800	/	88,000,000	17.26%
	Total	88,000,000	/	88,000,000	100.00%

INCLUSION OF PROPERTY TO A TIF AREA

If the governing body of the municipality modifies a UR or DD plan to include additional property in a TIF area, the assessor determines the value of the included property as of the date values were last certified and adds the value of the included property to the base value.

If values were last certified during the prior assessment year, the value of the included property is added to the prior year base and total values prior to calculating the current year base/increment split.

If values were last certified during the current assessment year, the base and increment values are calculated from the boundaries as they existed prior to the inclusion. The value of the included property is then added to the recalculated base and total values.

As soon as the governing body of the municipality approves the inclusion of additional property to a TIF area, the URA or DDA should furnish the assessor with a new map, legal description of the included area, applicable city ordinance, and the effective date of the inclusion.

A UR plan may include property that is outside the boundary of the municipality if the inclusion is approved by the county commissioners, the owners of each property, and the mortgagees of each property.

REMOVAL OF PROPERTY FROM A TIF AREA

If the governing body of the municipality modifies a UR or DD plan to remove property from a TIF area, the assessor determines the value of the removed property as of the date values were last certified prior to such removal. This removed property value is subtracted from the total valuation for assessment of all property as last certified, prior to removal. The base value of the removed property should be subtracted from the base value of all property subject to the TIF, prior to removal. The resulting effect is that the removed property's contribution to both base and increment is reflected in this reduction.

EFFECT OF RESIDENTIAL ASSESSMENT RATE CHANGE

If the residential assessment rate changes, it will not affect an assessor's calculation of new base and increment values. The change is automatically apportioned to new base and increment values based on the prior year proportion used in the calculations done each year.

20-YEAR EXTENSION TO DDA TIF AREA

A municipality may extend the use of TIF in an existing DDA plan of development from a maximum of 30 years to a maximum of 50 years. The municipality may enact the extension at any time during the final 10 years of the initial 30-year period. If enacted, the extension is effective beginning with year 31.

For each year of the extension beginning with year 31, only half (50 percent) of the revenue attributable to increment value from each taxing entity's mill levy, or a greater percentage if agreed upon by the authority and each such entity, is distributed to the special fund of the municipality. The remaining revenue attributable to the increment value, and all of the revenue attributable to the base value, is distributed to the taxing entities.

Not later than August 1 of each year, the municipality is required to certify to the assessor the distribution percentages attributable to the special fund of the municipality from the mill levies of each taxing entity. When certifying values to taxing entities, the assessor applies the appropriate distribution percentage to the increment value and certifies only that percentage of increment value to the entity.

ADVANCEMENT OF THE BASE VALUE

In the first 10 years of a 20-year DD plan extension, a 10-year advancement of the initial base year is required. If the initial base year was 1983, the new advanced base valuation would be the total value of the TIF area in 1993. The 10-year advancement of the initial base eliminates from the remaining increment any value attributable to new construction and other non-reassessment changes that became taxable in years 1984 through 1993.

During each year of the final 10 years of the 20-year extension, the statute requires further advancement of the initial base year by one additional year annually. This ensures that no more than 30 tax years of value attributable to non-reassessment changes are ever reflected in the increment. For instance, in 2024 the TIF area described above would be in year 41 (from the year when the original TIF provision was adopted) and year 11 of the 20-year extension. In 2024, the base year would be advanced forward from 1993 to 1994. In 2025 (year 42), the base year would be advanced to 1995, and in 2026 (year 43), the base year would be advanced to 1996.

The advancements should produce results as illustrated in the following example: Initial DD plan approved December, 1983; expires in 2013; approved for 20-year extension in 2012, effective 2014.

ACTUAL YEAR	TIF YEAR	EXTENSION YEAR	ADVANCED BASE YEAR	Years in which "growth" year accumulates to increment
2013	30		1983	30
2014	31	1	1993	21
2015	32	2	1993	22
2016	33	3	1993	23
2017	34	4	1993	24
2018	35	5	1993	25
2019	36	6	1993	26
2020	37	7	1993	27
2021	38	8	1993	28
2022	39	9	1993	29
2023	40	10	1993	30
2024	41	11	1994	30
2025	42	12	1995	30
2026	43	13	1996	30
2027	44	14	1997	30
2028	45	15	1998	30
2029	46	16	1999	30
2030	47	17	2000	30
2031	48	18	2001	30
2032	49	19	2002	30
2033	50	20	2003	30

After completing the 10-year advancement of the initial base year, § 31-25-807(3)(e), C.R.S., requires an adjustment of the advanced base value to account for the general reassessments that have occurred. This means that approximately 10 general reassessments must be accounted for (extension years 1-20) through an adjustment of the advanced base value to the current level of value. This prevents erroneously attributing general assessments to the increment and avoids an erroneous windfall payment to the DDA.

NOTE: The calculations below use the base and total values from early years of the TIF area. If these figures are not documented in the work files of the assessor, they should be obtainable from the Division's **Annual Report to the Governor and the General Assembly** for the year in question.

Calculating the Year 31 Base and Increment – Basic Procedure

If there were no inclusions to the TIF area between years 10 and 30, the assessor should follow the "basic procedure" listed below to determine the advanced base value and adjust it to the level of value for year 30. However, if the municipality included additional property to the TIF area during years 10-30, the steps below must be modified to incorporate the steps listed under ***Calculating the Year 31 Base and Increment – Procedure for Inclusions*** in this section.

Both the "basic procedure" and the "procedure for inclusions" enable assessors to implement the provisions of § 31-25-807(3)(a)(IV)(A), C.R.S., without recalculating the base and increment for every year from the new initial base year to the current year.

The basic steps are as follows:

1. Determine the year of the initial base value and the year in which the extension becomes effective.

2. Count forward 10 years from the initial base year to determine the advanced base year. Identify the base, increment, and total values that were previously calculated for that year. That total value becomes the new base value to be used going forward.

3. Identify the values previously calculated for the year 30 base and increment.

4. Adjust the advanced base value to the appropriate level of value for year 30. To determine the adjustment factor, divide the year 30 base value by the year 10 base value. The advanced base value (year 10 total value) is then multiplied by that factor to determine the adjusted year 30 base value. The adjusted year 30 base value is used only for calculating the year 31 base/increment split. It is not used for distributing revenue for year 30.

5. To calculate the base and increment for year 31, apply the appropriate reappraisal year or intervening year scenario. See ***Annual Calculation of the Base and the Increment*** in this section.

Illustration of the basic procedure:

Step 1: Determine the year of the initial base value and the year the extension is effective.

For this example, a DDA enacts an extension for a TIF area that was established on August 1, 1984. The assessor's records indicate that the initial base year was 1983 and the initial base value was $1,200,000. The assessor counts forward 30 years from 1983 and determines that year 30 of the TIF area is 2013. See ***Final Year Calculating the Base and Increment*** later in this section.

Therefore 2014 is year 31, and it is year 1 of the 20-year extension.

Step 2: Determine the advanced base year and base value.

The assessor counts forward 10 years from 1983 to find the advanced base year is 1993. The advanced base value is the value for that year, or $4,000,000.

1993 total:	$4,000,000 (advanced base value)
1993 base:	$3,000,000
1993 increment:	$1,000,000

Step 3: Determine the year 30 base and increment.

2013 total:	$25,000,000	100.00%
2013 base:	$10,000,000	40.00%
2013 increment:	$15,000,000	60.00%

Step 4: Adjust the advanced base value to the appropriate level of value for year 30.

Determine adjustment factor:
$10,000,000 (2013 base) ÷ $3,000,000 (1993 base) = 3.3333.

Advanced adjusted base for 2013:
$4,000,000 (1993 total) x 3.3333 = $13,333,200

2013 total:	$25,000,000	100.00%
2013 adjusted base:	$13,333,200	53.33%
2013 adjusted increment:	$11,666,800	46.67%

Step 5: Calculate the base and increment for year 31.

Year 31 (2014) is an intervening year. There were no abatements, BAA decisions or court orders that reduced the total valuation for assessment for tax year 2013. Therefore, the base remains the same as the 2013 adjusted base, and any changes in value are reflected in the increment.

2014 total:	$27,000,000	100.00%
2014 adjusted base:	- $13,333,200	49.38%
2014 increment:	$13,666,800	50.62%

Calculating the Year 31 Base and Increment – Procedure for Inclusions

If the DDA and municipality expanded the TIF area boundaries between years 10 and 30 to include additional property, step #4 above must be completed in stages so that the included property is added to the base value for the appropriate year. To do so, step #3 is also modified.

- **Revised Step 3:** For each inclusion, identify the before and after values for the year in which the inclusion was accounted for. The assessor also identifies the values previously calculated for year 30.

