

TABLE XIII (Continued)

<u>Class</u>	<u>Total Assessed Valuation</u>
<u>OTHER PERSONAL PROPERTY</u>	
Tractors	\$19,539,880
Combines	3,940,152
Agricultural Implements, Machinery, Harness, etc.	18,198,082
Industrial Machinery and Equipment	90,273,320
Metalliferous Mining Machinery & Equipment	16,394,245
Oil Drilling Machinery & Equipment	12,361,530
Coal Mining Machinery & Equipment	1,491,590
Construction Machinery	5,379,433
Manufacturing & Industrial Plant Supplies	17,359,021
Furniture & Fixtures	59,659,310
Coin Machines	967,967
Pianos, Organs, & Band Instruments (Productive of Revenue)	114,635
Libraries (Commercial & Professional)	324,291
Household Furnishings (Productive of Revenue)	8,750,169
Personal Effects (Productive of Revenue)	31,150
All Other Personal Property	12,035,030
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Total Other Personal Property	\$266,820,105
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Total Personal Property	\$576,199,643

TABLE XIV

Showing Relative Importance of Assessed  
Valuation of Personal Property

<u>Class Grouping</u>	<u>Valuation</u>	<u>Per cent of Total Personal Property Valuation</u>	<u>Per cent of Total Valuation by county Assessor</u>	<u>Per cent of Total Valuation</u>
Livestock	\$56,793,406	9.9	2.0	1.7
Other Agricultural Personal Property	41,678,414	7.2	1.4	1.3
Industrial Personal Property	143,259,139	24.9	4.9	4.4
Mercantile Personal Property	322,433,654	55.9	11.1	9.8
Other Personal Property	12,035,030	2.1	.4	.4
Total	<u>\$576,199,643</u>	<u>100.0</u>	<u>19.8</u>	<u>17.6</u>

For the assessment of livestock, the circular contains recommendations of minimum average assessed valuations per head for various classes of livestock. These recommendations for 1958 assessments were as follows:

<u>Class of Livestock</u>	<u>Recommended Minimum Average Valuation</u>
Registered Herd Bulls	\$200.00
Range Bulls (Pure Bred)	100.00
Pure Bred or Registered Cattle (Coming Yearlings)	50.00
Pure Bred or Registered Cattle (Yearlings and Over)	75.00
Steers (Coming two years and over)	50.00
Calves (Coming yearlings, born in 1957)	25.00
Range and Stock Cattle (Coming two years and over)	38.00
Pure Bred & Registered Dairy Cows	75.00
Grade Dairy Cows	55.00
Bucks and Ewes (Pure Bred)	15.00
Stock Sheep (Mixed Bunches Range Animals)	5.00
Old Ewes (Short Term Breeders)	3.00
Swine (Weaning Pigs and Older), per pound	.07
Range Goats	2.50
Milk Goats	4.50
Foxes	10.00
Chinchilla	5.00
Mink	6.00
Bees	per stand 4.00
Chickens	per dozen 5.00
Ducks	per dozen 10.00
Geese	per dozen 20.00
Turkeys	per dozen 30.00

All other livestock, such as horses and mules are "to be assessed according to value at the discretion of assessor."

These recommended valuations are not minimum valuations. If they were, no assessment of livestock would be made lower than the recommended valuations. Instead, they are minimum average valuations. It is intended that in each county, the average valuation per head for all livestock of a particular classification, such as registered herd bulls, should not fall below the recommended average. However, many individual assessments may be lower, and many higher, so long as the average is not below the recommended average. With this limitation, the county assessors are expected to assess each herd of cattle or band of sheep according to its true value. Presumably some should be assessed considerably higher than others.

The weakness of this sort of recommendation is the likelihood that county assessors will tend to take the recommended minimum average valuation as a standard valuation per head to be used in all or most assessments. When this is done, actual variations in value are not recognized. True equalization is sacrificed, and in its place there is a false equalization in which all livestock of a particular class are assessed at exactly the same valuation. This is exactly what has happened.

The use of the advisory committee in determining the recommendations means that, in effect, the level of valuation on livestock is usually controlled by the assessors themselves. Of course, since the three tax commissioners are members of the committee, they may voice their opinions and exercise some influence over what is recommended to them as the tax commission. This participation by the assessors is not, in itself, reprehensible, so long as it results in equitable assessments upon livestock which are equalized with assessments upon other classes of property. In fact, it is desirable that the co-operation of the county assessors be enlisted and sustained in all phases of the effort to achieve the goal of equalization.

However, recommendations determined in this manner can be only a compromise among many divergent views, and it is possible that they may not be equalized with the levels of value on other property. An important factor in this problem is the fact that representatives of livestock interests petition the assessors, both individually and at their annual meeting, expressing their desires concerning the valuations that are to be used. Not many years past, the determination of livestock valuations usually was the result of a bargaining process between the livestock representatives who were trying to prevent a valuation increase or to obtain a reduction for its own sake, and some of the assessors who felt that just assessments should require an increase. In recent years, however, there has been a healthy development of a realization on the part of both assessors and livestock representatives of the need for equalizing livestock assessments with assessments on other classes of property. As a result, one livestock organization in particular presents for consideration by the assessors statistical information concerning livestock values for the preceding year with a request for the use of particular valuations. In 1958, a valuation increase was actually requested in this manner.

Assessment Practice. Actual assessment practice can be judged by apparent compliance with the recommendations of the tax commission as promulgated in Circular No. 1. Table XV shows for several major classes of livestock a comparison of the recommended minimum average valuations with the state-wide average assessed valuation for 1958. It also shows, for each class, the number of counties whose average valuations exceed the recommendations by more than five per cent, and those which are more than five per cent less than the recommendations, and the highest and lowest county average valuation. Table XVI shows the number of counties represented in varying degrees of variation from the recommended minimum average valuations.

The comparisons shown in these tables indicate a remarkable adherence to the schedule of recommended minimum average valuations of the tax commission. The average valuation for the state in the livestock classes included in the tables varies in no class in excess of five per cent above or below the recommended minimum average. In only one case does the state average valuation fall below the recommended minimum average, and then only by .4 per cent. In only twenty-one counties is there any variation of average valuations for a class in excess of five per cent above or below the recommended minimum averages, and in these counties the excessive variations are not found in all classes.

This would seem to indicate what has been suggested before. In general, the assessors are assessing the majority of livestock uniformly at the recommended minimum average valuations with little variation therefrom. This represents a commendable compliance with a prescribed policy. However, such compliance is of a mechanical nature, and it is evident that assessors, in general, are giving insufficient attention to the actual variations in value of herds because of varying quality of livestock. It is not likely that livestock are as uniform in value from county to county as the assessment statistics would indicate.

Another factor influencing the value of livestock, in addition to its quality, is the distance to market. The cost of marketing livestock from different parts of the state varies considerably according to distance, and the freight-rate structure which applies. This variation in marketing cost influences the value of the livestock itself, and in turn, should influence the level of assessed valuation. Under present assessment practice, this factor is given no consideration.

Still another factor affecting the assessment of livestock is the fact that such assessment is an inter-county problem. Livestock, being very mobile in nature, and requiring different pastures for each season of the year, is moved during the year from one county to another. By statutory provision, when such movement occurs, each county assesses a part of each herd so moved according to the length of time that it is within the county. Equalization requires that a given herd be assessed at the same valuation per head in each county wherein it spends any time during the year. For practical purposes, the county assessors have found that the best way to achieve this equality is to assess at a uniform valuation per head. This is probably the most important cause of the uniformity of assessed valuation referred to before.

It is also important whether all taxable livestock are actually assessed. An equitable rate of valuation per head may be used in such a manner as to properly reflect the true value of each individual head of livestock which is assessed. Yet, if some of the livestock in the state escapes assessment, livestock as a class will be under-assessed in relation to other classes.

TABLE XV

VARIATIONS OF 1958 AVERAGE ASSESSED VALUATIONS  
FROM RECOMMENDED MINIMUM AVERAGE VALUATIONS.

<u>Class</u>	<u>Rec.Min. Average Valuation</u>	<u>1958 Average State Valuation</u>	<u>County Averages Over 105% Rec.Min.</u>	<u>Highest County Average Valuation</u>	<u>County Averages Under 95% Rec.Min.</u>	<u>Lowest County Average Valuation</u>
Registered						
Herd Bulls	\$200.00	\$202.35	3	\$247.50	6	\$169.26
Range Bulls						
(Pure Bred)	100.00	101.01	3	140.30	2	89.72
Pure Bred or						
Registered Cattle						
Coming Yearlings	50.00	52.20	8	76.75	2	42.19
Pure Bred or						
Registered Cattle,						
Yearling or Over	75.00	75.42	2	84.30	0	
Calves (Coming						
Yearlings)	25.00	25.05	6	27.99	2	22.07
Range Cattle	38.00	38.39	5	41.88	2	34.84
Stock Sheep,						
Mixed Bunches	5.00	4.98	2	5.59	6	3.11

TABLE XVI

VARIATION OF COUNTY AVERAGE VALUATIONS OF SEVEN CLASSES OF LIVESTOCK  
FROM RECOMMENDED MINIMUM AVERAGE VALUATION.

<u>Degree of Variation</u>	<u>Number of Counties</u>
Average valuations all classes within 5% of recommendations	41
Average valuations above 105% of recommendations:	
On 1 class only	11
On 2 classes	3
On 5 classes	1
Average valuations under 95% of recommendations:	
On 1 class	1
On 3 classes	1
On 4 classes	1
Average valuations above 105% on some classes and under:	
95% on some classes:	
Above on 1 and below on 1	2
Above on 2 and below on 3	1
No livestock assessments reported as such	1
Total	<u>63</u>

In general, investigation shows that county assessors as a group are conscientious in their efforts to assess all livestock within their jurisdiction. Yet, to do so is very difficult. Due to the mobility of livestock, a complete determination of the number of livestock present in a county on the assessment date or which are moved into a county during the year is impossible. That is, an assessor cannot be sure that he has a complete assessment without more man-power than is available to him. It is even more difficult for anyone else to judge how complete an assessment a particular assessor has made. The only way this could be done with certainty would be by an actual inventory of the livestock. There are no statistics available from any source which can be used as a satisfactory guide as to the number of livestock that should be assessed in any county. A person might know definitely from some source that on a given date there were 10,000 head of cattle in a given county on a given date. Yet he could not determine how many head of cattle should be assessed in that county. An undetermined number of the 10,000 would be cattle that were not assessable on the assessment date. There would be no way of determining accurately how many of the 10,000 would spend the entire year in the county and be assessed there in their entirety, or how many would spend only a part of the year in the county and would be assessed only for the portion of the year in the county. There would be no way of knowing what movement in and out of the county there had been between the date of the assessment and the date of the inventory.

This problem will be discussed in more detail in a later chapter on assessment procedures. It has been mentioned at this point to explain the effect it has upon the problem of equalization.

### Merchandise and Manufactures

Constitutional and Statutory Provisions. The statutes of Colorado contain the special provision that "In ascertaining the amount of moneys of any taxpayer invested in merchandise or in manufactures, the assessor shall ascertain the average amount during the fiscal year for which the tax is to be levied. The average amount of money invested in such merchandise or manufactures during twelve months ending with the last day of December of such fiscal year shall be taken as a true measure of the value of such merchandise or manufactures for such fiscal year. Provided, however, that neither the term 'merchandise' nor the term 'manufactures' shall be deemed to include livestock and agricultural or livestock products in a raw or unprocessed state, except such agricultural or livestock products as are held by a retailer for sale to the ultimate consumer."<sup>2</sup>

There is the further provision that "In listing the credits and moneys invested in merchandise or manufactures, the person making the list shall state the average of such moneys and credits invested in such merchandise or manufactures, during each calendar month of the year ending with the last day of December. If he has not been a resident of the county or has

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2. C.R.S. 1953, Sec. 137-3-25.

not been engaged in the business of merchandising so long, then he shall take the average during such time as he may have been so resident or engaged; and if he be commencing, he shall take the value of the property on hand at the time of listing. Any person who purchases, receives or holds personal property of any description for the purpose of adding to the value thereof by any process of manufacturing, reducing, extracting, refining, purifying, or by the combination of different materials with the view of making gain or profit by so doing and by selling the same shall be held to be a manufacturer for the purpose of assessment and collection of taxes, and he shall list for taxation the average value of such property in his hands, estimated as merchants are directed by section 137-3-25 to estimate the amount invested in merchandise. Provided, however, that the grading, sorting, classifying, or packaging of raw or unprocessed agricultural or livestock products shall not constitute one a 'manufacturer.'"<sup>3</sup>

These two sections, taken together, define what is assessable as merchandise or manufactures, and prescribe, in general terms, a method for determining the value of merchandise,<sup>4</sup> which is that with which we are concerned in this chapter. The basis of the assessment is the average amount of moneys and credits invested during the year. It is not the value of the merchandise in the hands of a merchant on any given date. Nor is it the value of merchandise purchased or sold during any period of time. Nor is it the value of the business as might be determined by the profit it produces, as affected by such factors as mark-up, rate of turnover, and overhead cost. It is, purely and simply, the amount invested, on the average, in merchandise. Nor is the amount of the investment limited to the amount of cash investment, but includes any credit obligation for any merchandise in possession.

