

Second Regular Session
Sixty-seventh General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 10-0303.02 Ed DeCecco

HOUSE BILL 10-1174

HOUSE SPONSORSHIP

Frangas,

SENATE SPONSORSHIP

(None),

House Committees

Business Affairs and Labor

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING AN INCREASE IN STATE REVENUES FROM THE OIL AND**
102 **GAS SEVERANCE TAX TO BE USED TO PROMOTE JOBS IN THE**
103 **STATE, AND, IN CONNECTION THEREWITH, TEMPORARILY**
104 **HALVING THE AMOUNT OF THE CREDIT BASED ON PROPERTY**
105 **TAXES PAID ALLOWED AGAINST THE TAX ON THE SEVERANCE OF**
106 **OIL AND GAS; REQUIRING THE DEPARTMENT OF EDUCATION TO**
107 **DISTRIBUTE NINETY PERCENT OF THE ADDITIONAL TAX REVENUE**
108 **TO PUBLIC SCHOOLS FOR TEACHER RETENTION; AND REQUIRING**
109 **THE COLORADO ECONOMIC DEVELOPMENT COMMISSION TO USE**
110 **TEN PERCENT OF THE ADDITIONAL TAX REVENUE TO INCREASE**
111 **THE AVAILABILITY OF CREDIT TO SMALL BUSINESSES IN**
112 **COLORADO.**

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://www.leg.state.co.us/billsummaries>.)

Under current law, oil and gas producers and interest owners are permitted to claim a credit against the state severance tax on oil and gas for property taxes paid. **Section 2** of the bill reduces the amount of the credit by 50% for a 2-year period beginning on January 1, 2011. **Section 3** of the bill requires the additional severance tax revenue paid to the state as a result of the reduction in the amount of the credit to be deposited in the following cash funds:

- ! 90% to the teacher retention cash fund, which is created in **section 1** of the bill; and
- ! 10% to the small business credit cash fund, which is created in section 2 of the bill.

The department of education must distribute moneys in the teacher retention cash fund to school districts and the state charter school institute for further distribution to public schools to be used for teacher retention. This money will be in addition to any other school funding.

The Colorado economic development commission shall use the moneys in the small business credit cash fund for the purpose of increasing the availability of credit to small businesses as part of the Colorado credit reserve program administered by the Colorado housing and finance authority.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** Article 54 of title 22, Colorado Revised Statutes, is
3 amended BY THE ADDITION OF A NEW SECTION to read:

4 **22-54-135. Teacher retention cash fund - creation -**
5 **distribution.** (1) THE TEACHER RETENTION CASH FUND IS HEREBY
6 CREATED IN THE STATE TREASURY. THE FUND SHALL CONSIST OF THE
7 PORTION OF STATE SEVERANCE TAX RECEIPTS CREDITED THERETO IN
8 ACCORDANCE WITH SECTION 39-29-108 (4) (d) (I), C.R.S. THE GENERAL

1 ASSEMBLY SHALL APPROPRIATE MONEYS IN THE FUND TO THE
2 DEPARTMENT OF EDUCATION FOR THE PURPOSE OR PROMOTING TEACHER
3 RETENTION IN ACCORDANCE WITH SUBSECTION (2) OF THIS SECTION. ALL
4 INCOME DERIVED FROM THE DEPOSIT AND INVESTMENT OF MONEYS IN THE
5 FUND SHALL BE CREDITED TO THE FUND. ANY UNEXPENDED AND
6 UNENCUMBERED MONEYS IN THE FUND AT THE END OF A STATE FISCAL
7 YEAR SHALL REMAIN IN THE FUND AND SHALL NOT BE CREDITED OR
8 TRANSFERRED TO THE GENERAL FUND OR ANY OTHER FUND.

9 (2) THE DEPARTMENT OF EDUCATION SHALL DISTRIBUTE FROM THE
10 TEACHER RETENTION CASH FUND AN AMOUNT TO EACH DISTRICT AND TO
11 THE STATE CHARTER SCHOOL INSTITUTE THAT IS IN THE SAME PROPORTION
12 THAT EACH DISTRICT'S PUPIL ENROLLMENT OR THE TOTAL PUPIL
13 ENROLLMENT OF INSTITUTE CHARTER SCHOOLS STATEWIDE, AS
14 APPLICABLE, BEARS TO TOTAL PUPIL ENROLLMENT STATEWIDE. EACH
15 DISTRICT SHALL DISTRIBUTE AN AMOUNT TO EACH CHARTER SCHOOL OF
16 THE DISTRICT THAT IS IN THE SAME PROPORTION THAT THE DISTRICT
17 CHARTER SCHOOL'S PUPIL ENROLLMENT BEARS TO THE TOTAL PUPIL
18 ENROLLMENT OF THE DISTRICT. THE STATE CHARTER SCHOOL INSTITUTE
19 SHALL DISTRIBUTE AN AMOUNT TO EACH INSTITUTE CHARTER SCHOOL
20 THAT IS IN THE SAME PROPORTION THAT THE INSTITUTE CHARTER SCHOOL'S
21 PUPIL ENROLLMENT BEARS TO THE TOTAL PUPIL ENROLLMENT OF ALL
22 INSTITUTE CHARTER SCHOOLS STATEWIDE. MONEYS RECEIVED PURSUANT
23 TO THIS SUBSECTION (2) SHALL BE USED FOR TEACHER RETENTION AND
24 SHALL BE IN ADDITION TO ANY OTHER MONEYS RECEIVED PURSUANT TO
25 THIS ARTICLE.