- **Revised Step 4:** Adjust the advanced base value in stages to the appropriate level of value for year 30.

  a. Adjust the advanced base value to the appropriate level of value for the year in which the first inclusion was accounted for. To do so, follow step #4 in ***Calculating the Year 31 Base and Increment – No Inclusions*** in this section, except, when calculating the adjustment factor, divide the "before inclusion" base value of the first inclusion year by the year 10 base value.

  b. Add the value of the included property to the base calculated in step a. See ***Inclusion of Property to a TIF Area*** in this section.

  c. Repeat steps **a** and **b**, as necessary, and adjust the base forward through each inclusion year. When doing so, the adjustment factor is calculated by dividing the original "before inclusion" base value of the year to which the adjustment is being made by the original "after inclusion" base value of the year from which the adjustment is made.

  d. After adjusting the base to the last inclusion year, and adding the included value, adjust the recalculated base to the appropriate level of value for year 30. When calculating the adjustment factor, divide the year 30 base value by the original "after inclusion" base value of the year to which the final inclusion adjustment was made.

Illustration of the procedural modifications for TIFs with prior inclusions in years 10 to 30:

Revised Step 3: Determine the values for each inclusion and for year 30.

The TIF area in this example had two inclusions. The first occurred in 1996 and the second occurred in 2005. (The beginning and ending values and years are the same in this example as they are in the non-inclusion example above.)

Inclusion 1: The development plan was modified on May 1, 1996, to include additional property to the TIF area. The taxable value of the included property as of the date values were last certified (December 10, 1995) was $400,000.

Prior to the inclusion, the values were as follows:

1995 total:	$6,000,000	100.00%
1995 base:	$3,500,000	58.33%
1995 increment:	$2,500,000	41.67%

After accounting for the inclusion, the values were as follows:

1995 total:	$6,400,000	100.00%
1995 base:	$3,900,000	60.94%
1995 increment:	$2,500,000	39.06%

Inclusion 2: The development plan was modified again on November 15, 2005. The taxable value of the included property as of the date values were last certified (August 25, 2005) was $1,000,000.

Prior to the inclusion, the values were as follows:

2005 total:	$15,000,000	100.00%
2005 base:	$7,650,000	51.00%
2005 increment:	$7,350,000	49.00%

After accounting for the inclusion, the values were as follows:

2005 total:	$16,000,000	100.00%
2005 base:	$8,650,000	54.06%
2005 increment:	$7,350,000	45.94%

Year 30 values: The values previously calculated for the year 30 base and increment are identified.

2013 total:	$25,000,000	100.00%
2013 base:	$10,000,000	40.00%
2013 increment:	$15,000,000	60.00%

Revised Step 4: Adjust the advanced base value in stages to the appropriate level of value.

Adjustment to first inclusion:
a) Adjust base to year of inclusion:

Determine adjustment factor:
$3,500,000 (1995 pre-inclusion base) ÷ $3,000,000 (1993 base) = 1.1666.
Determine new adjusted pre-inclusion base for 1995:
$4,000,000 (1993 total) x 1.1666 = $4,666,400

1995 pre-inclusion total:	$6,000,000	100.00%
1995 adjusted pre-inclusion base:	$4,666,400	77.77%
1995 adjusted increment:	$1,333,600	22.23%

b) Add the value of the inclusion to the base:

1995 post-inclusion total:	$6,400,000	100.00%
1995 adjusted post-inclusion base:	$5,066,400	79.16%
1995 adjusted increment:	$1,333,600	20.84%

Adjustment to second inclusion:
a) Adjust base to year of inclusion:

Determine adjustment factor:
$7,650,000 (2005 pre-inclusion base) ÷ $3,900,000 (1995 post-inclusion base) = 1.9615.
Determine new adjusted pre-inclusion base for 2005:
$5,066,400 (1995 adjusted post-inclusion base) x 1.9615 = $9,937,744

2005 pre-inclusion total:	$15,000,000	100.00%
2005 adjusted pre-inclusion base:	$9,937,744	66.25%
2005 adjusted increment:	$5,062,256	33.75%

b) Add the value of the inclusion to the base

2005 post-inclusion total:	$16,000,000	100.00%
2005 adjusted post-inclusion base:	$10,937,744	68.36%
2005 adjusted increment:	$5,062,256	31.64%

Adjustment to year 30:
Determine adjustment factor:
$10,000,000 (2013 base) ÷ $8,650,000 (2005 post-inclusion base) = 1.1561
New adjusted base for 2013:
$10,937,744 (2005 adjusted post-inclusion base) x 1.1561 = $12,645,125

2013 total:	$25,000,000	100.00%
2013 adjusted base:	$12,645,125	50.58%
2013 adjusted increment:	$12,354,875	49.42%

REPORTING TIF VALUES

The assessor reports TIF information to the Division on the Abstract of Assessment. The information is also reported to the affected taxing entities and to the Division of Local Government on certifications of value. The Abstract of Assessment is completed no later than August 25. Values are preliminarily certified no later than August 25, and final values are certified no later than December 10. If value changes were made to properties in the TIF area between the certification dates, the base and increment must be recalculated prior to recertifying values. The Division recommends that the assessor provide a copy of the final TIF calculations to the authority each year.

The following items pertain to the reporting of TIF information.

IDENTIFY CAUSES OF CHANGES FROM PRIOR YEAR

Various officials, governing boards, and taxpayer are apt to inquire as to why the base and increment amounts are not more or less than they actually are. It is important that all tax increment financing calculations are well documented, including itemization of major changes that are the result of redevelopment. It is also important to be aware of single factors that can have an outsized effect on the base or increment, such as large changes in personal property, significant value adjustments from abatements or orders, significant value going from exempt to taxable or the reverse, and so forth.

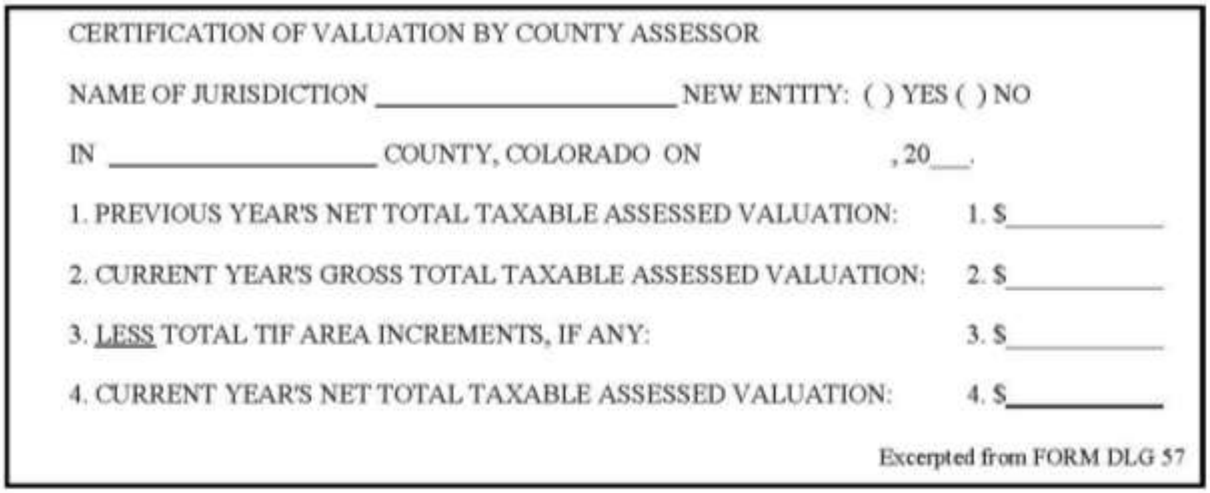
LIST BASE AND INCREMENT ON ABSTRACT

Counties with a TIF must complete an additional area in the Abstract of Assessment. The assessed value of the base and increment as of August 25 are listed in the abstract on the Cities and Towns and School Districts pages, by city/town and by school district. The final base and increment values for certification are listed on the Certification of Levies and Revenues.

LIST INCREMENT IN CERTIFICATIONS OF VALUE

The assessor annually certifies value to each taxing entity on the DLG 57 form, a portion of which is shown below. When all or part of a TIF area lies within a taxing entity's boundary, the current total TIF increment amount (if any) must be listed on Line 3 and deducted from the gross valuation amount on Line 2. The result is the net valuation amount on Line 4. All taxing entities including DDAs use the amount on Line 4 as the basis for setting their mill levy, pursuant to §§ 31-25-107(9)(c) and 807(3)(c), C.R.S.

A portion of form DLG 70 is shown below. This form reiterates the DLG57 calculations by including both gross valuation taken from Line 2 of the DLG 57 form and net valuation from Line 4 of the DLG 57 form. The DLG 70 form includes a note that tax levies must be calculated using the net amount. The note goes on to say that total tax revenue for that entity will be derived from the entity's mill levy multiplied against the net amount.