At this point reference should be made to an error in the statute. The ascertainment of the "average amount during the fiscal year for which the tax is to be levied" and "during twelve months ending with the last day of December of such fiscal year" is not possible on the first day of February, the assessment date. The statute should be changed to read "average amount during the year preceding the fiscal year for which the tax is to be levied" and "during twelve months ending with the last day of December of the year preceding such fiscal year." In recognition of this error, in actual policy and practice, the preceding year is now used, in any event.

Tax Commission Policy. The policy of the tax commission is stated in Circular No. 1, previously referred to. It prescribes the use of a standard form for the return of merchandise inventory information by the owners of merchandise. It recommends that fifty per cent of the average inventory be taken as the assessed valuation. It insists that opening and closing inventories be secured direct from the state income tax return of the taxpayer. It suggests that if the latter is not done a higher percentage of assessment may be used.

3. C.R.S. 1953, Sec. 137-3-26.

4. The term merchandise will be used to mean both merchandise and manufactures.

The prescribed form, known as a Statement of Personal Property, provides spaces for the taxpayer owning merchandise to enter the following information relating to value: amount of beginning inventory, amount of closing inventory, and the average of the two. Additional space is provided for listing of additional inventories, which may be as frequently as monthly, if available.

Not stated in the 1958 Circular No. 1, but a policy of many years' standing, is that a merchandise assessment must be based upon at least two inventories, opening and closing, but that it is permissible, and more desirable, to base it upon the average of more inventories, up to twelve, if the same can be obtained.

The suggestion that an assessment of more than fifty per cent be used, if opening and closing inventories are not secured direct from the income tax return of the taxpayer, is designed to encourage taxpayers to reveal at least that much information. It is also based upon the belief that a taxpayer return of an unconfirmed amount of inventory may be understated and that, therefore, a higher rate of assessment is justified.

Actual Practice. Investigation has shown that all assessors, except one, are using the recommended fifty per cent basis of assessment. That is, no evidence was found that any other assessors were, as a matter of policy, assessing merchandise and manufactures at a lower percentage of the average inventory returned. Some were using a higher percentage on unconfirmed merchandise returns.

Aside from the percentage used, the main factors to be considered in judging practices in the assessment of merchandise are: 1) efficiency in determining the amount of money and credit invested; and 2) the manner of determining the average amount of money and credit invested. These two factors, however, are so inter-related that they cannot be treated separately.

As with livestock, there can be no equalization of merchandise as a class with other classes of property unless the entire investment in merchandise is assessed. It is not likely that any owners of merchandise are escaping assessment. However, the amount of investment reported may be short of the actual amount of investment. And the policy used by the assessor in determining an average may cause assessments to be higher or lower than they otherwise would be.

Some counties, in order to insure a full return of merchandise investment, require absolute proof of the amount returned. This involves an actual inspection of the books of a merchant by a qualified tax accountant to verify the accuracy of the return, where such books are present in the county. In the case of merchants whose books are located elsewhere, the return is required to be certified to by a certified public accountant. One county even requires the submission of photostatic copies of the records, which are kept in strict confidence.

Some assessors, particularly those who do not have the services of qualified tax accountants to inspect the books of merchants, at least attempt to verify the returns by comparing them with income tax returns filed with the state, which is permitted by law. Other assessors, unable to

employ tax accountants, not having such qualifications themselves, and being beset with a multiplicity of other problems, are inclined to accept whatever return is made to them.

Considerable variation in practice regarding the determination of average amount of money invested is found. Such a determination varies with the number of inventories used. It can be based upon opening and closing inventories for the preceding year only. Or it can be based upon a greater number of physical inventories, if available, up to twelve. Or it can be based upon a calculation of monthly inventories from actual physical opening and closing inventories, using monthly purchases and sales as factors. Or it can be based upon monthly perpetual inventories, if available.

In all counties at least a part of the assessments are based upon a simple average of opening and closing inventories. In some counties, all assessments are based upon this method. It is a simple method, involving merely the averaging of two amounts which are available from every merchant and can be verified. All merchants take at least these two inventories and are required to report them for state income tax computation. The amounts returned for income tax can be obtained from the department of revenue for comparison with the merchandise return to the assessor.

The use of the average of two inventories, however, does not necessarily provide the assessor with an average of the amount of money invested during the year. Some merchants have higher inventories at the time annual inventories are taken than at any other time in the year. An average of the two inventories would be higher than the average during the year. Others, especially those whose businesses are more active in the summer months, have lower inventories at the time of the annual inventories than at any other time of the year. An average of the two annual inventories would be too low. It would appear then, that the use of only two inventories would not produce equalized assessments among merchants on the basis of the average amount invested.

The use of an average of twelve monthly inventories is the best method from the point of view of assessment results. It more nearly reflects the true average of the amount invested during the year. However, it is a method which is more difficult to use because of the difficulty of determining the twelve inventories. Some large merchants take a physical inventory monthly, and they can easily report them, and are glad to do so, if it will result in a lower assessment. Some other merchants maintain a perpetual inventory, adding to the inventory account all merchandise purchased, as purchased, and deducting all merchandise sold, as sold, at cost. They can easily report the status of this perpetual inventory at the end of each month.

In the case of merchants who neither take monthly inventories, nor maintain perpetual inventories, it is possible to calculate monthly inventories if the amount of monthly purchases and sales is known. The following

formula is used. First, a cost-of-goods-sold factor is determined as follows:

Beginning Inventory	\$ 50,000
Plus Purchases during the year	<u>200,000</u>
	\$250,000
Less Closing Inventory	<u>70,000</u>
Cost of Goods Sold	\$180,000

Cost of Goods Sold (\$180,000) divided by Total Sales for Year (\$240,000) equals Cost of Goods Sold Factor (75%).

In other words, on the average, the goods which were sold cost the merchant 75% of his selling price.

Next, the cost of merchandise purchased during the first month is added to the opening inventory. Seventy-five per cent of the sales price of merchandise sold during the first month (the cost of goods sold) is deducted. The result is the calculated inventory at the end of the first month.

Opening Inventory	\$ 50,000	
Plus Purchases during January	<u>15,000</u>	
	\$ 65,000	
Less 75% of January sales (\$10,000)	<u>7,500</u>	
Inventory January 31	\$ 57,500	\$57,500
Plus Purchases during February	<u>12,000</u>	
	\$ 69,500	
Less 75% of February sales (\$12,000)	<u>9,000</u>	
Inventory February 28	\$ 60,500	\$60,500
Plus Purchases during March	<u>18,000</u>	
	\$ 78,500	
Less 75% of March sales (\$30,000)	<u>22,500</u>	
	\$ 56,000	\$56,000

and so forth for the remainder of the year.

In some cases, averages may be based on quarterly inventories, instead of annual or monthly ones, if the former are available.

The assessor obviously cannot inventory all the merchandise in his county. Nor can he calculate for each merchant in his county a set of monthly inventories as illustrated above without a greatly increased expenditure of time. The volume of work involved in either case would be beyond the capacity of many assessors' offices in the state. Therefore, the assessor is forced to rely upon whatever information he can obtain from the taxpayer. In some cases the information obtainable is in the form of a report of monthly inventories, either physical, perpetual, or calculated. In other cases, the great majority, it is in the form of opening and closing inventories only.

In view of this situation, is it equitable for some merchants to be assessed on the basis of opening and closing inventories only, and for others to be assessed upon the basis of a larger number of inventories? Table XVIII illustrates the difference in individual merchandise assessments when assessed on the basis of two inventories, as compared with twelve inventories. Each line of the table represents the actual assessment of a merchant in one of the larger counties. The statements of these merchants supplied not only the opening and closing inventories, but also a twelve-month average.

The assessments actually made were at fifty per cent of the average of twelve inventories, column "B". Column "A" shows what the assessments would have been at fifty per cent of the average of two inventories, and Column "D" shows the percentage that such assessments would be of the assessments actually made. Note that the percentage would vary from 55.9% to 179.6% in individual cases, and that the total assessment of all these merchants by the one method would be 99.3% of the total assessments by the other method. This latter is a minor variation, but the variations in individual assessments would be quite significant.

Column "C" shows what the assessments would have been at sixty-five per cent of the average of two inventories, and column "E" shows the percentage that such assessments would be of the assessments actually made. Note that the percentage would vary from 70.6% to 233.5% in individual cases. The total valuation would be 129.1% of the valuation by the method in use. This is a significant variation. The policy of assessing at sixty-five per cent of the average of two inventories is actually used in this county when no more than two inventories are submitted. Therefore, the latter percentage relationships are the ones that would be applicable.

Thirty-eight counties assess on the basis of the average of as many inventories as are submitted, fourteen of them assessing at 50% in all cases, twenty-four of them assessing at 50% if more than two inventories are submitted, at 65% or more, up to 100%, if only two are submitted. Twenty-five of them use only the opening and closing inventories, assessing at 50% of the average of the two.

The biggest problem involved in making assessments based on average inventories is in obtaining the necessary information. At present, as stated above, the assessments vary considerably from county to county according to how successful the assessor is in obtaining the information. In all counties a large part of the assessments are based on a simple average of two inventories. As has been demonstrated, this does not provide a true average of the amount of money invested. Some counties attempt to assess on the basis of the best information available, making different assessments in different ways in order to make use of what is available. The result is inequitable treatment of the merchants within the county.

TABLE XVII

COMPARISON OF MERCHANDISE ASSESSMENTS BY DIFFERENT METHODS

<u>Assessed Valuations</u>			<u>Ratios</u>	
<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
<u>Based on 50%</u> <u>of Average of</u> <u>2 Inventories</u>	<u>Based on 50%</u> <u>of Average of</u> <u>12 Inventories</u>	<u>Based on 65%</u> <u>of Average of</u> <u>2 Inventories</u>	<u>A is</u> <u>x%</u> <u>of B</u>	<u>C is</u> <u>x%</u> <u>of B</u>
\$ 25,060	\$ 25,640	\$ 32,580	97.7%	127.1%
30,670	31,700	39,870	96.8	125.8
74,650	68,110	97,050	109.6	142.5
11,190	9,820	14,540	114.0	148.1
57,650	58,140	74,950	99.2	128.9
36,190	44,500	47,040	81.3	105.7
67,400	75,130	87,610	89.7	116.6
5,230	5,950	6,800	87.9	114.3
32,660	18,180	42,450	179.6	233.5
9,950	12,620	12,930	78.8	102.5
183,900	183,910	239,070	100.0	130.3
86,080	80,790	111,910	106.5	138.5
27,260	26,040	35,440	104.7	136.1
40,950	43,820	53,230	93.5	121.5
36,670	52,940	47,670	69.3	90.0
36,170	31,760	47,020	113.9	148.0
15,040	13,420	19,550	112.1	145.7
190	340	240	55.9	70.6
19,500	20,370	25,350	95.7	124.4
13,370	11,110	17,380	120.3	156.4
<u>18,230</u>	<u>19,580</u>	<u>23,700</u>	<u>93.1</u>	<u>121.0</u>
\$828,010	\$833,870	\$1,076,380	99.3%	129.1%

Other counties adhere to the use of the simple average of two inventories, which is the only information which is available for all inventories. In doing so, they are treating the taxpayers equally, but they are certainly not obtaining the true average of money invested.