26 **SECTION 2.** Part 1 of article 46 of title 24, Colorado Revised
27 Statutes, is amended BY THE ADDITION OF A NEW SECTION to

1 read:

2 **24-46-105.9. Small business credit cash fund - creation.**

3 (1) THE SMALL BUSINESS CREDIT CASH FUND IS HEREBY CREATED IN THE
4 STATE TREASURY. THE FUND SHALL CONSIST OF THE PORTION OF STATE
5 SEVERANCE TAX RECEIPTS CREDITED THERETO IN ACCORDANCE WITH
6 SECTION 39-29-108 (4) (d) (II), C.R.S. THE GENERAL ASSEMBLY SHALL
7 APPROPRIATE MONEYS IN THE FUND TO THE COMMISSION FOR THE PURPOSE
8 SET FORTH IN SUBSECTION (2) OF THIS SECTION. ALL INCOME DERIVED
9 FROM THE DEPOSIT AND INVESTMENT OF MONEYS IN THE FUND SHALL BE
10 CREDITED TO THE FUND. ANY UNEXPENDED AND UNENCUMBERED
11 MONEYS IN THE FUND AT THE END OF A STATE FISCAL YEAR SHALL REMAIN
12 IN THE FUND AND SHALL NOT BE CREDITED OR TRANSFERRED TO THE
13 GENERAL FUND OR ANY OTHER FUND.

14 (2) THE COMMISSION SHALL USE THE MONEYS IN THE SMALL
15 BUSINESS CREDIT CASH FUND FOR THE PURPOSE OF INCREASING THE
16 AVAILABILITY OF CREDIT TO SMALL BUSINESSES IN COLORADO PURSUANT
17 TO THE AUTHORITY SET FORTH IN SECTION 24-46-104 (1) (n).

18 **SECTION 3.** 39-29-105 (2) (b), Colorado Revised Statutes, is
19 amended to read:

20 **39-29-105. Tax on severance of oil and gas - repeal.**

21 (2) (b) (I) With respect to oil and gas, there shall be allowed, as a credit
22 against the tax computed in accordance with the provisions of paragraph
23 (b) of subsection (1) of this section for each taxable year commencing on
24 or after January 1, 2000, an amount equal to eighty-seven and one-half
25 percent of all ad valorem taxes assessed during the taxable year in the
26 case of accrual basis taxpayers or paid during the taxable year in the case
27 of cash basis taxpayers upon oil and gas leaseholds and leasehold

1 interests and oil and gas royalties and royalty interests for state, county,
2 municipal, school district, and special district purposes, except such ad
3 valorem taxes assessed or paid for such purposes upon equipment and
4 facilities used in the drilling for, production of, storage of, and pipeline
5 transportation of oil and gas. However, no credit shall be allowed for ad
6 valorem taxes paid or assessed on oil and gas production that is exempt
7 from the state severance tax pursuant to subsection (1) of this section.

8 (II) (A) NOTWITHSTANDING ANY PROVISION OF THIS SECTION TO
9 THE CONTRARY, FOR A TAXABLE YEAR COMMENCING ON OR AFTER
10 JANUARY 1, 2011, BUT PRIOR TO JANUARY 1, 2013, THE TOTAL AMOUNT
11 OF THE CREDIT ALLOWED PURSUANT TO SUBPARAGRAPH (I) OF THIS
12 PARAGRAPH (b) SHALL BE REDUCED BY FIFTY PERCENT.

13 (B) THIS SUBPARAGRAPH (II) IS REPEALED, EFFECTIVE JANUARY
14 1, 2015.

15 **SECTION 4.** 39-29-108 (4), Colorado Revised Statutes, is
16 amended BY THE ADDITION OF A NEW PARAGRAPH to read:

17 **39-29-108. Allocation of severance tax revenues - definitions.**

18 (4) (d) NOTWITHSTANDING ANY PROVISION OF THIS SECTION TO THE
19 CONTRARY, AN AMOUNT OF GROSS RECEIPTS REALIZED FROM THE
20 SEVERANCE TAX IMPOSED ON OIL AND GAS THAT IS EQUAL TO THE
21 INCREASE IN SUCH RECEIPTS DUE TO THE APPLICATION OF SECTION
22 39-29-105 (2) (b) (II) (A) SHALL BE CREDITED AS FOLLOWS:

23 (I) NINETY PERCENT TO THE TEACHER RETENTION CASH FUND
24 CREATED IN SECTION 22-54-135, C.R.S.; AND

25 (II) TEN PERCENT TO THE SMALL BUSINESS CREDIT CASH FUND
26 CREATED IN SECTION 24-46-105.9, C.R.S.

27 **SECTION 5. Safety clause.** The general assembly hereby finds,

- 1 determines, and declares that this act is necessary for the immediate
- 2 preservation of the public peace, health, and safety.