CERTIFICATION OF VALUATION BY COUNTY ASSESSOR

NAME OF JURISDICTION ____________________ NEW ENTITY: ( ) YES ( ) NO

IN __________________ COUNTY, COLORADO ON , 20___.

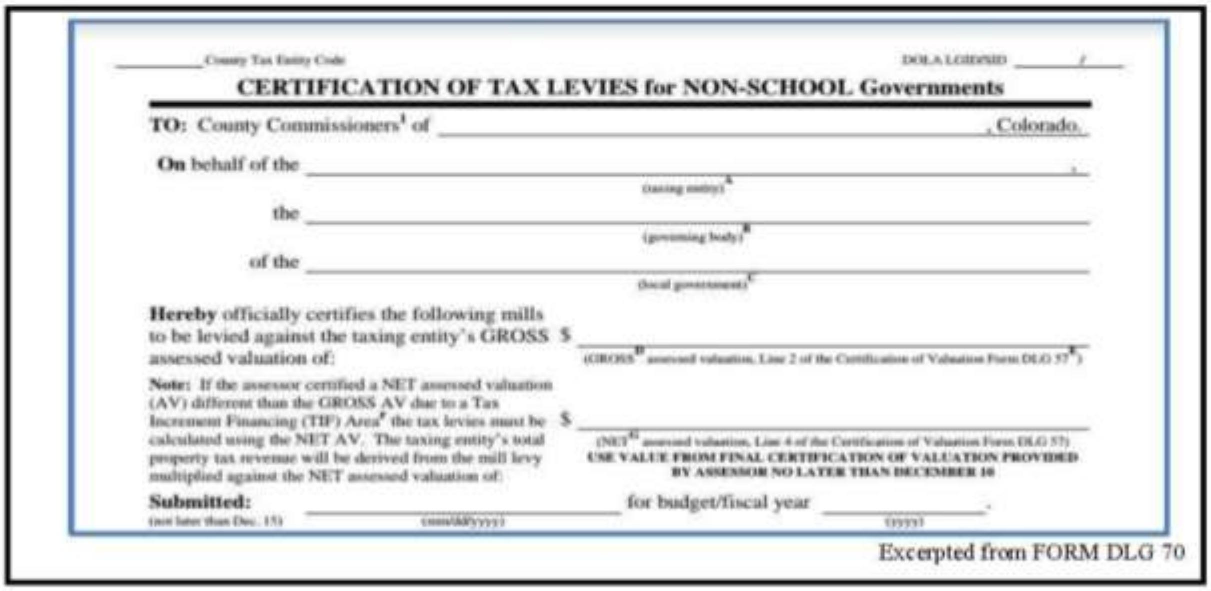
1. PREVIOUS YEAR'S NET TOTAL TAXABLE ASSESSED VALUATION: 1. $__________

2. CURRENT YEAR'S GROSS TOTAL TAXABLE ASSESSED VALUATION: 2. $__________

3. LESS TOTAL TIF AREA INCREMENTS, IF ANY: 3. $__________

4. CURRENT YEAR'S NET TOTAL TAXABLE ASSESSED VALUATION: 4. $__________

Excerpted from FORM DLG 57



________ County Tax Entity Code   DOLA LGID/SID ______/______

CERTIFICATION OF TAX LEVIES for NON-SCHOOL Governments

TO: County Commissioners[1] of ______________________________________, Colorado.

On behalf of the ______________________________________,
(taxing entity)[A]

the ______________________________________
(governing body)[B]

of the ______________________________________
(local government)[C]

Hereby officially certifies the following mills to be levied against the taxing entity's GROSS assessed valuation of: $ ______________________
(GROSS[D] assessed valuation, Line 2 of the Certification of Valuation Form DLG 57[E])

Note: If the assessor certified a NET assessed valuation (AV) different than the GROSS AV due to a Tax Increment Financing (TIF) Area[F] the tax levies must be calculated using the NET AV. The taxing entity's total property tax revenue will be derived from the mill levy multiplied against the NET assessed valuation of: $ ______________________
(NET[G] assessed valuation, Line 4 of the Certification of Valuation Form DLG 57)
USE VALUE FROM FINAL CERTIFICATION OF VALUATION PROVIDED BY ASSESSOR NO LATER THAN DECEMBER 10

Submitted: ________________ for budget/fiscal year ________.
(not later than Dec. 15) (mm/dd/yyyy) (yyyy)

Excerpted from FORM DLG 70

NOTE: A downtown development authority (DDA) may be both a taxing entity and have also created its own TIF area and/or have a URA TIF Area within the DDA's boundaries. As a result DDAs may both receive operating revenue from their levy applied to their certified NET assessed value and also receive TIF revenue generated by any tax entity levies overlapping the DDA's TIF Area, including the DDA's own operating levy.

TAXING ENTITY COVERS PART OF TIF AREA

Sometimes taxing entities encompass only a portion of the TIF area. They either lie fully within the TIF boundary but encompass only a portion of the TIF area, like the hole of a donut, or they lie both inside and outside the TIF boundary overlap only a portion of the TIF area. For both situations, that share of the increment which is proportionate to the taxing entity's portion of the total valuation in the TIF area should be deducted. Certifying more value than the taxing entity's proportionate share of the increment would result in an excessive reduction of assessed valuation from which the entity's portion of the property tax revenue is derived.

The steps for determining the entity's proportionate share of the increment are as follows.

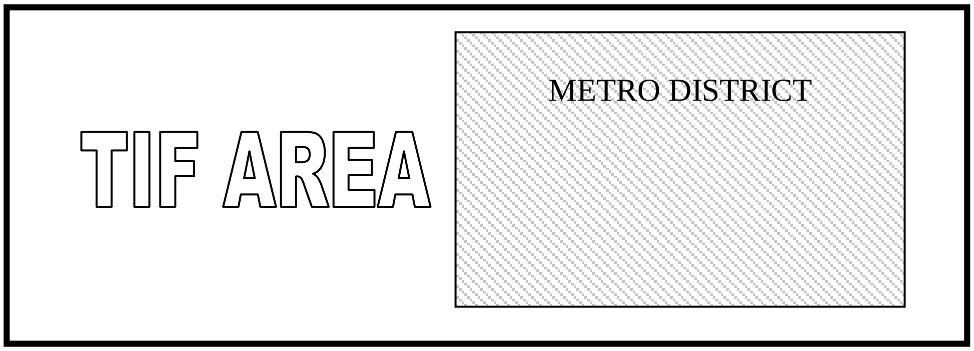
1. Determine the total assessed valuation of those properties in the TIF area that are also within the taxing entity. This can be accomplished by assigning a special tax area code to such properties.

2. Divide the total valuation of such properties by the total valuation of the entire TIF area.

3. Multiply the resulting percentage by the total increment valuation to determine the amount of increment valuation certified to the taxing entity. This amount is deducted from the entity's gross total assessed valuation to determine its net total assessed valuation.

The statutes specify that increment pertains to the total valuation for assessment that exceeds the base in such UR/DD area. So regardless of where within the UR/DD plan area the increment is derived, apportioning increment according to a ratio of the total value, or total area, is the only method permitted by statute.

Example 1: Entity fully within portion of TIF (donut hole)



TIF area total assessed valuation	$10,000,000
TIF increment assessed valuation	$ 2,000,000
Entity total assessed valuation	$ 4,000,000

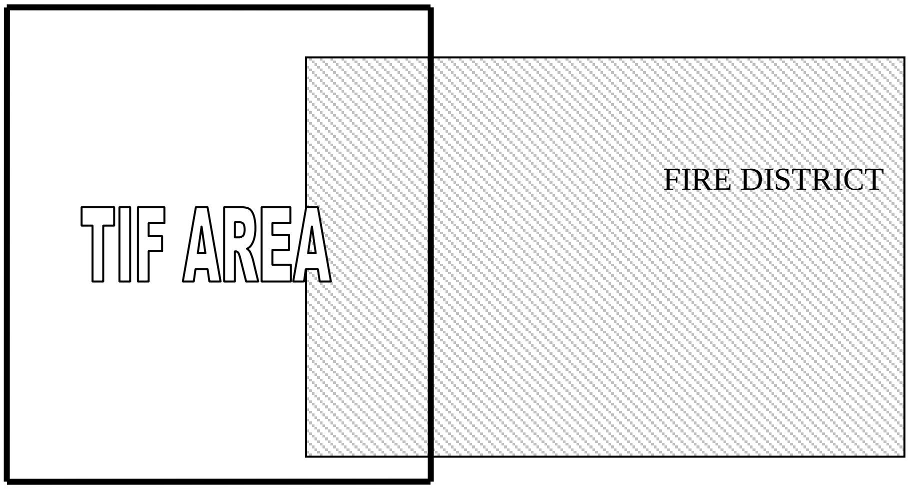
1. Entity assessed valuation within the TIF area$ 4,000,000