Why does such a problem exist? Most merchants take inventory only once a year. They cannot afford the expense of more frequent inventory-taking. Therefore, the number of merchants who can submit to the assessor more actual inventories than the opening and closing ones is very small. The calculation of monthly inventories is not a common practice among merchants. In order to calculate them, in addition to opening and closing inventories, the amounts of monthly purchases and sales are needed. Many small merchants do not keep records of purchases and sales in such a form that they are able to report them to the assessor. Therefore, all that is reported is the two inventories.

Another problem confronting the assessors in the assessment of merchandise is that of assessing what are commonly referred to as chain stores. Individuals, companies or corporations may own more than one store, and these stores may be in different counties. Some chains may be found in nearly every county. The owners of these chains make a separate return of the merchandise kept in each county to the assessor of that county. In preparing income tax returns, on the other hand, the operations of all stores are consolidated into one return. Therefore, when an assessor attempts to verify the inventories returned to him for property tax purposes with the income tax return, he finds that the inventory shown on the latter represents the total of all the merchandise owned by the chain in Colorado. There is no way for him to determine what part of it is in his county. Therefore, he feels that the return made to him may not include a true statement of the merchandise present in his county.

There seems to be much dissatisfaction among merchants throughout the state with the present basis of assessing merchandise. This dissatisfaction usually takes two forms: 1) a dissatisfaction with the use of fifty per cent or more of the average inventory as the basis of assessment, when other property may be assessed at a much lower percentage of market value; and 2) the feeling that average investment as a basis of assessment is not an equitable basis of assessment as between merchants.

Regarding the first objection, that fifty per cent is too high, it should be pointed out that the fifty per cent is applied to the wholesale cost of the merchandise. When comparing this percentage with a sales ratio on some form of real estate, which may be thirty per cent, a fair comparison is not possible. The thirty per cent is based upon a gross retail sales price of real estate, while the fifty per cent figure is based upon the wholesale cost of merchandise. Probably at least ten per cent should be deducted from the sales price of real estate before determining a ratio for such comparison. This factor of ten per cent would be in recognition of broker's commissions and other costs of making a sale. However, such a ten per cent deduction from a sales price producing a thirty per cent

ratio would only increase the ratio to 33.3%, which is still low in relation to the fifty per cent used on the wholesale cost of merchandise.

While it would seem, by this comparison, that fifty per cent is excessive, another approach provides a different answer. Present assessments of all classes of property are supposedly made at the 1941 level of prices. The procedure that is followed in appraising residences, for instance, is based on 1941 building costs. Fifty per cent of the present cost of merchandise is comparable to the 1941 cost of merchandise, as shown by Table XVIII.

The second objection is that average investment as a basis of assessment is not an equitable basis of assessment as between merchants. This method does not take into consideration the volume of business done during the year, the rate of gross or net profit on business done, or the amount of overhead expenses. Yet business having the same amount of average inventory may vary with reference to these other factors.

The dissatisfaction, then, stems from the knowledge that assessments of the inventory of several firms do not vary in amount in proportion to the ability of the firms to pay taxes as determined by the profit realized. In this connection it should be emphasized that the property tax is not based on the ability to pay. There is no way in which assessments on merchandise can be "tailored" to match the profit derived from the merchandise. The only solution to the problem, within a property tax framework, is to endeavor to achieve more nearly correct assessments upon the basis of average investment in inventory.

#### Personal Property Other Than Livestock and Merchandise

Personal property other than livestock and merchandise is very miscellaneous in nature. However, most of such property has certain common characteristics which make it possible to use a common method of appraisal. It consists of various kinds of furniture, fixtures, machinery and equipment. These types of property derive value from utility and their value can be measured by a combination of original cost, allowance for price inflation or deflation, and depreciation and obsolescence.

Table XIX illustrates several commonly used methods of appraising the value of such property. It shows the value in 1957 of an item of equipment purchased in 1957 at a cost of \$2,000, and of items identical in all respects, except age, purchased in 1956 for \$2,000; in 1951 for \$1,800; in 1946 for \$1,250; in 1941 for \$1,000; and in 1937 for \$960. The various costs used in this illustration reflect cost relationships based on the 1941 level of costs as contained in one cost index in common use. This particular index shows an increase from 1941 to 1957 of two hundred per cent, and is used in this illustration because of the simplicity of the comparison. Actually, the increase in cost from 1941 to 1957 on many types of machinery and equipment has been much greater than two hundred per cent.

TABLE XVIII

WHOLESALE PRICE INDEX

For the purposes of comparison of wholesale prices of all commodities for the years 1940 through 1956, there has been extracted certain information from the 1956 edition of "Statistical Abstract of the United States" 77th Annual Edition prepared under the direction of Edwin D. Goldfield, Chief, Statistical Reports Division, U.S. Department of Commerce.

The basic information for the comparison set forth below was taken from Chart #383 on page #320 of the Abstract. The chart referred to sets forth the Wholesale Price Indexes for all commodities 1926 to 1956. This index, based on 1947-1949 = 100 is the official index beginning with January 1952. The official index for December 1951 and all earlier dates is that based on 1926 = 100, however, a conversion factor has been applied to indexes of December 1951 and earlier to make them comparable with the index 1947-1949 = 100. The source of the information reflected in the chart is the Department of Labor, Bureau of Labor Statistics; monthly and annual reports, Wholesale Prices and Monthly Labor Review:

<u>Year</u>	<u>Wholesale Price Index, all Commodities</u>	<u>1941 Basic Year Factor</u>	<u>Percentage of 1941 Factor to Yearly Factor</u>	<u>Merchandise Assessment Factor in Colo.</u>
1940	51.1	56.8	111.15	
1941	56.8	56.8	100.00	
1942	64.2	56.8	88.47	
1943	67.0	56.8	84.78	
1944	67.6	56.8	84.02	
1945	68.8	56.8	82.56	
1946	78.7	56.8	72.17	
1947	96.4	56.8	58.92	
1948	104.4	56.8	54.41	75
1949	99.2	56.8	57.26	75
1950	103.1	56.8	55.09	60
1951	114.8	56.8	49.48	50
1952	111.6	56.8	50.90	50
1953	110.1	56.8	51.59	50
1954	110.3	56.8	51.50	50
1955	110.7	56.8	51.31	50
1956	114.3	56.8	49.69	50
(3 months of 1957)	116.9	56.8	48.59	50

(Compiled by Assessor's Office, City and County of Denver)

TABLE XIX

COMPARATIVE VALUES AND ASSESSED VALUATIONS  
BY DIFFERENT METHODS OF APPRAISAL

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>	<u>I</u>
<u>Year</u>	<u>Actual</u>	<u>1941</u>	<u>Cost</u>	<u>Cost</u>	<u>40%</u>	<u>40%</u>	<u>80%</u>	<u>Life</u>
<u>Bought</u>	<u>Cost</u>	<u>Cost</u>	<u>1957</u>	<u>1941</u>	<u>Cost</u>	<u>1957</u>	<u>Book</u>	<u>Sched.</u>
			<u>Level</u>	<u>Level</u>	<u>Year</u>	<u>Depr.</u>	<u>Value</u>	<u>1941</u>
			<u>Depr.</u>	<u>Depr.</u>	<u>Bought</u>	<u>Cost</u>		<u>Level</u>
1957	2,000	1,000	2,000	1,000	800	800	1,600	600
1956	2,000	1,000	1,920	960	800	768	1,536	600
1951	1,850	1,000	1,520	760	740	608	1,125	600
1946	1,250	1,000	1,120	560	500	448	700	600
1941	1,000	1,000	720	360	400	288	288	600
1937	960	1,000	400	200	384	160	154	600

The item of equipment used in this illustration has an estimated life of twenty years for purposes of depreciation. Straight-line depreciation is used in all cases. That is, four per cent depreciation is allowed for each year of age. At the end of twenty years eighty per cent depreciation has been allowed, leaving a minimum value of twenty per cent.

Columns A, B, and C give the basic facts from which the valuations in the other columns are derived. Column A is the year in which the equipment was bought. Column B is the cost of the equipment in the year it was bought. Column C is the 1941 cost level, \$1,000 in each case.

Column D shows the value in 1957 at the 1957 level of cost (\$2,000) with depreciation allowed at the rate of four per cent for each year of age. This represents the value of the equipment at the 1957 level of cost. Calculation of this value involves conversion from the cost in the year bought to the 1957 level of cost by means of a cost index, less the allowance of depreciation for age.

Column E shows the value in 1957 (at the 1941 level of cost, \$1,000) with depreciation allowed at the rate of four per cent for each year of age. Calculation of this value involves conversion from the cost in the year bought to the 1941 level of cost by means of the cost index, less the allowance of a depreciation for age.

Column F shows the valuation at forty per cent of actual cost in the year bought, one of the methods of assessment now in use.

Column G shows the valuation at forty per cent of current value (Column D).

Column H shows the valuation at eighty per cent of book value, one of the methods of assessment now in use. The calculation of this

valuation involves obtaining the book value reported by the owner and reducing it by twenty per cent. In this illustration, it was assumed that the owner had entered the cost of this equipment in his accounts as an asset and had allowed depreciation annually at the rate of four per cent of original cost, without any allowance for appreciation in value due to cost inflation.

Column I shows the valuation according to what is known as a life schedule. This method is simply the determination of an average value of the equipment during its normal life, and using this average value from beginning to end without change. In this illustration the valuation used is sixty per cent of the 1941 cost level. The factor of sixty per cent is used because it is the average of value after depreciation during the twenty years of life. More simply, it is the average of one hundred per cent, and twenty per cent.

In general, three of these methods of assessing furniture, fixtures, machinery and equipment are approved by the tax commission and are in use by the assessors. They are: 1) conversion of original cost to the 1941 level of cost and allowance of annual depreciation (Column E); 2) forty per cent of original cost (Column F); and 3) eighty per cent of book value (Column H). Only the first of these produces equalized assessments within the class of property. However, this one is not widely used because of its difficulty of administration. It requires that more detailed information be obtained, and it requires much more computation than the other two methods. The use of all three methods and some variations of each has the added disadvantage that there is not even uniformity of treatment of individual taxpayers. From the taxpayer's point of view, however, in those counties where all three methods are used, the taxpayer has the privilege of choosing the method he prefers with the provision that once having selected the method he is not permitted to change it.

Table XX illustrates the relative degree of equalization achieved by each of the three approved methods, first with relation to the 1941 depreciated cost shown in Column E, which represents the truest value determination at the 1941 level, and second, with relation to the 1957 depreciated cost shown in Column D, which represents the truest value determination at the current cost level.

The extreme variations shown in the table are not found to any extent in actual assessments, however, Taxpayers, given a choice, will not usually choose the use of a method which they know will result in an excessive assessment. Assessors will usually try to use or recommend to the taxpayer a method which does not result in excessive assessments. For instance, the method of 80% of book value usually will not be used when most of the equipment is new.

The illustrations given are probably over-simplified. There are two other factors that complicate the situation. First, no single cost conversion table when applied uniformly to all types of personal property will produce the desired result of actually converting to the true level of

TABLE XX

COMPARISON OF ASSESSMENTS OF MACHINERY  
AND EQUIPMENT BY THREE METHODS

Year Bought	Percentage of 1941 Depreciated Cost			Percentage of 1957 Depreciated Cost		
	<u>E</u>	<u>F</u>	<u>H</u>	<u>E</u>	<u>F</u>	<u>H</u>
	1941 Cost Depr.	40% Actual Cost	80% Book Value	1941 Cost Depr.	40% Actual Cost	80% Book Value
1957	100.0	80.0	160.0	50.0	40.0	80.0
1956	100.0	83.3	160.0	50.0	41.6	80.0
1951	100.0	97.3	148.0	50.0	48.6	74.0
1945	100.0	89.3	125.0	50.0	44.7	62.5
1941	100.0	111.0	80.0	50.0	55.5	40.0
1937	100.0	192.0	77.0	50.0	96.0	38.5

cost in a year different than the year of purchase. The rate of inflation has varied for different types of equipment. Some equipment may have only doubled in cost, as in the illustrations. Other types may have tripled in cost. The conversion table used in the illustrations was selected for its simplicity of application, the same reason it is commonly used for assessments.

There are two such conversion tables in common use. The one used in the illustration is commonly used for furniture and fixtures, machinery and equipment such as is usually found in office, mercantile, service and light industrial establishments. Heavy industrial machinery and equipment, usually appraised by the tax commission industrial engineer, is converted with the use of a different table. Excerpts from these two tables are shown below for comparison. Actually, for the achievement of better equalization there should be a greater number of conversion tables developed and used for different categories of personal property.

Cost Indices

	<u>Used For Furniture, Fixtures and Light Machinery &amp; Equipment</u>	<u>Used For Heavy Machinery &amp; Equipment</u>
1941	100.0%	100.0%
1946	125.0	130.6
1951	185.2	188.5
1957	200.0	215.6

Second, no uniform practice of allowing for depreciation can truly reflect the actual loss of value which has occurred with reference to any particular equipment. A certain type of equipment, which has a normal estimated life of ten years, may be worn out and discarded within five

years by one taxpayer, and be used profitably for twenty years by another. Furthermore, machinery and equipment may be subject to obsolescence. The development of improved models may cause a loss of value in older models which cannot be accounted for by age or physical condition alone. Therefore, an assessor must temper the use of a mechanical method of appraisal with judgment and recognition of non-typical conditions, and adjust assessments accordingly. As a result of this need, the problem of equalization is further complicated by the fact that poor judgment or lack of time or inclination to consider non-typical conditions may result in one of two things. Either unjustifiable adjustments may be made in assessments, or adjustments which are justified are not made.

Circular No. 1 of the tax commission contains the following recommendations for the assessment of particular types of personal property.

Tractors, combines and certain other farm machinery. Assessment at 50% of the "as is" values contained in a manual of such equipment published for the use of dealers in farm equipment.

Farm machinery not listed in the manual. In succeeding years the machinery shall be assessed at 70%, 50%, 40%, 30%, and 20%, successively, of factory list price.

Gasoline pumps and tanks. 50% of the average 1941 cost, installed.

Store, hotel and office furniture, fixtures, machinery and equipment. 40% of original cost until such time as book value equals 50% of original cost; then at discretion of assessor, but not less than 20% of original cost as long as the item is in use.

Miscellaneous. The circular lists a number of specific items of personal property, including butane-propane tanks, oxygen and acetylene tanks, professional libraries, billboards, and neon signs, with a suggested assessed valuation per unit to be used regardless of age.

Oil and gas well equipment. A schedule of valuations recommended by a special committee of assessors and representatives of the industry, provides a flat per-well valuation to be used according to classification of wells, regardless of equipment actually present at each well or its age or condition.

It can be noted that these recommendations are a hodge-podge of different methods, some of which conform to one of three general methods referred to as having been approved, and some of which are deviations from one of the three. Many of them represent a percentage of original cost, some represent a variation of the life schedule method, some represent a conversion to the 1941 cost level, and some represent a combination of two or more methods.

At present, the preferred method as recommended by the tax commission for most personal property, and as used by the assessors, is 40% of cost without conversion to any standard level of cost, and without annual depreciation.

### Findings and Conclusions

1) The present situation with respect to assessment of personal property as a class is chaotic--one of utter confusion. There is no uniformity of methods, either as prescribed, or as applied. It cannot actually be said that there are any prescribed methods. The tax commission has merely suggested, in most instances, that certain methods may be used, and there is no firm requirement that any particular method be used, or for that matter, that any method at all be used. The result is that, within the general class of personal property, there is no equalization among various types of personal property, among owners of a given type of personal property, within counties, or among counties. This being true, it cannot be said that there is any equalization between personal property as a class and any other class of property.

This situation results partly from the very nature of personal property itself. Because of its nature, it is not easily subjected to good, efficient, thorough, and uniform assessment administration. Assessors, in general, do not possess adequate qualifications, do not have adequate specialized assistance, are not provided with adequate instructions and supervision, and are not able to obtain adequate information about the property to make use of those methods of assessment which will produce the best results. Therefore, they use the less effective methods that they are capable of using. The tax commission does not have an adequate staff, in office or field, to conduct the research necessary to the development of good methods of assessment, or to provide the instruction, information, assistance and supervision to the assessors that is needed. Furthermore, at all levels, expediency has become so ingrained that it has become natural to do the expedient thing rather than the right thing.

2) In view of this situation, it is suggested that consideration should be given to the possible exemption of all classes of personal property, or some classes of personal property, from property taxation, and the substitution therefor of some other form of taxation more suitable to this class of property and more adaptable to equitable and efficient administration. No specific suggestion is made for a substitute form of taxation. Consideration of this alternative has not been considered to be within the scope of this study assignment.

3) Livestock should be assessed according to classifications established by the Colorado tax commission, and in such assessment, the county assessor should consider variations in quality of livestock within each classification, and should also consider variations in cost of marketing livestock from different parts of the state.

4) The measure of value to be used in the assessment of merchandise and manufactures should be the average amount of moneys and credits invested at cost in such merchandise and manufactures at the end of each month during the year ending with the 31st day of December next preceding the assessment date of the current year.

5) All taxable personal property, except livestock and merchandise and manufactures, should be assessed according to a uniform method prescribed by the Colorado tax commission, which should be based upon a conversion of the cost of such personal property to the current level of cost and allowance for loss of value because of aging, wear and tear, and obsolescence.

6) Such legislation as is needed to implement the foregoing conclusions should be enacted.

X.

ASSESSMENT OF PUBLIC UTILITIES

Public utilities, the property owned by public utility corporations, as a class of property for purposes of assessment, and as assessed under present statutory provisions, defies definition. The law defines the class as including any plant or property owned or operated, or both, by an express company, telephone company, telegraph company, sleeping car company, car line company, railroad company, power company, pipe line company, water company, street railway company, gas company, lighting company or heating company, and "all other classes of companies, however, owned or operated and having a continuity of business in two or more counties in the state."<sup>1</sup>

Of course, those particular types of companies which are specifically enumerated as being public utilities are within the class by definition. However, the question of what other companies should be included is very confusing. The fact that a particular type of company is subject to regulation as a public utility has not necessarily caused it to be subject to assessment as a public utility. Inter-city bus companies, taxicab companies, scenic tours companies, radio and television broadcasting companies are but a few examples of types of companies which are subject to public utility regulation but which are not assessed as public utilities. Air line companies, which are not specifically mentioned as public utilities for assessment purposes, are assessed as such. Certain city bus lines are assessed as public utilities, although they are no longer "street railways" and although other types of bus companies are not so assessed.

The phrase in the statutory definition, "all other classes of companies, however owned or operated and having a continuity of business in two or more counties in the state," might be taken to include such companies as chain store companies, mining companies, livestock production companies, and grain elevator companies which have property in more than one county. However, these types of companies and many others which are inter-county in extent are not assessed as public utilities, and it is not suggested that they should be. On the other hand, some companies which are specifically defined as public utilities and assessed as such, operate and own property exclusively within the boundaries of a single county.

The total assessed valuation for 1958 of property which was assessed by the tax commission as public utilities was \$382,769,850, representing 11.7% of the total assessed valuation of all property in the state. Table XXI shows the 1958 assessed valuations as reported by class of company by the tax commission and the relative importance of each class.

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1. C. R. S. 1953, Sec. 137-6-39.

The "miscellaneous companies" shows in the table include The Denver Tramway Corporation, The Mount Manitou Park and Incline Railroad Company, The Pullman Company, The Railway Express Agency, Inc., and The Self Winding Clock Company, Inc. Table XXII shows the amount of assessed valuation of public utilities distributed to each county, and the relative importance of this assessed valuation in each county.

Statutory Provisions

Laws governing the assessment of public utilities are contained in Chapter 137, Article 4, Colorado Revised Statutes, 1953, and in certain sections of Articles 3 and 6 of the same chapter. These laws are very lengthy and involved. Therefore, rather than quoting them, a brief summary of their provisions is set forth below.

TABLE XXI

1958 Assessed Valuation of Property of Public  
Utility Corporations

<u>Type of Company</u>	<u>Number of Companies</u>	<u>Assessed Valuation</u>	<u>Per Cent of Public Utilities Assessment</u>
Railroad Companies	14	\$ 128,113,640	33.4%
Air Line Companies	6	7,742,050	2.0
Telephone Companies	39	69,154,230	18.1
Telegraph Companies	2	655,610	0.2
Electric Companies	8	116,660,870	30.4
Rural Electric Companies	29	14,215,740	3.7
Gas Companies	18	7,180,770	1.9
Gas Pipe Line Carrier Companies	7	27,615,470	7.2
Pipe Line Companies	8	6,960,580	1.8
Domestic Water Companies	19	1,562,830	0.4
Irrigation Companies	2	38,750	0.1
Car Line Companies	88	1,038,940	0.3
Miscellaneous Companies	5	1,830,370	0.5
	<u>245</u>	<u>\$ 382,769,850</u>	<u>100.0%</u>

TABLE XXII

1953 ASSESSED VALUATION OF PUBLIC UTILITIES BY COUNTIES

<u>County</u>	<u>Assessed Valuation</u>	<u>Per Cent*</u>	<u>County</u>	<u>Assessed Valuation</u>	<u>Per Cent*</u>
Adams	\$19,382,770	13.1%	Lake	\$ 2,507,320	7.9%
Alamosa	4,108,510	26.2	LaPlata	9,062,900	23.1
Arapahoe	13,059,670	9.1	Larimer	7,559,500	8.3
Archuleta	1,436,810	24.6	Las Animas	8,926,370	23.9
Baca	5,484,800	27.3	Lincoln	4,183,940	22.4
Bent	4,825,260	30.6	Logan	10,123,310	16.1
Boulder	17,215,150	14.4	Mesa	11,862,140	14.0
Chaffee	4,303,100	30.9	Mineral	700,140	39.1
Cheyenne	4,674,440	30.4	Moffat	1,606,670	8.6
Clear Creek	983,410	16.7	Montezuma	1,984,780	12.6
Conejos	2,312,590	22.4	Montrose	3,226,010	11.1
Costilla	1,583,840	27.9	Morgan	5,556,440	8.7
Crowley	1,478,860	19.8	Otero	6,111,520	16.3
Custer	112,250	3.5	Ouray	860,470	19.5
Delta	3,383,950	16.5	Park	423,230	5.3
Denver	81,245,270	7.6	Phillips	1,571,300	9.5
Dolores	760,780	15.1	Pitkin	1,022,360	12.6
Douglas	4,467,010	33.2	Prowers	4,847,520	18.1
Eagle	5,309,310	41.9	Pueblo	20,781,580	13.0
Elbert	3,536,760	24.8	Rio Blando	4,858,020	6.0
El Paso	14,038,860	7.8	Rio Grande	2,615,070	13.7
Fremont	6,508,720	23.3	Routt	4,242,340	19.2
Garfield	8,089,740	27.7	Saguache	674,450	6.7
Gilpin	783,750	27.7	San Juan	831,390	33.3
Grand	2,904,700	25.5	San Miguel	1,492,200	18.7
Gunnison	826,170	7.2	Sedgwick	1,633,420	11.9
Hinsdale	30,530	2.6	Summit	903,970	16.9
Huerfano	3,574,850	31.9	Teller	767,930	12.9
Jackson	1,990,370	21.7	Washington	2,503,570	5.9
Jefferson	11,853,990	6.9	Weld	21,436,350	14.9
Kiowa	3,715,640	27.9	Yuma	2,564,480	10.9
Kit Carson	1,333,180	6.9			

\* Per cent of total assessed valuation of county.

The duty of making assessments on the property of public utility corporations is assigned to the Colorado tax commission. The law contains lengthy provisions concerning information that is to be filed with the tax commission by various types of companies, such as railroad companies, and telephone and telegraph companies, but provides nothing concerning information to be filed by other types of companies, such as electric

companies. In general, the information required relates to the book value of the asset accounts of the company, its capital investment and funded debt, its annual earnings from operation, considerable detail about its physical plant, the number of miles of track or telephone or telegraph wire in each county, school district and municipal corporation in the state.

The law provides that the tax commission shall determine a value for the entire operating property of each company, both in and out of the state, but does not prescribe in detail how such value shall be determined. It provides that in valuing corporate property as a unit, the value of capital stock and bonds and any and all other evidence of value shall be considered. It further provides that any property owned by a corporation which is not used in the operation of its main business shall be deducted, and that such property in this state shall be assessed by the county assessor of the county in which it is situated.

The law further provides that a portion of the total value of an interstate corporation shall be allocated as the value of its property within the State of Colorado in proportion to the miles of track in Colorado as compared with the total miles of track in the system, for railroads; and in proportion to the miles of lines in Colorado as compared with the total miles of line in the system, for telephone and telegraph companies. It further provides that the amount of value allocated to the property located in Colorado shall be apportioned to counties, school districts and other taxing jurisdictions on the basis of miles of main track, for railroads, and on the basis of miles of wire, for telephone and telegraph companies. Note the distinction between miles of track for allocation of value to Colorado, and miles of main track for apportionment of value to counties and other districts. Also note the similar distinction between miles of line and miles of wire.

#### Actual Practice

In the assessment of public utilities there are several distinct steps. First, there is the determination of the full value of the operating property wherever located. Second, there is the allocation of a portion of that value to the State of Colorado, if the property is interstate. Third, there is the making of an assessment of the property located in Colorado taking a portion of the value to be used as an assessed valuation, supposedly equalized with valuations on other classes of property, by the use of what is known as an equalization factor. Fourth, there is the apportionment or distribution of the assessed valuation to the counties in which the property is situated. And finally, there is the distribution of the assessed valuation to the various taxing districts in each county.

Value Determination. In the determination of the value of utility properties, the tax commission considers three "indicators of value": 1) plant account or historical cost; 2) the average market value of stocks and bonds for the preceding twelve month period; and 3) capitalization of net operating revenues during a five-year period. The exact way in which

each of these three factors is used varies according to the type of company, and sometimes for individual companies, and the relative weight given to each of the factors also varies, there being, necessarily, an element of subjective judgement involved in considering the circumstances peculiar to each class of company, or each individual company.

For 1958 assessments, values were determined as follows:

For Railroads an average of values determined by:

- 1) Plant account, including materials and supplies, less property otherwise taxed, and less public improvements.
- 2) Average market value of stocks, bonds, etc., for the preceding twelve months, less properties otherwise taxed and less investments in affiliated companies.
- 3) Net operating revenues for five years, with federal taxes added back in, capitalized at  $10\frac{1}{2}$  per cent - either the five-year average, or weighted 5 per cent for 1953, 10 per cent for 1954, 15 per cent for 1955, 20 per cent for 1956 and 50 per cent for 1957.

For electric companies, gas companies, and certain other companies an average of values determined by:

- 1) Plant account, including materials and supplies, at historical cost, depreciation not allowed, less properties otherwise taxed.
- 2) Five years net operating revenue capitalized at  $6\frac{1}{2}$  per cent, weighted 5-10-15-20-50 per cent, as with railroads.
- 3) Average market value of stocks, bonds, etc., for the preceding twelve months, less properties otherwise taxed and less investments in affiliated companies.

For telephone and telegraph companies an average, weighted as indicated, of values determined by:

- 1) (20 per cent) System plant account, including materials and supplies at historical cost, less properties otherwise taxed.
- 2) (30 per cent) Average market value of stocks, bonds, etc., for the preceding twelve months, less properties otherwise taxed and less investments in affiliated companies.
- 3) (50 per cent) Five years net operating revenues capitalized at 7 per cent, weighted 5-10-15-20-50 per cent.

The foregoing is only a partial explanation of the policies and practices used by the tax commission in value determination. Some other variations of the three factors are used. However, this explanation should be enough to give a general idea of the problem of value determination.

Allocation. Various methods used in allocation of value to Colorado were as follows:

- For railroads: proportion of mileage of all miles of track.
- For air lines: proportion of plane time in Colorado as to time in system.
- For electric companies: none interstate.
- For telephone companies: proportion of mileage of line.
- For telegraph companies: same.
- For gas pipe line companies: per cent of investment in Colorado.

Equalization Factor. All public utility properties were assessed at 40 per cent of the value allocated to Colorado. This equalization factor of 40 per cent was reduced from a factor of 50 per cent, previously used, in recognition of the appearance that 50 per cent was too high a factor in relation to the existing assessment-sales ratio of local assessments. This reduction of equalization factor was accompanied by certain changes in methods of value determination designed to produce a better, and sometimes higher, value determination.

Distribution. Assessed valuations were distributed to counties and other taxing jurisdictions as follows:

- For railroads: proportion of mileage of main track.
- For air lines: on basis of landings and take-offs.
- For electric companies: on situs basis according to property actually situated in each county or district.
- For telephone and telegraph companies: proportion of mileage of wire.
- For gas pipe line companies: situs basis.

Many problems must be considered in any effort to determine whether the laws relating to the assessment of public utilities are designed to produce just and equalized assessment, whether tax commission policies and practices are the best methods available, and whether the assessed valuations on public utilities are equalized with those on other classes of property. These problems can be enumerated in the form of questions.

1) Does the book value of the plant of a public utility company provide any indication of the true value of the company as a unit? Book values represent the cost of property at the time it was constructed, purchased, or otherwise added to the assets of the company, less depreciation. Such values, because of their historical nature, do not bear any relation to the present value of the property, for they are not adjusted for inflation or deflation of costs.

2) What are the merits of the use of average market value of stocks and bonds in the determination of the value of a public utility? In theory, the total value of the capital stock and indebtedness of a corporation may be taken as the true value of the corporation, for it is that amount which investors are willing to pay for ownership of the corporation. It is of no value as a method of appraisal, however, in the case of those corporations whose stocks are not for sale. The par value, or book value, of capital stock and bonds is as unreliable as a measure of current value as the book value of the assets of the corporation.

3) What are the merits of the use of capitalization of net earnings in the determination of value? This is a commonly-accepted method of appraisal. However, its success depends upon the correct determination of the net earnings of a corporation, and upon the use of a proper rate of capitalization. These are both highly technical problems and require careful study.

4) Could cost of reproduction be used as a method of value determination for utility property, as it is with other property? A reproduction cost appraisal of such properties would be extremely expensive in both time and money. It is questionable whether it could be used in the appraisal of interstate corporations, such as most railroads. The plant of a utility may be subject to a tremendous amount of obsolescence or other loss of value which would be difficult to determine, except with reference to other methods of valuing the corporation as a unit. However, a reproduction cost appraisal might be most helpful as a basis of distribution of assessed valuation, regardless of the method of value determination which is used.

5) Are assessed valuations on public utility property equalized with assessed valuations on other classes of property which are locally assessed? This question is difficult to answer because it is difficult to determine the value of public utility property. There are insufficient sales of such property to establish any kind of market value to be used as a guide. If locally assessed property were assessed at 40 per cent of average market value, the use of 40 per cent of the value determined by the tax commission for utilities would be no proof that valuations were equalized. There is still the question of whether the value determined by the commission is the true value.

6) What is the best method of allocating a portion of the value of an interstate system to that portion of the system which is located in Colorado? This is a very important question. Even with a correct determination of the value of the entire system, the amount assessed in Colorado

can vary considerably according to the method of allocation. It is understood that the method now used by the tax commission allocates more valuation to Colorado than would be the case with other methods which are sometimes considered better.

7) What is the best method of distributing the assessed valuation to the various taxing jurisdictions? There is much objection to a mileage basis of distribution because it does not appear to give valuation to jurisdictions wherein terminal facilities are located commensurate to the value of such facilities. On the other hand, there is much objection to the use of situs distribution for electric companies, which results in the concentration of valuation in the districts in which power plants are located, rather than those in which power consumers are located.

A factor affecting any study of the assessment of public utilities is the fact that the law provides that information contained in the annual statements submitted by the public utility corporations to the tax commission are confidential and are to be used only by the commission for the purpose of assessing the property of the corporations.<sup>2</sup> The unavailability of these statements for study is a handicap to anyone undertaking a study of public utility assessments. This handicap was overcome to an extent during the course of this study. Forty-one of the corporations, whose assessed valuations represented ninety-four per cent of the total assessed valuation of public utilities, were requested to provide the Legislative Council staff with copies of the statements for the latest year. Twenty-eight of the companies responded by sending copies of their statements.

Because of the highly technical and interstate nature of the problem, it was recognized that the study of the assessment of public utilities should be done by a recognized expert in the field of public utility appraisal, or that such an expert should be retained as a consultant. With this in mind, the forty-one corporation sample was selected for study and the scope of a proposed study was outlined to include: a determination of the full cash value of the selected utility properties; a study as to whether the methods now used by the tax commission result in the determination of such value; recommendations for any changes in methods needed for the determination of such value; a study of the tax commission organization for assessment of utilities; a determination of whether and the extent to which our laws now prescribe methods for assessing all classes of utilities and whether such prescriptions will produce equalized assessments; a determination of what legislative reform should be proposed; a determination of whether present laws relating to allocation and distribution of public utility assessments are appropriate to achieve equalized assessments of the properties in each taxing jurisdiction; and what different provisions for allocation and distribution might be considered.

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2. C. R. S. 1953, Sec. 137-6-22.

Seven different individual consultants and appraisal firms of national reputation were requested to make estimates of what they could do in the way of conducting such a study and what they would charge for such service. Responses indicated that sufficient funds were not available to pay for the study and that such a study could not be completed by January, 1959.

Next, the size of the study sample was reduced to thirteen companies, representing seventy-two per cent of public utility assessments, and the scope of the study was limited to include only a determination of full cash value of the selected corporations by accounting methods, a study as to whether the methods now used by the tax commission result in the determination of such value, and recommendations for changes in methods of determining such value. The reduced requirements were submitted to the consultants for an estimate by them of what they could accomplish within the existing time and cost limitations.

Responses were received from two appraisal firms. Their proposals were both so limited in scope that it was felt by the Legislative Council committee on the study of assessment methods that it would be inadvisable to accept either one. It appeared that what would be accomplished by so limited a study would be of little real value, and would not truly answer any of the questions outlined in the preceding paragraphs. Therefore, it was recommended by the committee that no further consideration be given to the problem of the assessment of public utilities until after the report on the assessment of locally-assessed property was completed, and that the next General Assembly make provision for a study of the assessment of public utilities of sufficient scope to be worthwhile.

#### Findings and Conclusions.

It is not known whether the assessed valuations of public utility property as made by the Colorado tax commission are equalized with those of other property. It is not known whether the methods of value determination used by the tax commission result in the determination of the full cash value of such property. It is not known whether the methods of allocation of value used by the tax commission are proper. It is not known whether the forty per cent equalization factor now used results in equalized assessments. It is not known whether the present methods of distribution of valuation to counties and their political subdivisions result in a satisfactory division of the valuations.

The answers to these questions can be learned only by a thorough study of the problem, which should be undertaken as soon as possible. In order to facilitate such study, the annual statements of public utility corporations to the tax commission should be made available to the Legislative Council for the purpose of studying methods of assessment.

## XI

### ADMINISTRATIVE PROCEDURES

The term "administrative procedures" is used in this report to refer to those procedures which are not methods of determining assessed valuations, but are related and essential to the process of assessing property. They include: the maintenance of necessary records of property and its ownership, of appraisals, and of annual assessments; matters relating to the obtaining of returns from owners of property; matters relating to the manner of listing property for assessment; the compilation of the total assessed valuation by classes of property to be submitted to the tax commission as an abstract of assessment; the compilation of the total assessed valuation of the county and of each unit of government within the county which levies a tax, to be certified to each such levying body; the preparation of the tax list and warrant for delivery to the county treasurer; and numerous other administrative functions.

The exact procedure followed in performing these administrative functions in each county may seem of little importance so long as they result in adequate performance of the various functions and suit the desires of each county assessor. However, it is desirable that the most efficient procedures possible be used in each and every county in order that the least possible expenditure of man-power and public funds is devoted to the performance of purely routine administrative functions, leaving a greater amount of time and money to devote to the performance of the primary function of assessing property. Inefficient, inadequate, and obsolete procedures are, today, seriously detracting from the ability of assessors to perform this primary function adequately, and are contributing to the failure to achieve satisfactory assessment results.

Furthermore, aside from the need for efficiency, adequacy and modernization in administrative procedures, there is much to be said for the use of uniform procedures and records in all counties, varied only for the purpose of meeting the requirements of varying situations. Many persons, representing various private interests and public agencies have occasion to go from county to county to obtain information from the records of the county assessors. Personnel of the tax commission also must go from county to county inspecting records in the course of their assignments. If uniformity of records is encountered in each county, these persons soon become familiar with the system in use and can obtain the information they desire with little assistance from the personnel of the assessor's office.

If, however, a different system of record-keeping is encountered in each county visited, the person must seek assistance from someone in the assessor's office to find the information he desires, or at least to obtain an explanation of the system that is in use. This situation can be very wasteful of the time of both the person seeking information and of the personnel in the assessor's office. This very lack of uniformity has been a handicap in the course of this study.

The law provides that the tax commission shall have and exercise the power and authority "to prescribe a uniform system of procedure in the assessors' offices and the form and size of all tax schedules, tax rolls and warrants, field books, plat and block books and maps, and all other notices and forms furnished to taxpayers, and all blanks, books and records used in the offices of county assessors. No other system, forms or blanks shall be used in such offices excepting those prescribed by the commission."<sup>1</sup> In spite of this provision of the law, the tax commission has never been successful in prescribing and enforcing the use of uniform systems, blanks, books, records, or forms.

To analyze the procedures, records and forms being used in any detail would require too much space and would be of little value in leading to suggestions for legislative action. It is beyond the scope of legislative action to prescribe all the details of administrative routine. Therefore, only sufficient explanation and illustration of the problem will be presented to show the need for administrative action to improve such procedures, and to indicate what legislative action might be taken to require such improvement.

#### Property Ownership Records

A basic function of the county assessor's office is the maintenance of records of real property located in the county that is subject to taxation and its ownership. These records are usually kept in one of three forms: a township plat book, a block book, and, where needed, a mining claim register. The purpose of these records is to provide information for the use of the assessor in assessing property and for the use of anyone else who has occasion to seek information concerning the ownership of real property in the county.

Property which is surveyed and described for conveyance, assessment, or any other purpose according to the township system, by portion of section, township and range, is recorded in the township plat book. Property which has been platted as townsites, additions or subdivisions, described by lot and block number, is recorded in the block book. Mining claims, which are described by name and survey number of each claim, without reference to exact location, are recorded in the mining claim register.

There is no standard form of any of these record books in use throughout the state. Some township plat books consist merely of individual township plats with the boundaries of each tract of land drawn thereon, and the name of the owner of each tract entered within the boundaries of the tract on the plat itself. Others, in addition to the plats, contain record sheets whereon are recorded the names of owners. In some counties the owner of each forty

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1. C.R.S. 1953, Sec. 137-6-12 (3)

acres is entered each year. In other counties a number is assigned to each tract, however, large or small, and the name of the owner is recorded once for each tract after the number assigned to it. In some counties a permanent record of the person to whom property is assessed each year is kept. In others, only a record of current ownership is maintained in easily changeable form.

Similar variations in form are found among block books and mining registers in use throughout the state.

All of these record books meet the requirements for which they were designed, in varying degrees. They do provide a record of property ownership. However, some are excessively cumbersome to maintain and to use. Some are not kept up to date. Some are of questionable accuracy. The variety of forms in use are confusing to those who are referring to records in different counties.

### Listing Real Property for Assessment

The law provides that real property shall be listed each year by the assessor, and it has numerous provisions relating to the manner of describing real property, to whom it shall be assessed, and so forth.<sup>2</sup>

It does not require that the assessor obtain a signed schedule of real property from its owners, as is the case with personal property. Therefore, all an assessor need do as an original assessment each year is to list all taxable real property in his county, describe it according to the provisions of the law, include as part of the listing the name and address of the owner, and make an assessment upon the basis of his appraisal of the property.

The operation of listing real property, as distinct from appraising and assessing it, is primarily one of listing correct descriptions of each separate property, consolidating or dividing descriptions when property is conveyed, and keeping current with changes of ownership. The volume of work involved is substantial, even in the smallest counties. The listing must be made each year on tax schedules and tax lists.

In those counties which have adopted the use of mechanical equipment for this purpose, the work of listing has been greatly simplified. The description of each separate property, together with the name and address of its owner, is maintained current on metal plates. From these plates any form of listing for schedules, tax lists, or any other purpose, can be easily and readily accomplished. However, sixteen counties do not have such equipment. In these counties, whenever any listing is necessary, it must be done in long-hand or on a typewriter. Tremendous numbers of man-hours are spent in this process, and the possibility of error with each listing is very great. One advantage of the use of metal plates is that if the plate is correct, all listings will be correct.

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2. C.R.S. 1953, Sec. 137-3-13,14, 137-12-8, 9.

Some counties are so small and have a small enough job of listing, that they truly can not afford to purchase such equipment, and if they should be able to afford it, such a purchase would not be economical. However, judging by the experience of those counties which have installed the equipment, there are many counties which do not now have it which could well afford to purchase it, and would actually save money by so doing.

In one such county, where the assessor's office is manned by an assessor and one deputy, with no clerks, so much of the time of the two men is spent in listing property on schedules and tax lists that insufficient time is left each year for proper appraising and assessing.

A special problem in connection with listing real property is that of who should be listed as owner. This problem is one of date of conveyance. Some assessors list real property each year to its owner on the assessment date of the current year, February first. Others make changes of ownership up to July first. The latter practice is based upon the fact that assessments must be completed on that date, and on the fact that the law provides that in the case of conveyance of real estate, and in the absence of other agreement, the grantee shall pay the taxes for the current year if the date of conveyance is prior to July first, and that the grantor shall pay them if the date is subsequent to July first.<sup>3</sup> Other assessors make changes in ownership as late in the year as they can be made before the property is listed in the tax list, in order that the latter will contain the name of owners as of the time the list was prepared.

From one point of view, it is desirable that the tax list, when delivered to the county treasurer, contain the names of the persons who are owners of property at the time of the delivery of the tax list. This more nearly assures that tax notices will be sent to the current owners of property, rather than to former owners. However, the attempt to make corrections in listings after the assessment date adds work and confusion.

Listing Partially Owned or Secured Property. The law provides that: "For purpose of taxation, it shall make no difference that the possession, use or ownership of any taxable property is qualified, limited, not the subject of alienation, or the subject of levy or distraint separately for the particular tax derivable therefrom; provided that where any property within this state is mortgaged, conveyed, or pledged for the security of a loan or debt then owing, the property and the notes, mortgage, trust deed, deed of trust, contract or other conveyance shall be assessed as a unit, and as one and the same, and as of one value, and as the value of said property so mortgaged, conveyed, or pledged only, and any such notes, mortgages, trust deeds, deeds of trust, contracts or conveyances shall not be otherwise assessed."<sup>4</sup> This section of the law is rather confusing, but it means

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3. C.R.S. 1953, Sec. 137-12-16.

4. C.R.S. 1953, Sec. 137-12-9.

essentially that one assessment shall be made of the full value of real property in the name of the person having fee title, and that no separate assessment shall be made of a portion of the value to the holder of a mortgage, deed of trust, or other such partial interest.

Another section of the law provides that: "Any person having or claiming to have an undivided interest in lands, or any lien upon a parcel or tract of land, or any inchoate interest, possessory interest, equitable or other estate less than the fee, may file a schedule specifying such undivided interest or estate, for the assessment of taxes thereon. All such undivided interests or estates, and such liens and inchoate interests so specified, shall be assessed, advertised for sale, sold for non-payment of taxes assessed thereon, and redeemed for such sale in like manner and with like effect as estates in fee simple and entires are assessed, advertised for sale, sold, and redeemed from sale for taxes."<sup>5</sup>

These two sections seem to be conflicting to the extent that the latter seems to state that a separate assessment may be made on an interest in property based upon an indebtedness. On the other hand, some partial interests, such as leasehold interests in public property, which are commonly subjected to assessment, are not mentioned. These sections of law should be clarified to provide for assessment of the entire valuation of real property to the fee owner, except that undivided interests, possessory rights or leasehold interests in public property, equities in state and school lands purchased under contract taken from the state, and coal, mineral, or oil and gas rights separately owned, may be listed and assessed separately.

#### Obtaining Return of Taxable Personal Property

The Assessment Date. By law, the official assessment date is designated as the first day of February in each year.<sup>6</sup> This is the date on which all taxable property in a county becomes subject to assessment. This date was established, effective in 1958, by action of the General Assembly in 1957.<sup>7</sup> Previously, it had been March first, and at an earlier time, April first.

A change of the assessment date to January first is desirable for a number of reasons. First, an early assessment date gives the assessing official a longer assessing season, a longer time in which to complete the work of making original assessments. At present, assessments must be complete before the first day of July. A February first assessment date, therefore, gives the assessor a period of five months in which to make assessments. A January first assessment date would add another month to this period.

In addition, a January first assessment date is more logical and more consistent than any other. There is no particular reason why another date than the first day of the year should be designated. It would conform to the

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5. C.R.S. 1953, Sec. 137-3-13 (2).

6. C.R.S. 1953, Sec. 137-12-1.

7. House Bill No. 4, 1957.

alendar year and to the fiscal year used for accounting purposes by most persons. With assessments, such as those on merchandise, which are based on the average investment in merchandise for the preceding year, and on extractive land, which are based on the annual production for the preceding year, a January first assessment date is better. For calculation of depreciation, particularly on machinery and equipment, a January first date is better. And for those purposes for which they may be used, the year-end financial statements of most businesses would be usable without adjustment to reflect conditions existing on a later assessment date.

There seems to be but one objection to the designation of January first as the official assessment date. This objection has been voiced by the livestock interests of the state, and was primarily responsible for the fact that the January first date was not established in 1957. This objection is that if the assessment date were changed from February first to January first, livestock which has not been marketed during the fall and winter months prior to January first, but which is marketed during the month of January, will be subject to assessment. The livestock interests claim this would be unjust because a considerable number of livestock are held over for marketing in January.

Exceptions to Assessment Date. There are certain other exceptions to the provision of law that property shall be assessed in the county where it is situated on the assessment date. These relate to the intercounty and interstate movement of livestock, livestock fed in transit, property brought into the state after the assessment date, and merchandise and manufactures.

Division of Livestock Assessments Among Counties. The law provides that when livestock is herded or grazed in two or more counties during the year, the assessment on such livestock shall be divided among all of the counties in which herded or grazed in proportion to the time spent in each county. The assessor of the county in which the livestock is located on the assessment date lists and assesses the livestock, divides the assessment among the counties, gets the owner to sign an agreement for such division,<sup>8</sup> and sends copies of the agreements to the assessors of the other counties.

This procedure works reasonably well in the case of those herds or flocks which follow a normal grazing pattern year after year. The owner has an established schedule which he follows. He knows that on or about a certain date he will move his stock from one county into another, that they will remain there for a fairly definite period of time, after which they will be moved into a third county or back to the first. This schedule is followed closely, barring unusual range conditions. However, many owners of livestock, particularly those who do not own all of their own range, may be unable to establish and follow such an unchanging schedule of operations. Some who, on the assessment date, plan to keep their livestock in their home county during the entire year, may find that they have to make an unplanned move in order to have sufficient pasture for the stock.

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8. C.R.S. 1953, Sec. 137-3-33.

These latter instances present a difficult problem to the assessors concerned, one which is not adequately provided for in the present law. The responsibility for assessment and division of assessment is placed upon the assessor of the county in which the livestock is located on the assessment date. No other assessor can legally make such an assessment and division. In the case of an unplanned movement of livestock, the first assessor probably is not aware of it. The second assessor can do no more than make a request of the first assessor that he be given a division of the assessment. Many assessors are reluctant to change an assessment and division late in the year, and, therefore, the first assessor may ignore the request. The second assessor sometimes proceeds to make an assessment of the livestock for the period of time it is in his county, legal or not, thereby causing a double assessment and much confusion.

Some clarification of this law is also needed. The method followed in dividing livestock assessments among counties is to divide the number of livestock, rather than the amount of assessed valuation. For instance, if an assessment on one hundred head of cattle is to be divided between two counties, in each of which the cattle are herded or grazed for six months, the division would be on the basis of fifty head of cattle to each county. The law is not clear as to whether this practice is the intended method of division. It should be clarified. Furthermore, the law now specifies no minimum period of time for such division. Presumably, a county could receive a division for one day, which would be ridiculous.

Assessment of Livestock Fed in Transit. Another problem in the assessment of livestock in feed-lots, ordinarily referred to as "fed in transit". The main aspect of the problem is that there is movement in and out of the lots during the year, and the period of time spent in the lots is variable. There is a specific provision of law that: "All livestock brought into the state...to be fattened on agricultural products, and all livestock taken from one county into another county within the state for this purpose shall be valued for taxation within the county where fed at such a proportion of their full cash value as the time they are within the county for the current year bears to the full year."<sup>9</sup>

It would seem that each feed-lot operator could be assessed for the livestock in his possession on the assessment date for a full year, the same as any other owner of livestock. He could in addition be assessed for any other livestock purchased after the assessment date for the length of time in his possession, provided they came from outside his county. As can be seen, the provisions of law relating to this problem are confusing. Some assessors attempt to assess all livestock which pass through a feed-lot at a certain amount per head per month, but this is done only during the period from January 1 to July 1.

From one point of view it would appear that feed-lot operators are merchants, buying and selling a commodity for profit. Therefore, they should be assessed upon the average of moneys and credits invested in livestock during the year, regardless of whether such livestock had been individually assessed as such previously. However, the present statute forbids assessment in this manner.<sup>10</sup>

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9. C.R.S. 1953, Sec. 137-3-34.

10. C.R.S. 1953, Sec. 137-3-25.

Property Brought Into the State After the Assessment Date. Another exception contained in the law to the provision that all taxable property shall be listed and assessed in the county where it is situated on the assessment date relates to property brought into the state from another state after the assessment date. The law provides that if any taxable personal property is brought into this state for any purpose after the assessment date, the owner shall file a schedule thereof with the assessor, and that "it shall thereupon be listed by the assessor and be assessed for the then current year", apparently for the full year. It provides, however, that if such property does not remain in the state until the next assessment date "then such property shall be valued for assessment at such proportion of its full assessed value as the time within the state bears to the full year, but in no event shall such time for computation be less than ninety days except as otherwise provided for by law."<sup>11</sup>

With reference to livestock, the law provides that "whenever livestock which is ordinarily maintained in Colorado shall be removed during a part of the year from counties of this state into another state for a period of thirty days or more, and shall thereby establish a tax situs therein, the amount of valuation to be assessed in Colorado against such livestock shall be exempt from paying taxes on the proportionate amount of taxes which would otherwise be due in Colorado for that period during which said livestock has been maintained in another state."<sup>12</sup>

The law also provides that: "Whenever livestock which is ordinarily maintained in another state shall be maintained during a part of the taxable year in this state for a period of thirty days or more, it shall be deemed to have established a tax situs within Colorado, and the amount of such livestock shall be exempt from paying taxes on the amount of valuation which would otherwise be allocated to Colorado; provided that this subsection shall apply only to such states as are governed by similar reciprocal tax laws applicable to Colorado, and that in all instances livestock shall be assessed and taxed as otherwise provided in this section."<sup>13</sup>

It will be noted that there are many inconsistencies in these provisions, aside from the fact that livestock is treated differently than other personal property. For personal property, other than livestock, if it is brought into the state July first it is subject to a full assessment, but if it is then removed from the state on October first, it is subject to only one-fourth of a full assessment. Property which is in Colorado on the assessment date is subject to a full assessment, even though it may later be moved out of the state, unless it is livestock, in which case its valuation may be reduced according to the time it is out of the state, provided it is only temporarily out of the state.

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11. C.R.S. 1953, Sec. 137-3-3.

12. C.R.S. 1953, Sec. 137-3-33 (3).

13. C.R.S. 1953, Sec. 137-3-33 (4).

The Measure of Value of Merchandise and Manufactures. As explained in Chapter IX, the measure of the value of merchandise and manufactures is not the amount invested in such merchandise and manufactures on the assessment date, but the average amount invested during the preceding year.

The Procedure of Obtaining a Schedule of Personal Property. The first step in making an assessment on personal property is obtaining a schedule of such personal property from the person who owns it, or has it in his possession or under his control. At present, the law provides that on the assessment date in each year, or as soon thereafter as practicable, the assessor or his deputy shall call at the residence or place of business of each person in his county who owns or has in his possession, or under his control, any taxable personal property which was in the county on the assessment date.

At the time of such call the assessor shall obtain from such person a schedule, signed under oath, listing all such taxable personal property, or he may leave the schedule with such person, to be returned to him not later than the first day of May next following. The assessor is also required to mail a schedule to each non-resident owner of taxable personal property, such schedule to be returned to the assessor not later than the first day of May.

The law further provides that, at any time, such person shall furnish such information or records for examination as may be required by the assessor to make a proper and correct assessment. If, on the first day of May, the assessor has received no schedule for any personal property known by him to be taxable, he shall make an assessment based upon the best information obtainable by him. This is known as an arbitrary assessment. No assessment shall be rendered invalid by reason of the failure of the assessor to demand or secure the schedule required prior to making the assessment.<sup>14</sup>

These provisions of the law are inadequate in that they do not place enough responsibility upon the owner of taxable personal property to file a schedule for assessment, and no effective penalty is provided for failure to do so. Under present law, the assessor, typically, attempts to make personal contact with each owner of personal property. He and his deputies travel about the county calling at the homes or places of business of all such persons. However, since people are not always at home or at their places of business when called upon, the assessor and his deputies may make repeated unsuccessful attempts to see many property owners, thereby expending considerable time and money. It is not unusual for an assessor, particularly in a rural area, to spend an entire day and drive many miles to complete only a few schedules. Cases of completely unsuccessful days of endeavor have been reported.

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14. C.R.S. 1953, 137-3-6.

Attempts to notify persons that the assessor will call on a certain day seem to have little effect. The notice is ignored or forgotten by some. Since it is not possible for the assessor to set a schedule of calls and adhere to it, and since people do not like to wait all day at home for an expected call, a person may be temporarily absent when the assessor calls, in spite of prior notice. Notification of intention to call may merely serve as a warning to the property owner to be unavailable on the day designated. Leaving schedules at the time of the first call is ineffective, for they usually are not returned.

Assessors do strive diligently to make all assessments of personal property by personal contact with the owners of the property. The making of arbitrary assessments upon the basis of the best information obtainable is not very satisfactory. Such assessments are usually not correct, and they result in considerable controversy and confusion, extending in some cases over a period of several years. If the arbitrary assessment is lower than a correct assessment would have been, the person assessed is likely to accept it, pay the tax levied upon it, and continue to avoid correct assessment. If, as sometimes happens, an assessor makes an arbitrary assessment based upon the previous year's assessment, not knowing whether the property has remained in the county, the assessment may be erroneous and the tax levied thereupon may have to be abated. The property owner typically does not object to the erroneous assessment until after he has received one or more tax notices in the year succeeding.

There is nothing in the law at present which forces a person to file a schedule before a certain date. The only result of failure to file is the making of an arbitrary assessment, which may be more acceptable to the property owner than a correct assessment would have been, and which, in any event, can be adjusted to a correct assessment at a later time, causing confusion and extra work on the part of the administrative agencies.

#### Reviews of Assessments

After an original assessment is made it is necessary that the owner of taxable property have an opportunity to object to the assessment and to have his objections reviewed and either rejected or acted upon by way of corrective action. The law provides that prior to the first day of July the assessor shall mail to each person, whose personal property has been assessed at a valuation other than that given in the schedule filed by such person or whose lands or improvements have been assessed at a valuation higher than that of the preceding taxable year, a statement of such increase in valuation. It also provides that prior to the first of July, the assessor shall give notice, by publication in a newspaper published in the county seat, or by posting notice, if there be no such newspaper, that on a given day he will sit to hear any and all objections to the "assessment roll."<sup>15</sup>

It provides that any person who is of the opinion that "his property has been twice assessed", or that "property exempt from taxation has been assessed", or that "personal property has been assessed of which said person was not possessed at the time of the assessment", or that his

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15. C.R.S. 1953, Sec. 137-3-37.

"property has been assessed too high", or that his "property has been otherwise illegally assessed", may appear before the assessor and make known to him "the facts in the premises". The assessor must sit on the days published and until the first meeting of the county board of equalization, which is the third Monday in July, and hear the objections of such taxpayers as may appear before him. If "in any particular the assessment complained of is erroneous under the statutes, the assessor shall correct the same". In considering such objections the assessor shall "take into consideration the value as fixed by the assessor upon other similar assessable property similarly situated".<sup>16</sup>

If the assessor shall refuse to change or correct the assessment complained of, he shall give written notice to the person of the grounds of his refusal, such notice to be mailed before the first day of the meeting of the county board of equalization. The person whose complaint has been so refused may then appear before the county board of equalization, which meets from the third Monday in July to the twenty-eighth day of July. He must file a petition with the board on which the property claimed to be erroneously or unjustly assessed is identified, and the petitioner states "the sum at which it is assessed, its true cash value" and "what is a just assessment thereon compared with other like property."

The board shall take into consideration the value as fixed by the assessor upon other similar assessable property similarly situated and hear such testimony as may be produced. "The board shall either grant or refuse the prayer of the petitioner, in whole or in part, as may seem just and proper" and the members "may correct any error or mistake in such assessment made by the assessor under the law whenever, in their judgment, justice and right may require it".<sup>17</sup>

If the petition is denied by the county board of equalization, the petitioner may appeal from the decision of the board to the district court of the county wherein said property is assessed, which appeal "shall be taken on or before the first Monday in January following said assessment".

It appears that assessors, in general, are complying very well with the law requiring notices to the taxpayer, and publication of notice, that they are sitting to hear complaints of taxpayers, that they are correcting many erroneous assessments at the time of such hearings, and that county boards of equalization are hearing appeals from the assessor and are in some few cases ordering corrections to be made by the assessor. However, the provisions of the law are insufficient to afford adequate opportunity for each taxpayer to protest his assessment at the proper time and place. Perhaps, this last statement is untrue if it is assumed that every taxpayer is informed in the law and takes enough interest in his property taxes to obtain information as to the amount of his assessment. However, the procedure is weak at the point of notification.

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16. C.R.S. 1953, Sec. 137-3-38.

17. C.R.S. 1953, Sec. 137-3-37.

The law requires no more than that those persons whose personal property has been assessed at a higher valuation than that given in the schedule filed by them, and those whose real property has been assessed at a higher valuation than for the preceding year shall be notified. What about those persons whose personal property has been assessed without a schedule having been filed? What about those persons who do not know what the assessed valuation on their real property is, persons who have purchased property recently and have never determined what its assessed valuation is? Shouldn't all taxpayers be notified each year of the assessed valuation placed upon their property and be informed of their rights to object thereto?

A result of this weakness in the requirement for notification is that relatively few people appear to complain at the designated time, and very few people appear before the county board of equalization. Instead, the majority of complaints occur after the tax notices are received the following year. Many petitions for abatement or refund of taxes are received and acted upon after the taxes have already become due and payable because no complaint was made at the proper time.

Another fault of the present provisions for hearing complaints is that the time allowed for such hearings is too short to permit careful consideration of all complaints if they are numerous. The assessor has from eight to thirteen office days in which to hear complaints, depending on the annual variations of the calendar. The county board of equalization has from five to ten office days in which to hear petitions, depending on the annual variations of the calendar. Actually, at present, this time is sufficient for the hearing of such complaints as develop during the designated time. However, if through more thorough notification, a greater number of legitimate complaints were encouraged, a greater amount of time might be required.

#### The Abstract of Assessment

The law requires the county assessor, when he has completed the assessment of all taxable property each year, to prepare an abstract of assessment, which is a compilation of all assessments. He must subscribe to an oath, in person and not by deputy, that he has "assessed the taxable property situated" in his county "for the current year and at the true and full cash value thereof and that the foregoing abstract of assessment is a true compilation of each and every schedule." On or before the first day of August, the assessor must transmit to the tax commission a copy of his abstract on a form prescribed and supplied by the tax commission.

The tax commission is authorized to prescribe the form of the abstract and "to classify, diminish or add to the forms of abstract, and to require such different, or further matter to be returned as it may deem advisable."<sup>18</sup>

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18. C.R.S. 1953, Sec. 137-3-40, 42.

The present form of the abstract of assessment, as prescribed by the tax commission, requires that the total assessed valuation of each class of property, as listed on the form, be returned. It is divided into three main sections: real property; personal property; and public utilities assessed by the tax commission. Each of these sections contains sub-sections, which in turn are composed of individual classes of property.

In the early chapters of this report all of the classes currently included in the abstract have been listed in reporting the amount of 1958 valuation for each broad class of property. As an additional example, "Farm Lands" is a sub-section of "Real Property"; it consists of the following specific classes: "Irrigated Land (including Orchard Land)", "Suburban Tracts", "Meadow and Irrigated Pasture Land", "Dry Farm Land", and "Grazing Land".

The task of compiling all of the schedules of property which have been received or prepared into an abstract of assessment is one of the major administrative tasks of the assessor's office. The tax schedule usually is designed so that the assessed valuation is entered on it according to the classes of property required by the abstract. After the schedules are completed, the assessor must then, in some manner, tabulate all of the assessments by class and arrive at a total valuation for each class. The most common way of doing this is by posting each separate valuation appearing on each schedule into a specially prepared book containing columns for each class of property. Each schedule of real property may contain as many as seven different items to be posted to different classes, and each schedule of personal property may contain as many as fifteen different items to be posted to different classes.

When all assessed valuations have been posted in this manner, the columns are totaled to arrive at a total valuation for each class of property, and the total number of units (acres, heads of livestock, number of tractors, etc.) assessed, and from these an average valuation per unit is calculated.

In posting from the schedules to the columnar book, in addition to the volume of work involved, there is also a very great possibility of error. Figures can be posted to the wrong column, can be altered in transcribing, or can be omitted entirely. Therefore, all of the posting must be carefully rechecked. There is also possibility of error in totaling all of the columns. It would be a rare case where, on the first attempt, the totals of the individual classes would be found to equal the total valuation of the county.

A few of the larger counties have adopted machine methods of compiling the abstract. These are of three types. One is the sensimatic type of adding machines which will tabulate and add several columns at once. With the use of these machines, the processes of posting and adding are combined, much work is saved, and greater accuracy achieved. One county has adopted the use of a cash register type machine which can maintain a simultaneous cumulative total on a large number of separate classes of items as they are entered according to a designated code system. One county has a complete

machine records setup in which assessment information is entered on punched machine record cards, and from which information can be readily compiled in any form which might be desired. It is not suggested that these methods be adopted by all the counties for the cost of the equipment is so great that few counties could afford it.

Another factor which complicates the task of compiling the abstract is the changes in the form of the abstract which may be made annually. The assessors usually design their schedules on the basis of the previous year's abstract form. Their columnar books are designed to match. They start compiling the abstract as soon as the first schedules are filed. (It usually is not possible to wait until the year's assessments are complete before starting the compilation.) At some later date, the tax commission may decide to change the form of the abstract, and knowledge of these changes may come to the assessors only a month or two before the abstract is due to be submitted to the tax commission. Therefore, an abstract which has been partly compiled on the basis of one set of classifications may have to be re-done, in part, to reflect the changes that have been ordered. Some of the changes of form that were ordered for the 1958 abstract are listed below.

The class "Fruit and Vegetable Tracts", which had been a catch-all classification for any small tracts of rural land, many of which were not used for agricultural purposes, were required to be put in the appropriate agricultural classification. Two new classes, "Suburban Tracts" and "Mountain Home Sites" were added for those rural tracts which are not agricultural in use. The various improvements classifications were revised. The 1957 classification of "Furniture and Fixtures" was subdivided into four more detailed classifications. Several other changes of a similar nature were made.

It is desirable that the form of the abstract be changed from time to time to improve the usefulness of the information reported. However, assessors should, if possible, be informed of changes before the assessments for the season are undertaken.

In spite of the tremendous amount of work involved in compiling the annual abstracts, the information thereby provided to the tax commission, and by it to the general public, is of limited value. They do provide a means of determining the total valuation of each county and of the state, and they do provide the total valuation, and average valuations per unit, for those classifications which are prescribed by the tax commission. However, these totals and averages are of relatively little value in determining whether valuations are equalized without consideration of much additional and more detailed information. And for statistical purposes their value is limited by the classifications which are included.

A good illustration of the limited value of the present form of abstracts was developed during the course of the sales ratio study. It was decided that only a classified ratio study would be of any real value for the study of assessment methods, and that the classifications contained in the current abstracts were of no use for this purpose. Therefore, the county assessors were requested to submit a special report to the Legislative Council according to specified classifications. The compilation of these reports represented a great amount of extra work to the assessors. Many of them were inclined to ignore the request, but, over a period of seven months, the reports were received from all counties.

#### Certification of Valuations to Taxing Jurisdictions

Prior to October first in each year the county assessor is required to certify to the county superintendent of schools the total assessed valuation in each school district in his county, and to the governing body of each municipality or special district in his county the total assessed valuation in each municipality or special district. Ordinarily, this certification is not especially difficult, as the compilation of total assessed valuations within each taxing district is done at the same time as the compilation of total assessed valuations for classes of property.

However, when a new taxing district is organized and prepares to levy a tax, an extra load may be placed upon the assessor's office. Typically, the assessor is requested to supply the organizers of the district with a list of property owners within the proposed district before it is organized. Then he must certify its total valuation prior to October first after it is organized, and prepare to extend its tax levy on the tax list. This process becomes a difficult problem when a district is organized late in the year, proposes to levy a tax in the year of its organization, and expects the county assessor to provide service to it with inadequate time allowed for the performance of the necessary work. At present, there is no statutory deadline after which a newly organized district is not permitted to levy a tax for the current year.

#### Assessment of Mobile Homes

Another procedural problem with which the county assessor is confronted is the assessment of mobile homes, or trailer coaches. The Constitution provides that "the general assembly shall enact laws classifying motor vehicles, trailers and semi-trailers and requiring the payment of a graduated annual specific ownership tax thereon" which tax "shall be in lieu of all ad valorem taxes upon such property" except "that such laws shall not exempt from ad valorem taxation motor vehicles, trailers and semi-trailers in process of manufacture, or held in storage, or which constitute the stock of manufacturers, or distributors thereof or of dealers therein."<sup>19</sup>

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19. State Cons., Art. X, Sec. 6.

property tax assessment. The law provides that "with each deed, instrument or writing to be filed for recording, whereby any real estate or interest in real estate having its situs in this state shall be granted, assigned, transferred, or otherwise conveyed to, or vested in, the purchaser or purchasers, or any other person or persons, there shall be submitted, in duplicate, a certificate which shall state: (a) The total consideration, in terms of dollars, paid and to be paid for the real estate or interest in real estate so granted, assigned, transferred or otherwise conveyed; and (b) The relationship (by consanguinity or affinity), if any existing between each grantor and each grantee."

It further provides that such certificate shall be "on a form to be prescribed and furnished by the Legislative Council", and that such certificate shall be filed with the county assessor, who will enter the assessed value of the real estate conveyed and file them with the Legislative Council.<sup>23</sup>

Many problems have developed in the administration of this act. The first one to appear was one of interpretation. The question was raised as to what types of instruments required the filing of certificates. Early opinions by various district attorneys were very broad and as a result many types of instruments, such as oil and gas leases, real estate mortgages, and deeds of trust, which were not of any use in the sales ratio study were being recorded. An opinion of the Attorney General on September 4, 1957, adopted a more restricted interpretation, and as a result, most of the certificates which were being filed unnecessarily were stopped. Actually, for the purpose for which the certificates are required only deeds whereby fee title to real property is conveyed, or agreements of purchase and sale for the conveyance of fee title, are of any value, and the requirements of the law might well be limited to these instruments.

The law requires only that the total consideration paid and to be paid for real estate, the relationship between each grantor and each grantee, and the signature of each purchaser, or his agent, shall be stated on the certificate. The certificate form designed and supplied by the Legislative Council provided for more information, all of a reasonable nature, but many purchasers have declined to enter more information on the certificates than is specifically required by the law, and the county clerks have not required them to enter the additional information. As a result many certificates have been received without even the legal description of the property conveyed.

Even the information requested on the certificate itself has proven inadequate for sales ratio purposes. It has been necessary to obtain additional information by means of correspondence with the purchasers, or by field investigation, in order to judge the usability of many conveyances obtained for the sales-ratio study.

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23. C.R.S. 1953, 118-6-21 to 33.

The law provides that "Every owner of a ... trailer coach or mobile home which is primarily designed to be ... drawn upon any highway in this state ... shall apply to the department of revenue and shall obtain registration therefor",<sup>20</sup> and "pay such fees as are prescribed ... together with the annual specific ownership tax on the ... trailer coach, or mobile home",<sup>21</sup> except that "no owner shall be required to pay the annual specific ownership tax upon any ... trailer coach or mobile home for any registration year during all of which said ... trailer coach or mobile home is not to be operated or driven upon the public highways of the state" if the owner applies for such exemption and files with the county clerk and recorder "his affidavit setting forth the facts entitling him to such relief."<sup>22</sup>

Typically, there is no effective enforcement of the payment of specific ownership tax on a mobile home unless it appears on a public highway without license plates. This fact has resulted in large numbers of mobile homes which are not using the highways not paying the specific ownership tax voluntarily. Yet, in strict accordance with the law, such mobile homes are not exempt from specific ownership tax and therefore, subject to property tax unless the owners have filed affidavits to the effect that they do not intend to operate such mobile homes upon the public highways.

This results in a situation where the owner of a mobile home may pay either specific ownership tax or personal property tax, and if he does not draw the mobile home on the public highways may escape payment of either form of tax. County assessors, county clerks, and county treasurers in many counties have attempted to solve this problem by co-operative action, forcing owners of mobile homes to either pay specific ownership tax, or submit to personal property tax assessment and immediate payment of this form of tax. This has worked quite effectively in some instances, but it is a very difficult procedure. Really, there should be no such option to pay one of two types of tax, and since mobile homes are subject to registration for use of the highways, they should be required to pay specific ownership tax, exclusively.

#### Administration of Realty Recording Act

With the adoption of the Realty Recording Act in 1957, the administration of this act and the conduct of the sales ratio study upon which it is based, have become closely related to the administrative procedures of

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20. C.R.S. 1953, Sec. 13-5-1 (1).
  21. C.R.S. 1953, Sec. 13-5-3 (2).
  22. C.R.S. 1953, Sec. 13-5-8.

Another problem encountered was that of obtaining information which was needed concerning the assessed valuations of each of the counties. Such information was obtained from all counties, but a better way of obtaining it should be found.

### General Statutory Revision

The statutes relating to the assessment of property which are contained principally in Articles 3,4,5,6,7,8 and 12 of Chapter 137, Colorado Revised Statutes, 1953, are difficult to use. The arrangement of sections follows no logical order. Sections relating to the levy and collection of taxes which rightly belong in later articles are intermingled with the sections relating to assessment. Some sections are obsolete as the result of the enactment of other legislation, but have not been specifically repealed. Many sections are so ambiguous as to be scarcely capable of being interpreted. Some sections are in conflict with others. Most of them could be clarified considerably.

### Findings and Conclusions

1) Listing Real Property for Assessment. All taxable real property should be listed and assessed to its owner of record on the assessment date in each year.

2) Partially Owned or Secured Real Property. Real property should be listed and assessed as a unit at the full value to the fee owner of record, without regard for notes, mortgages, trust deeds, deeds of trust, contracts or conveyances to secure a loan or debt, or other partial interests in public property, equities in state and school lands purchased under contract taken from the state, and coal, mineral, or oil and gas rights separately owned, may be listed and assessed separately.

3) