

# CHAPTER 7 SPECIAL ISSUES

## SPECIAL ADMINISTRATIVE ISSUES

The purpose of this section is to discuss special issues related to personal property administration and valuation. This section will be periodically updated to include new special personal property issues as they arise.

### **APPORTIONMENT OF VALUE**

Apportionment of value is the distribution of taxable value between two or more counties within the state. Apportionment does not affect the total taxable value of the property.

Personal property valuations are apportioned only in the following instances:

- Movable equipment that is apt to be located in more than one county during the current assessment year in the ordinary course of business
- Oil and gas skid-mounted drilling rigs that were located in more than one county during the preceding calendar year

### **MOVABLE OR PORTABLE EQUIPMENT**

The statutory requirements and definitions for movable or portable equipment apportionments are found in § 39-5-113, C.R.S.

#### **County of Original Assessment**

All persons owning movable or portable equipment, which in the ordinary course of business is likely to be located in more than one county during the current assessment year, must file the following information with the assessor no later than April 15:

1. Kind, description and serial number of the property
2. Counties where the property will be located or maintained during the year
3. The estimated period of time that the property will be in each county

**Note:** Excepted from this requirement are owners of oil and gas skid-mounted drilling rigs pursuant to § 39-5-113.3, C.R.S., and owners of special mobile machinery subject to specific ownership tax pursuant to §§ 42-3-103(1) and 106(1)(e), C.R.S.

The taxpayer files this information with the county assessor of the county in which the property was located on January 1 of the current assessment year, or the county in which the property is first located. This county is called the County of Original Assessment (COA).

It is the responsibility of the assessor of the COA to determine the actual and assessed value of the movable property for the entire assessment year. The assessor of the COA is also responsible for making apportionments of value for the other counties listed by the taxpayer. The taxpayer and the other counties must be notified of the actual valuation and the apportioned actual values of the movable equipment. The apportionment is based upon the number of days that the property is estimated to be located in each county.

### **Auxiliary (Movable) Equipment**

Auxiliary equipment typically installed in vans, such as upholstery cleaning equipment, or pulled behind self-propelled drilling rigs, including auxiliary drilling equipment hauled behind self-propelled drilling rigs or by semi-tractor trailers, can present a special apportionment problem. If this property is likely to move between counties, an apportionment should be requested of the owner as required by § 39-5-113, C.R.S. If no apportionment is received from the owner, the apportionment should be based on the last year's county locations, if available. If the owner does not supply this apportionment, the entire value of the equipment should be listed in the County of Original Assessment (COA) until such time as the owner supplies an apportionment. Apportionments based upon current assessment year planned locations are preferred; however, historical locations should be used to apportion value rather than listing the entire value in the COA.

*Example:*

<b>Subject Property:</b>	Auxiliary Drilling Equipment.	
COA:		Larimer County
Actual value estimate:		\$25,000
Times the Factor to Adjust to Specified Level of Value:		<u>x 1.00</u>
Adjusted to Specified Level of Value:		\$25,000

### **Counties and Time Estimates for Each County:**

<u>County</u>	<u>Est. Time Property was Located in County</u>		
Larimer		45 days	
Boulder		65 days	
El Paso		120 days	
Adams		<u>135 days</u>	
		365 days	
Actual Value per Day:	\$25,000	-:- 365	= \$68.49

### **Apportionment of Value to Each County:**

Larimer: 45 days		
Apportioned Actual Value: (45 x \$68.49) =		<b>\$ 3,082</b>
Boulder: 65 days		
Apportioned Actual Value: (65 x \$68.49) =		<b>\$ 4,452</b>
El Paso: 120 days		
Apportioned Actual Value: (120 x \$68.49) =		<b>\$ 8,219</b>
Adams: 135 days		
Apportioned Actual Value: (135 x \$68.49) =		<b><u>\$ 9,246</u></b>
Total Actual Value: 365 days		<b>\$24,999</b>

Note that this example reflects a typical 365-day year. During leap years, an extra day must be added. The taxpayer and each of the other three counties are notified of the total actual value and the actual value apportioned to each county, as in the example above, by the Larimer County Assessor. The apportioned assessed value of the movable equipment is included on the abstracts of assessment prepared by each of the four counties. The other counties are required to use the total actual value and the apportioned actual value provided by the assessor of the COA. Any protests of the actual value by the taxpayer are made to the COA.

The total of the county apportionments should be compared to the actual value determined by the COA to ensure that they are identical.