2. Percent of entity TIF value to total value of TIF area:
   $4,000,000 ÷ $10,000,000 = .40 (40%)

3. Amount of increment to be deducted from total valuation of entity:
   $2,000,000 × .40 = $800,000

   Certified net total valuation of entity for levying purposes:
   $4,000,000 - $800,000 = $ 3,200,000

Example 2: Entity overlaps TIF area boundary



TIF area total assessed valuation	$10,000,000
TIF increment assessed valuation	$ 2,000,000
Entity total assessed valuation	$ 4,000,000

1. Entity assessed valuation within the TIF area $ 1,000,000

2. Percent of entity TIF value to total value of TIF area:
   $1,000,000 ÷ $10,000,000 = .10 (10%)

3. Amount of increment to be deducted from total valuation of entity:
   $2,000,000 × .10 = $200,000

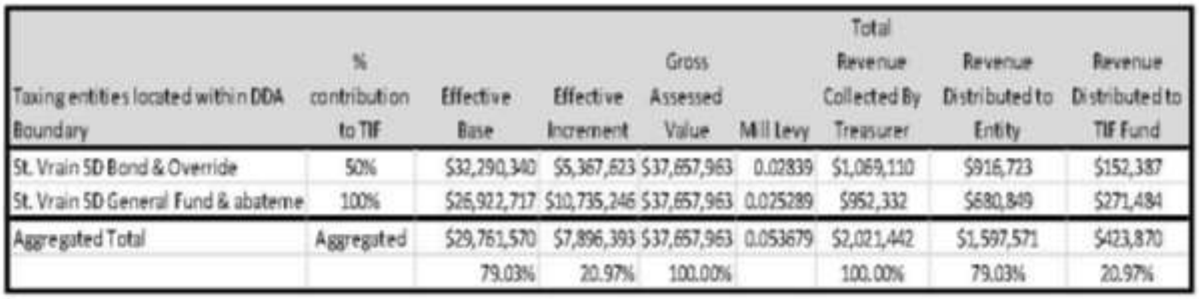
   Certified net total valuation of entity for levying purposes:
   $4,000,000 - $200,000 = $ 3,800,000

EXCEPTION: 20-YEAR EXTENSION GRANTED TO DDA

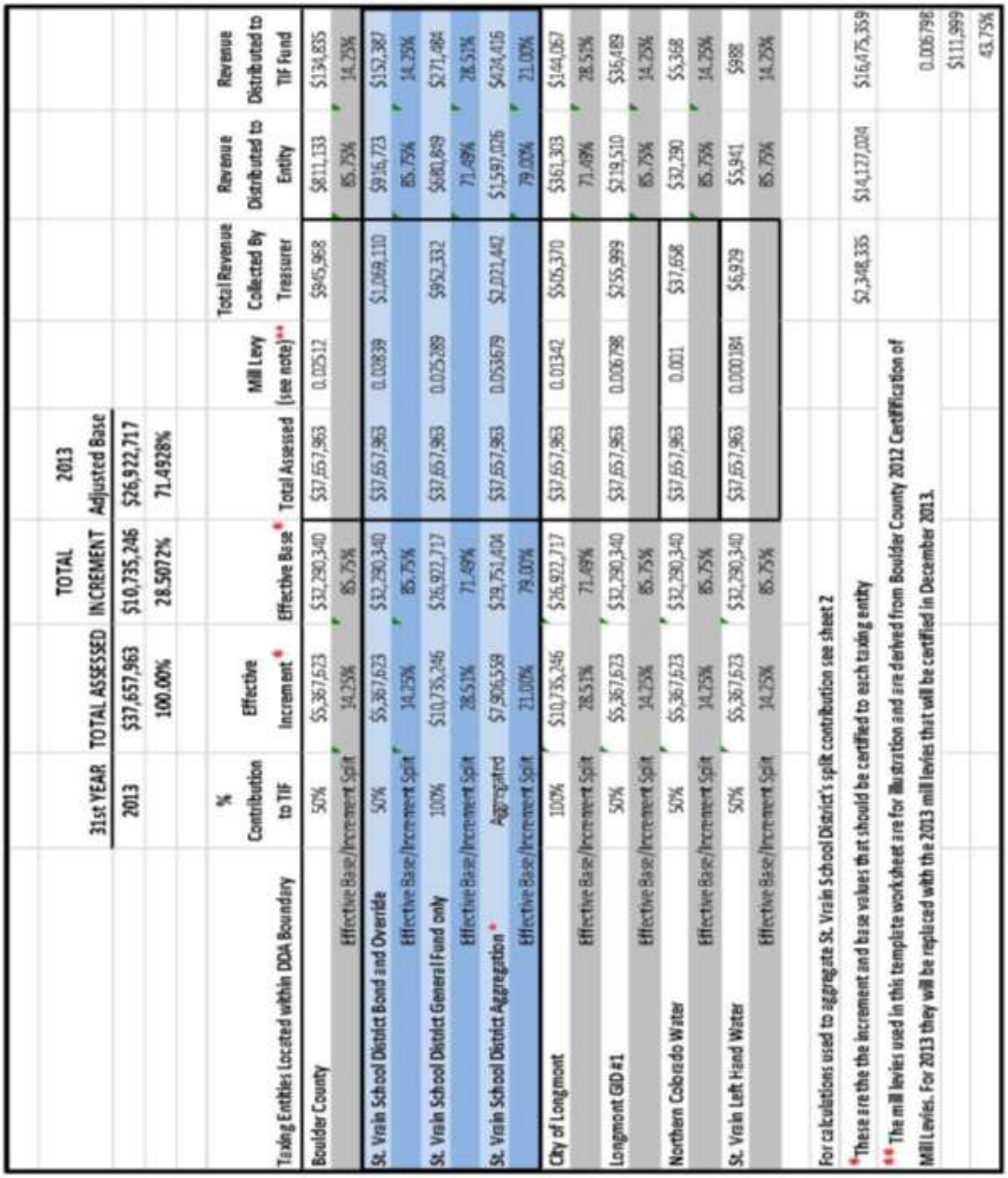
As discussed above under ***20-Year Extension to DDA TIF Area***, a municipality may grant a 20-year extension of TIF in a DD plan area, after which the DDA receives only 50 percent of the revenue attributable to the increment value, unless a different percentage is negotiated with a taxing entity and certified to the assessor.

No later than August 1 of each year, the governing body_certifies to the assessor the distribution percentages to the special fund for each taxing entity. When certifying values, the assessor applies the appropriate distribution percentage to the increment value and certifies only that percentage of increment value to the entity. However, the assessor reports the full value of the TIF area on the Abstract of Assessment.

The following illustration is an example of how an assessor can use a spreadsheet to track multiple different percentages to the DDA special fund based on different agreements with taxing entities. In this example, the first taxing entity is the St. Vrain School District, who shares back 100% from their general fund, but only the required 50% of revenue from their voter-approved mill levy override.



Taxing entities located within DDA Boundary	% contribution to TIF	Effective Base	Effective Increment	Gross Assessed Value	Mill Levy	Total Revenue Collected By Treasurer	Revenue Distributed to Entity	Revenue Distributed to TIF Fund
St. Vrain SD Bond & Override	50%	$32,290,340	$5,367,623	$37,657,963	0.02839	$1,069,110	$916,723	$152,387
St. Vrain SD General Fund & abateme	100%	$26,922,717	$10,735,246	$37,657,963	0.025289	$952,332	$680,849	$271,484
Aggregated Total	Aggregated	$29,761,570	$7,896,393	$37,657,963	0.053679	$2,021,442	$1,597,571	$423,870
		79.03%	20.97%	100.00%		100.00%	79.03%	20.97%



	31st YEAR	TOTAL ASSESSED	TOTAL INCREMENT	2013 Adjusted Base				
	2013	$37,657,963	$10,735,246	$26,922,717				
		100.00%	28.5072%	71.4928%				
Taxing Entities Located within DDA Boundary	% Contribution to TIF	Effective Increment*	Effective Base*	Total Assessed	Mill Levy (see note)**	Total Revenue Collected By Treasurer	Revenue Distributed to Entity	Revenue Distributed to TIF Fund
Boulder County	50%	$5,367,623	$32,290,340	$37,657,963	0.02512	$945,968	$811,133	$134,835
Effective Base/Increment Split		14.25%	85.75%				85.75%	14.25%
St. Vrain School District Bond and Override	50%	$5,367,623	$32,290,340	$37,657,963	0.02839	$1,069,110	$916,723	$152,387
Effective Base/Increment Split		14.25%	85.75%				85.75%	14.25%
St. Vrain School District General Fund only	100%	$10,735,246	$26,922,717	$37,657,963	0.025289	$952,332	$680,849	$271,484
Effective Base/Increment Split		28.51%	71.49%				71.49%	28.51%
St. Vrain School District Aggregation*	Aggregated	$7,906,559	$29,751,404	$37,657,963	0.053679	$2,021,442	$1,597,026	$424,416
Effective Base/Increment Split		21.00%	79.00%				79.00%	21.00%
City of Longmont	100%	$10,735,246	$26,922,717	$37,657,963	0.01342	$505,370	$361,303	$144,067
Effective Base/Increment Split		28.51%	71.49%				71.49%	28.51%
Longmont GID #1	50%	$5,367,623	$32,290,340	$37,657,963	0.006798	$255,999	$219,510	$36,489
Effective Base/Increment Split		14.25%	85.75%				85.75%	14.25%
Northern Colorado Water	50%	$5,367,623	$32,290,340	$37,657,963	0.001	$37,658	$32,290	$5,368
Effective Base/Increment Split		14.25%	85.75%				85.75%	14.25%
St. Vrain Left Hand Water	50%	$5,367,623	$32,290,340	$37,657,963	0.000184	$6,929	$5,941	$988
Effective Base/Increment Split		14.25%	85.75%				85.75%	14.25%
For calculations used to aggregate St. Vrain School District's split contribution see sheet 2								
*These are the the increment and base values that should be certified to each taxing entity						$2,348,335	$14,127,024	$16,475,359
** The mill levies used in this template worksheet are for illustration and are derived from Boulder County 2012 Certification of								
Mill Levies. For 2013 they will be replaced with the 2013 mill levies that will be certified in December 2013.								0.006798
								$111,999
								43.75%

LISTING INCREMENT IN CERTIFICATION OF LEVIES REPORT

Counties with a TIF must complete an additional page in the Certification of Levies and Revenue form (DLG Form 3-CLR). When there is an increment, this form specifies the following:

- ✓ the name of the tax increment authority,
- ✓ the name of each entity that levies a tax in the TIF area,
- ✓ the assessed value of the increment for each entity and the amount of revenue generated from the increment by each entity, and
- ✓ the total assessed value and the amount of revenue generated from the TIF area.

When there is an increment in the TIF area, the county commissioners make the same levy for both the increment portion and the base portion of value. Thus, if the total levy of the taxing entities within the area is 90 mills, the levy for the increment is also 90 mills.

INFORMATION LISTED IN TAX WARRANT

Section 39-5-129, C.R.S., states in part, "At the end of the warrant, the aggregate of all taxes levied shall be totaled, balanced, and prorated to the several funds of each levying authority, and the treasurer shall be commanded to collect all such taxes."

In the case of a TIF area in which there is an increment, the property taxes for that area are totaled at the end of the tax roll. The proper amounts of the total taxes attributable to the base are prorated to each taxing entity in the area according to the mill levy for each such entity. The total taxes attributable to the increment are prorated to the special fund of the URA or DDA. This proration can be made by percentages or mill levies.

An illustration of how this can be done in a summary at the end of the tax warrant follows:

Assume the total base is $1,000,000 and the increment is $400,000, resulting in a total assessed valuation for the UR or DD area of $1,400,000.
Assume also that there are four taxing entities within the area and their current mill levies are:

County	.020
City	.015
School district	.050
Special improvement district	.005
Total Mill Levy	.090

Total ad valorem taxes to be collected for area:
$1,400,000 × .090 = $126,000

Ad valorem taxes to be received by above four taxing entities:
$1,000,000 × .090 = $ 90,000

Ad valorem taxes to be paid into URA or DDA special fund:
$400,000 × .090 = $36,000

Example: Treasurer's proration of taxes by mill levies:

County	.020 × $1,000,000 base =	$ 20,000
City	.015 × $1,000,000 base =	15,000
School district	.050 × $1,000,000 base =	50,000
Special imp. district	.005 × $1,000,000 base =	5,000
		$ 90,000

Example - Treasurer's proration of taxes by percentage:

The total ad valorem tax to be collected for the TIF area is $126,000. The percentage distributions of the total are computed as follows:

County	$ 20,000 ÷ $126,000 =	15.8730%
City	15,000 ÷ $126,000 =	11.9048%
School district	50,000 ÷ $126,000 =	39.6825%
Special imp. district	5,000 ÷ $126,000 =	3.9683%
URA or DDA fund	36,000 ÷ $126,000 =	28.5714%
	$126,000	100.0000%

DETERMINING THE FINAL YEAR

CALCULATING THE BASE AND INCREMENT

A TIF diversion may exist for a period not to exceed 25 or 30 years, except in the case of a DDA 20-year extension described previously. The only exception would be if the underlying bonds are in default.

The original base is calculated from the values last certified by the assessor prior to the approval of the plan containing the TIF provision. The August 25th preliminary certification of value is not used to produce the tax warrant. Rather, the final certification of value in December determines base and increment. If the plan was approved prior to the assessor certifying final values in December, the value of the initial base reflects the values as certified in December of the prior year. If the plan was approved after the final certification of values, the initial base reflects the values as certified in the current year. The first year in which it is possible to have increment is the year following the assessment year used for establishing the initial base.

Unless the approved plan specifies a more limited time frame, or the authority notifies the assessor that the indebtedness has been paid, the assessor should calculate base and increment for 25 or 30 consecutive tax years from the year used to establish the initial base.

Example 1: TIF Plan Approved Before Final Values are Certified

A UR plan with a TIF provision was approved on July 1, 1984. The initial base was established using 1983 certified values. Tax year 1984 was year one because it was the first year with the potential for an increment. The final year for calculating the base and increment is determined as follows:

1983 + 25 = 2008 (taxes collectable in 2009, or 1984 + 25 = 2009).

Example 2: TIF Plan Approved After Final Values are Certified

A DD plan with a TIF provision was approved on December 30, 1984. The initial base was established using 1984 certified values. Tax year 1985 was year one. The final year for calculating the base and increment is determined as follows:

1984 + 30 = 2014 (taxes collectable in 2015, or 1985 + 30 = 2015).

FINAL YEAR REVENUE

Property tax revenue is collected in arrears from mill levies that are certified to generate a pre-determined annual revenue amount. For TIF, the anticipated revenue is calculated and divided at the time mill levies are certified, but some revenue is collected and/or adjusted after 25 or 30 years have expired from the date on which the TIF provisioned plan was approved. If the original base reflected values from the tax year in which the plan was approved (Example 2 above), the act of certifying the final year levies itself is likely to occur after 25 years have passed from the date on which the plan was approved. It is the Division’s position that the General Assembly intended for the TIF area to receive its proportionate share of revenue collected on tax bills issued pursuant to the tax warrant for the final tax year (year 25 or 30), even if the levies were certified more than 25 years and zero days from the date on which the plan was approved.

ABATEMENTS ON PROPERTY IN A TIF AREA

Section 31-25-107(9)(a)(III), C.R.S., clarifies that an authority is obligated to repay its portion of revenue lost through abatements and refunds. The law allows county treasurers to offset future property tax payments to the URA and DDA on a pro rata basis. It requires that authorities make adequate provision for the return of overpayments and allows them to establish a reserve fund for that purpose or enter into an agreement to have the municipality in which the authority is established repay the money. If insufficient moneys are provided, the county treasurer may offset other allocations to the municipality. Any money that is required to be repaid cannot be pledged by the authority to repay bonds.

COURT CASES RELATED TO URA AND TIF ISSUES

Following are some important court cases that assessors may refer to in order to gain a better understanding of how courts have interpreted TIF statutes. All of these are related to URAs but may be considered relevant when reviewing issues related to DDAs.

Salient Issue: TIF Provision

4. Denver Urban Renewal Auth. v. Byrne, 618 P.2d 1374 (Colo. 1980)
5. Northglenn Urban Renewal Auth. v. Reyes, 2013 COA 24, 300 P.3d 984
6. City of Aurora, AURA v. Marc Scott, 2017 COA (CASE NUMBER: 2016CA393)

Salient Issue: Blight

7. Rabinoff v. District Court, 145 Colo. 225, 360 P.2d 114 (1961).
8. Interstate Trust Bldg. Co. v. Denver Urban Renewal Auth., 172 Colo. 427, 473 P.2d 978 (1970)
9. Tracy v. City of Boulder, 635 P.2d 907 (Colo. App. 1981)
10. City County of Denver v. Block 173, 814 P.2d 824 (Colo. 1991)
11. Arvada Urban Renewal Auth. v. Columbine Prof'l Plaza Ass'n., 85 P.3d 1066 (Colo. 2004)

Salient Issue: Standing

12. E. Grand Co. Sch. Dist. 2 v. Winter Park, 739 P.2d 862 (Colo. App. 1987)
13. Boulder County Bd. of Comm'rs v. City of Broomfield, 7 P.3d 1033 (Colo. App. 1999)
14. Olson v. City of Golden, 53 P.3d 747 (Colo. App. 2002)

RESIDENTIAL ASSESSMENT RATE ADJUSTMENT

Until 1982, the assessment rate for both residential and non-residential property was 30 percent. However, beginning in the early 1970's, the market values of residential property increased much faster than values of non-residential property, shifting a greater percentage of the tax burden to residential property owners. In 1982, § 3(1)(b), art. X, COLO. CONST., was enacted to stabilize the tax burden on residential property. The amendment established a floating assessment rate for residential property while fixing the assessment rate for most other classes at 29 percent. The residential assessment rate is adjusted during years of reappraisal to maintain a consistent ratio between the total statewide assessed values of residential and non-residential property. The Property Tax Administrator is responsible for performing the residential assessment rate study, § 39-1-104.2(4), C.R.S.

The General Assembly adjusts the residential assessment rate based on the findings of the study conducted by the Property Tax Administrator. The study begins with a calculation of the ratio of statewide residential to non-residential value for the prior reappraisal year. The ratio is then adjusted to account for new construction of residential and non-residential property that occurred during the prior two years. For the purpose of this study, new construction includes new real and associated new personal property, and the net change in production volumes of the natural resources, oil and gas, and producing mines classes if there was an increase in the assessed value of those classes over the two year period. If the assessed value of residential new construction is greater than the assessed value of non-residential new construction, the residential side of the ratio is likely to increase; if it is lower, the residential side of the ratio is likely to decrease.

The new ratio, also known as the "target percentage," is the goal to be achieved through the establishment of the new residential assessment rate. The target percentage that was used to calculate the 2017-2018 rate is 45.76 percent for residential property and 54.24 percent for non-residential property. A proportion problem was created in which the estimated statewide assessed value for non-residential property was applied to the ratio to calculate the assessed value for residential property. The residential assessed value was then compared to an estimated residential actual value to calculate the residential assessment rate.

Estimated values are used because the residential assessment rate study must be completed by April of each reappraisal year. This is prior to August when the new assessed values are reported by assessors in their Abstracts of Assessment.

For most property classes, two primary methods are used for making the estimates. Weighted monthly median sales ratio regression studies are performed on lists of qualified/verified sales that occurred during the appropriate data-gathering period, and in-depth interviews are conducted with county assessors and staff.

The study completed in 2017 calculated a residential assessment rate of 7.20 percent for tax years 2017 and 2018. A history of changes to the residential assessment rate is shown below.

Years	Residential Assessment Rate
Prior to 1983	30%
1983-1986	21%
1987	18%
1988	16%
1989-1990	15%
1991-1992	14.34%
1993-1994	12.86%
1995-1996	10.36%
1997-1998	9.74%
1999-2000	9.74%
2001-2002	9.15%
2003-2004	7.96%
2005-2006	7.96%
2007-2008	7.96%
2009-2010	7.96%
2011-2012	7.96%
2013-2014	7.96%
2015-2016	7.96%
2017-2018	7.20%

TAX RELIEF

Colorado residents who are at least 65 years of age or are disabled who resided in Colorado last year may qualify for one or more tax relief programs. Senior citizen and veteran property tax exemption information can be found in **Chapter 3, Specific Assessment Procedures**. The Division publishes brochures explaining the various tax relief programs. The assessor may purchase printed brochures for distribution to the public from m7 business systems via telephone at (303) 777-1277 or on the web at http://m7businesssystems.com. The brochures may be viewed and printed from the Division's website at http://dola.colorado.gov/dpt under "Publications."

PROPERTY TAX/RENT/HEAT REBATES

This program is administered by the Colorado Department of Revenue. It is available to qualifying residential property owners and renters of residential property, § 39-31-101, et seq., C.R.S. The applications (Form 104 PTC) are filed with the Colorado Department of Revenue. An applicant has two years to file a Tax/Rent/Heat Rebate claim. For more information, please visit https://www.colorado.gov/pacific/tax/property-tax-rent-heat-credit-ptc-rebate-forms.

Additional information and assistance is available at the following Taxpayer Service Centers. You can obtain directions and hours of operation for each of these locations by visiting https://www.colorado.gov/pacific/tax/locations-service-centers.

Colorado Springs Regional Service Center
2447 North Union Blvd.
Colorado Springs, CO 80909

Denver Service Center
1375 Sherman St.
Denver, CO 80261
(303) 238-7378

Fort Collins Regional Service Center
3030 S. College Avenue
Fort Collins, CO 80525

Grand Junction Service Center
222 South 6th St., Room 208
Grand Junction, CO 81501

Pueblo Service Center
827 W. 4th Street, Suite A
Pueblo, CO 81003

TAX DEFERRAL FOR ELDERLY AND MILITARY PERSONNEL

Regardless of income, a senior citizen or any person called into military service on January 1 of the year in which the person files a claim, may defer or postpone the payment of residence or manufactured home property taxes and special assessments, § 39-3.5-102, C.R.S.

REQUIREMENTS FOR ELIGIBILITY

To qualify for the deferral, pursuant to § 39-3.5-102, C.R.S., the applicant must be either:

1. An individual, 65 or older as of January 1 of the year claimed, or

2. A "person called into military service" on January 1, of the year in which a person files a claim.

Definitions.
(1.8) "Person called into military service" means a member of the Army National Guard of the United States, the Army reserve, the Naval reserve, the Marine Corps reserve, the Air National Guard of the United States, the Air Force reserve, or the Coast Guard reserve who has been ordered to active duty pursuant to 10 U.S.C. sec. 12301 (a) or 12302 for a period of more than thirty consecutive days in a time of war or national emergency declared by the congress or the president of the United States. "Active duty" includes any period during which a person called into military service is absent from duty on account of sickness, wounds, leave, or other lawful cause.

§ 39-3.5-101, C.R.S

LIMITATIONS

In order to qualify for real property tax deferral, the property must meet all of the following requirements at the time the claim is filed and so long thereafter as payment is deferred.

1. The taxpayer must not be earning income, such as rent, from the property, § 39-3.5-103(1)(c), C.R.S.

2. The taxpayer must own or be purchasing a fee simple estate or mobile home and occupy the residence. Residency elsewhere due to illness will not cause loss of the deferral, § 39-3.5-103(1)(b), C.R.S.

3. All property taxes for prior years must have been paid, § 39-3.5-103(1)(e), C.R.S.

4. The cumulative amount of the deferred taxes plus interest must not exceed the market value of the property less the value of any liens; otherwise title to the property could be lost, § 39-3.5-103(1)(f), C.R.S.

5. Pursuant to § 39-3.5-103(1)(d.5)(I), C.R.S., the property shall not be eligible for the program unless the property meets either of the following requirements:
   a. Owner is 65 years of age or older, and the total value of all liens of mortgages and deeds of trust on the property, excluding any mortgage or deed of trust that the holder has agreed, on a form designated by the state treasurer, to subordinate to the lien of the state for deferred taxes, is less than or equal to 75% of the actual value of the property, as determined by the county assessor; or
   b. Owner is a person called into military service, and the total value of all liens of mortgages and deeds of trust on the property, excluding any mortgage or deed of trust that the owner has agreed, on a form designated by the state treasurer, to subordinate to the lien of the state for deferred taxes, is less than or equal to 90% of the actual value of the property, as determined by the county assessor. Actual value of the property shall be the most recent appraisal by the county assessor as of the time the claim for deferral is submitted to the county treasurer.

PROCEDURES AND PAYMENT

1. The claimant files an application/lien each year with the county treasurer between January 1 and April 1. The claim form must list the actual value of the property based on the assessor’s most recent appraisal.

2. The county treasurer issues a certificate of deferral.

3. Manufactured home owners must submit the title for recording the lien to the state treasurer.

4. The county treasurer records the certificate of deferral and sends the original to the state treasurer. One copy is given to the county assessor and one copy is retained in the county treasurer’s office.

5. The State Treasurer charges interest beginning May 1 of the calendar year in which the deferral is claimed. Interest accrues at a rate equivalent to the rate per annum on the most recently issued ten-year United States Treasury note rounded to the nearest one-tenth of one percent, as reported by the “Wall Street Journal” as of February 1 of the calendar year in which such deferral is claimed.

6. Any loan for deferred real property taxes, including accrued interest of a taxpayer who was a person in military service, shall not become payable upon the death of the taxpayer if the property is the homestead of the surviving spouse of the taxpayer, and the property meets other statutory requirements.

   The county treasurer and the State Treasurer will deny requests from individuals, corporations, or other private entities to inspect or produce the names, addresses, phone numbers, social security numbers, or other information identifying individuals who participate in the deferral program, § 39-3.5-119(1), C.R.S. This provision does not prohibit individuals from examining documents recorded with the clerk and recorder’s office, nor does it prohibit the disclosure of information required in connection with granting or denying a claim for deferral; required in connection with an administrative, judicial, or other legal proceeding; required in connection with the conveyance, sale, or encumbrance of a specific property; when the information is contained in a statistical compilation or other informational summary that does not disclose individual identifying information; or when the individual claiming the exemption has agreed to the disclosure, § 39-3.5-119(2), C.R.S.

Payment of Deferred Taxes

Pursuant to § 39-3.5-110, C.R.S., deferred taxes must be paid when:

1. The claimant dies.
2. The property is sold or title transfers to another person.
3. The taxpayer moves for reasons other than poor health.
4. The taxpayer rents the property or otherwise receives income from it.
5. The location of the tax-deferred manufactured home has changed within the county or to another county.

All deferred taxes plus interest are due within one year of the death of the owner or in 90 days for other causes listed above. Taxes may be paid at any time without affecting the deferred status. If property taxes are paid as part of a mortgage payment, a certificate is presented to the mortgagor for refund of the property tax monies held in escrow. The property may be given to the State of Colorado in lieu of payment. If the taxes are not paid, the State of Colorado will foreclose on the property, § 39-3.5-111, C.R.S.

Deferred taxes are not payable when:

1. The spouse of the taxpayer has elected to continue the deferral for that year if the spouse is 60 years of age or older and meets all other requirements of §§ 39-3.5-103(1)(b) and (1)(c), C.R.S.

2. The spouse of the taxpayer of a person that was in military service has elected to continue the deferral for that year and meets all other requirements of §§ 39-3.5-103(1)(b) and (1)(c), C.R.S.

The spouse of the taxpayer or the spouse of the person that was in military service does not need to repay the deferred tax until the property is sold, changes into an income producing property, or title is transferred to someone other than the surviving spouse, §§ 39-3.5-110 and 39-3.5-112, C.R.S.

REQUIRED FORMS

The deferral claim form may be obtained from the local county treasurer. The county treasurer may enclose a deferral form reminder with the tax notice; however, the claimant must apply annually whether the reminder is received or not.

More information on the Property Tax Deferral Program is available at https://www.colorado.gov/pacific/treasury/senior-and-veteran-property-tax-programs.

PROPERTY TAX WORK-OFF PROGRAM

Individual taxing entities such as a county, city and county, city, town, school district or special district administers the property tax work-off program. The program allows taxpayers 60 years of age or older or with a disability to work for minimum wage in lieu of paying all or a portion of the property tax due to the entity, §§ 39-3.7-101 and 102, C.R.S. Person with a disability means any person with a physical impairment, or an intellectual and developmental disability as defined in § 25.5-10-202, C.R.S.

Taxpayers with a disability who apply to participate in a property tax work-off program must include with their application a signed and dated letter from a Colorado licensed health care professional verifying they have a disability. Any taxing entity that establishes a property tax work-off program has the authority to further define the term "person with a disability" for purposes of determining eligibility for the property tax work-off program. The definition may restrict the class of individuals who are eligible to participate in the property tax work-off program, § 39-3.7-102(6), C.R.S.

Each participating entity must establish procedures for its program and must make information regarding the program available to the taxpayers living within the boundaries of the taxing entity.

NOTE: Not all entities may participate in the program.

REQUIREMENTS FOR ELIGIBILITY

To qualify for the program, a taxpayer must meet all of the following eligibility requirements:

1. Must be 60 years of age or older.
2. The property must be the taxpayer's "homestead." Homestead means the owner-occupied residence of the taxpayer.
3. The property may not be income producing.

HOMESTEAD EXEMPTION

In addition to the senior citizen and disabled veteran exemptions described earlier in this chapter, Colorado statute also establishes a homestead exemption from execution and attachment arising from any debt, contract, or civil obligation not exceeding:

- $75,000 if the homestead is occupied as a home by an owner or an owner's family; or
- $105,000 if the homestead is occupied as a home by an elderly or disabled owner, or elderly or disabled spouse of an owner, or an elderly or disabled dependent of an owner.

This exemption, found in §§ 38-41-201 through 212, C.R.S., has no bearing on an assessor's duties or functions.

PREPAYMENT BY ENERGY AND MINERAL OPERATIONS

The Colorado General Assembly has authorized prepayment of ad valorem taxes by qualified energy and mineral operations. The intent of the prepayment legislation located in art. 1.5, title 39, C.R.S., is that large, developing energy and mineral operations should be authorized to prepay ad valorem taxes to local governments for expenditure on capital improvements so that local governments can meet additional public service demands created by such operations. The additional demands for public service are usually created during the development or construction phases of such operations, prior to the generation of additional tax revenue.

QUALIFICATIONS FOR PREPAYMENT

To be authorized to prepay ad valorem taxes to local government entities:

1. The venture must be an energy or mineral operation.

   "Operation" is the development, construction, and operation of any facility for either or both the:
   a. Production of energy, i.e., a power plant;
   b. Extraction, processing, conversion, or refining of minerals, including but not limited to a mine; oil and gas production, whether conventional or from oil shale; a mill, retort, refinery, smelter; or, related facility or combination thereof.

2. The operation must be under the same ownership.

3. The estimated assessed valuation of the operation must exceed $50,000,000 when it begins functioning.

4. The taxable property of the operation must be located within the boundaries of the local government entity which will receive the prepayments.

VOLUNTARY PREPAYMENT

An owner of an operation may elect to prepay moneys to one or more local government entities for credit against general property taxes, which will be levied in the future.

The owner is not obligated by law to agree to a prepayment arrangement. The owner may agree to prepayments to one or more taxing entities, but such agreement does not require prepayments to all the taxing entities in the tax area.

A prepayment to one or more local government entities does not affect the operation's obligations to pay general property taxes to the other taxing entities in the area which do not receive such prepayment.

Prepayment moneys can be expended by the local government only on capital improvements which are directly or indirectly related to the additional public service demands created by the operation.

"Capital improvement" means any road or highway; school facility or equipment; domestic, commercial, or industrial water facility; sewage facility; police and fire protection facility or equipment; hospital facility or equipment, or any other local government administrative or judicial facility which a local government is authorized by law to acquire or construct, § 39-1.5-102(1), C.R.S.

PREPAYMENT AGREEMENT AND LIMITATIONS

The owners of the operation and the governing board of the local government entity, which will receive the prepayments, must jointly determine and agree upon:

1. Total amount of prepayments to be made: The total amount of the prepayments cannot exceed 25% of the estimated tax liability to the local government over a 20-year period, beginning in the year in which the assessed value of the operation is estimated to exceed $50,000,000.

   Example:

   Assume that the county is to receive the prepayments; that the total county mill levy is expected to be approximately 20 mills for the next 20 years; and that the assessed valuation of the operation should average $50,000,000 for the 20-year period.

   In this oversimplification, the operation's projected tax liability to the county would be $1,000,000 per year, and the total projected tax liability for the next 20-year period would be $20,000,000 as shown below:

   $50,000,000 Value × .020 = $1,000,000 Taxes per year

   $1,000,000 Per year × 20 Years = $20,000,000 Total taxes

   The total amount of the prepayments in this case cannot exceed 25% of $20,000,000, which is $5,000,000.

2. When the prepayments are to be made: Prepayments may be made by the operation prior or subsequent to the year in which it begins functioning or when its assessed valuation exceeds $50,000,000. There may be only one prepayment, or there may be several prepayments, which extend over a period of time.

3. The amounts of annual credits for prepayment to be allowed: There are two limitations, which affect the credit against property taxes that can be allowed to the operation in any year.
   a. An annual prepayment credit shall not be allowed prior to the taxable year in which the operation begins functioning or the assessed valuation of the operation exceeds $50,000,000, whichever is earlier.
   b. An annual prepayment credit shall not exceed 25% of the taxes due from the operation to the local government entity for the then current tax year.

EXAMPLE OF PREPAYMENT, CREDIT AMOUNTS AND INTERVALS

The following is a hypothetical example. We will presume that this example is in compliance with all provisions required by TABOR.

A new mining operation, which is expected to employ 1,500 workers, is being developed in the county. The job requires the use of several pieces of heavy equipment which over the course of the project will cause above average wear and tear on the public roads and bridges.

As such, the board of county commissioners feels it must allocate some funding for road and bridge repair. However, the current assessed valuation of the county is too low to permit these additional expenditures from property tax revenue. The mining operation has indicated it would be willing to prepay a portion of its future property taxes to help with the repair of the damaged roads and bridges. Meetings of the county officials with officials of the mining operation are held to explore this proposal. As a result, the following prepayment and credit items are agreed upon:

1. The total assessed valuation of the mining operation within the county boundaries should exceed $50,000,000 in 2018, which is also the year production commences.

2. The total assessed valuation of the operation is expected to exceed $50,000,000 for the following 20 years, assuming there will be no radical changes in demand for the product, in the general economy, or in property taxation laws.

3. The county mill levy is almost 20 mills and increases are subject to the requirements in section 20, article X of the Colorado Constitution. Based on $50,000,000 assessed valuation, the operation's property tax liability to the county in 2016 would be $1,000,000 ($50,000,000 valuation × .020 levy = $1,000,000). If the county levy remains at approximately 20 mills, the projected tax liability of the operation for the following 20 years would be $20,000,000 ($1,000,000 × 20 years = $20,000,000).

4. The operation will prepay a total of $2,000,000 property taxes to the county. $1,000,000 will be paid in each of the years 2016 and 2017. These prepayments will be in addition to any current property taxes due in each of these two years.

   The maximum total amount of prepayments the operation could have agreed to would have been $5,000,000. This figure represents the 25% limitation of the operation's projected tax liability to the county over a 20-year period ($20,000,000 total tax liability over 20 years × .25 = $5,000,000.).

5. The $2,000,000 total prepayment will be credited against the operation's annual property tax liability at the rate of $250,000 per year for 8 years, beginning in 2016. The maximum allowable annual prepayment credit is 25% of the property taxes due to the county each property tax year. In this case, the annual tax liability to the county has been projected at $1,000,000 for 2017. Therefore, the annual credit cannot exceed $250,000 for that year ($1,000,000 tax liability × maximum .25 = $250,000).

6. The projected prepayment and credit schedule agreed upon is listed below. It is based on the assumption that the operation's tax liability to the county will be $1,000,000 in 2017 and will rise 5% per year due to valuation increases.

Year	Property Tax Prepayment Amount	Property Taxes Due	Total Prepayment Credit	Minus Net Property Taxes Due
2017	$1,000,000	$ 450,000		$ 450,000
2018	1,000,000	700,000		700,000
2019		1,000,000	250,000	750,000
2020		1,050,000	250,000	800,000
2021		1,102,500	250,000	852,500
2022		1,157,625	250,000	907,625
2023		1,215,506	250,000	965,506
2024		1,276,282	250,000	1,026,282
2025		1,340,096	250,000	1,090,096
2026		1,407,100	250,000	1,157,100
Totals	$2,000,000		$2,000,000	

ESTIMATING PROJECTED VALUATION AND TAX LIABILITY

Pursuant to § 39-1.5-104, C.R.S., prior to the adoption of a formal agreement and resolution or ordinance pertaining to the total amount of prepayments and the amounts and intervals of the prepayments and the prepayment credits, a joint estimate shall be made by the following:

1. The owner of the operation,

2. The governing body of the local government which will receive the prepayments,

3. The county assessor,

4. The county treasurer, and

5. The Division of Property Taxation.

The joint estimate shall include a determination of:

1. The taxable year in which the assessed valuation of the operation will exceed $50,000,000.

2. The total assessed valuation of the operation for the subsequent 20 years, and

3. The projected property tax liability of the operation for the prepayment credit period, which cannot exceed 20 years.

By necessity, the estimate must be based primarily on the operation's projected expenditures on land, improvements, and equipment, and its projected income from extraction of minerals or production of energy.

The assessor is an interested party to the estimate because the assessor will be listing and valuing the taxable property of all or part of the operation in accordance with the property tax provisions of the State Constitution and statutes.

The Division of Property Taxation is also logically included in the estimating process. Part or all of an operation could be state assessed by the Division, as in the case of a power-generating plant.

If the operation should be locally assessed, the Division may become involved in valuation assistance or supervision. In addition, the Property Tax Administrator will be involved in the abatement process, which will be necessitated later by the prepayment credits.

The governing body of the local government, which will receive the prepayment moneys, is obviously an interested party to the estimate. It must know the anticipated amounts and intervals of the prepayments so that it can make proper budget and expenditure plans. It must also have a reasonable approximation of the future tax liability of the operation and know how much that liability will be offset by the prepayment credits.

The county treasurer is an interested party because the treasurer will be administering and accounting for the prepayment credits.

PREPAYMENT CREDIT TREATED AS AN ABATEMENT

Credit allowed for prepayments does not affect the valuation of the property. The proper assessed valuation of the operation is to be determined each year as provided by law regardless of any tax prepayments or credit for prepayments.

The prepayment credit is to be shown on the tax statement for each taxable year that it applies to a local government, fund, or fund account. The general format for showing the credit would be:

Total property taxes due taxing entity	$xxxxxx.xx
Less tax prepayment credit allowed	- xxxx.xx
Net property taxes due	$ xxxxx.xx

The credit allowed in any taxable year for prepayments made to a local government shall be treated as an abatement of the property taxes due that local government for that year from the operation. Unlike other abatements which affect the revenue of each taxing entity within the specific tax area, a prepayment credit abatement will affect only the local government which received the prepayments.

This abatement provision does not affect the assessment roll while it is still in the possession of the assessor. The total assessed valuation of the operation shall be listed in the roll, along with the several levies applicable to the valuation and the total amount of such taxes levied against the valuation.

As an alternative to the completion and approval of an abatement petition each year an annual prepayment credit is allowed. The following one-time procedure may be implemented if all the involved parties agree.

The governing body of the local government, which is to receive tax prepayments, must adopt a resolution or ordinance which contains all the provisions relating to such prepayments and credits. The resolution could also contain statements to the effect that:

1. The governing board acknowledges that each annual prepayment credit allowed is to be treated as an abatement of the property taxes due to the local government for the year the credit is allowed.

2. The Property Tax Administrator has participated in the estimates to the operation's future valuation and property tax liabilities and has knowledge of the anticipated amounts and intervals of prepayment credits.

3. The Property Tax Administrator acknowledges that each annual prepayment credit shall be treated as an abatement, and that the resolution shall serve as an application for all such future prepayment credit abatements.

4. The Property Tax Administrator finds that the abatement application is in proper form, is in conformity with the law, and is approved.

5. The governing body, the county commissioners, and the Property Tax Administrator find and agree that the resolution and application shall serve as authorization to the county treasurer to abate each annual amount of tax prepayment credit allowed in that taxable year.

The resolution, or the abatement statements within it, would be signed by the governing body, the county commissioners, and the Property Tax Administrator. Such a resolution then serves as the approved abatement for the tax prepayment credits as they are allowed. All the legal steps of an abatement have been fulfilled in the resolution. Because this process is in conjunction with a voluntary prepaid agreement between the government entity and the operator, it is outside the statutory abatement process, and does not warrant refund interest.

RESOLUTION TO BE ADOPTED BY LOCAL GOVERNMENT

The tax prepayment law requires that the governing body of the local government, which receives property tax prepayments, shall adopt a resolution or ordinance that must contain:

1. A description of the capital improvement or improvements for which the tax prepayment moneys will be spent.

2. A listing of the total amount of taxes to be prepaid with the anticipated amounts and intervals of the prepayments.

3. If the one-time abatement procedure is to be used, a provision stating that prepayment credits shall be treated as an abatement of taxes and that all necessary parties have agreed the resolution shall serve as the approved abatement. If an abatement petition is to be submitted to the Property Tax Administrator for the applicable credit, this provision is not required.

PREPAYMENT/CREDITS DO NOT AFFECT LEVY LIMITATION

Two provisions apply concerning tax prepayments and credits when determining the amount of revenue the local government is allowed to levy under § 29-1-301, C.R.S.:

1. Tax prepayments are not to be considered property tax revenue to the local government in the year in which they are paid.

2. The amount of tax liability against which a credit for prepayment is to be allowed is considered to be property tax revenue in the year in which the credit is allowed. However, it is considered to be tax revenue attributable to increased valuation for new construction or bond revenue, both of which are excluded when determining the statutory revenue limit.

Because of these two provisions, the assessor's certification of value to the local government which received prepayments is not affected by either prepayments or credits for prepayments. Certification of the total valuation for assessment is made in the same manner as for any other taxing entity. Prepayments and credits for prepayments are ignored by the assessor when preparing certification of value.

The county treasurer collects the tax and, therefore, is the official responsible for administering each allowable annual tax prepayment credit. Before allowing an annual credit, the treasurer must ascertain that the amount allowed does not exceed 25% of the taxes due from the operation to the local government for the current year, § 39-1.5-104(1)(a), C.R.S.

The treasurer will then set up special procedures for allowing the credit and showing the amount of the credit on the operation's tax statement, § 39-1.5-104(4), C.R.S.

RENEWABLE ENERGY INCENTIVES

Colorado does not have any general statewide property tax incentives for renewable energy. However, §§ 30-11-107.3 and 31-20-101.3, C.R.S., allow county and municipal governments to “offer an incentive, in the form of a [county/municipal] property tax or sales tax credit or rebate, to a residential or commercial property owner who installs a renewable energy fixture on his or her residential or commercial property.”