### **Amended Apportionments**

If movable property is moved into a county not listed in the original declaration, or if movable property is located in a county for a different length of time than that originally declared, the assessor of any county so affected may request an amended apportionment from the county of original assessment (COA). This must be done whether the time the equipment is located in the county is shorter than or longer than the period of time used in the original apportionment.

The assessor of the COA, upon receipt of such a request for amended apportionment, shall reapportion the value to all affected counties and send an amended NOV to the taxpayer and the counties. The taxpayer and the affected counties must be notified of any amended apportionments. If there is no request for an amended apportionment by a county assessor, the original apportionment shall stand for that assessment year.

It is Division policy that when a change in apportionment occurs prior to December 10, the assessors must re-certify the valuation to the affected taxing jurisdictions pursuant to § 39-1-111(5), C.R.S. If a change in apportionment occurs after December 10, no amended apportionment is made.

### **OIL AND GAS SKID-MOUNTED DRILLING RIGS**

The term "oil and gas skid-mounted drilling rig" means any drilling unit capable of drilling oil and gas wells, except self-propelled rigs subject to the specific ownership tax as required by §§ 42-3-102(1) and 105(1)(f), C.R.S. In addition, the term includes typical auxiliary equipment that is not permanently attached to, but is transported with the rig.

The statutory requirements regarding the apportionment of the valuations of oil and gas skid-mounted drilling rigs are found in § 39-5-113.3, C.R.S. The following procedures are to be used in the valuation of these rigs:

1. County assessors determine those rigs that were operating in their counties during the previous calendar year and mail a DS 656, Oil and Gas Rotary Drilling Rig declaration schedule to the owner or agent.
2. The owner or agent submits a declaration schedule, to the county assessor, which lists all of the owner's rigs that were located in the county during the previous year and attaches a copy of the drilling log for each rig.

3. The owner or agent also sends an inventory of each rig's equipment sufficient to determine the valuation for assessment to the assessor of the first county in Colorado listed on each rig's log. This county is the county of original assessment or COA. It is Division policy that this inventory must include the rig's depth capacity and actual working depth; its overall physical condition rating as good, fair, or stacked; and the additional drilling collars and linear feet of drill pipe that are stored at the site. The declaration schedule and associated data must be filed with the assessor no later than April 15.
4. The assessor in the COA values the rig, according to Division policy, by using the actual rig depth capacity and rig condition multiplied first by the value per foot and then by the level of value adjustment factor published by the Division. In the case of modified or remanufactured rigs, the actual depth capacity may be greater than the original depth capacity. Any additional drilling collars and drill pipe value are added to the rig value. This total value is then apportioned among the counties listed on the drilling log according to the number of days the rig was located or stacked in each county as compared to the full calendar year.

Refer to **Addendum 7-A, Drilling Rig Valuation Depth Schedule**, for the current capacity market values, condition ratings, and value of stored collars and drill pipe.

Should the rig have been destroyed during the previous calendar year, the same procedures are followed for an adjusted actual value and a shortened calendar year. In this case, the rig value is apportioned to Colorado counties based on the number of calendar days it was located or stacked in each county, prior to the day of its destruction. Refer to the topic ***Drilling Rigs Removed from State Prior to Next Assessment Date*** following this list.

5. On or before June 15, the assessor of the COA furnishes a copy of the apportionment working papers and an NOV for the apportioned actual value to the owner or operator. Also, on or before June 15, the assessor of the COA sends the total actual value, apportionment working papers, and a copy of the drilling log to every county assessor involved. These assessors must use the actual values as apportioned to their counties by the assessor of the COA and must send their NOVs to the taxpayers on or before June 15.
6. The apportioned rig is assessed at 29 percent of actual value and included in each county's abstract of assessment.

### **Drilling Rigs Removed or Destroyed Prior to Assessment Date**

As stated above, Division policy requires the assessor to base the value of skid-mounted drilling rigs for the current assessment year on rigs operating in the county during the previous calendar year. If a rig was destroyed prior to the current assessment date, but was operating during the prior calendar year, a personal property declaration schedule is mailed to the owner or agent of the rig as soon after the assessment date as possible, as required by § 39-5-113.3(1), C.R.S.

The actual value of the rig is determined by dividing the intact rig value by the number of calendar days in the previous calendar year and multiplying the resulting actual value per day times the number of days the rig existed intact during the prior calendar year, excluding the day of destruction, as shown in the example.

As a check for balancing purposes, it is recommended that the nontaxable value due to demolition also be calculated and added to the apportioned taxable value. The resulting sum should be equal to the total intact rig value.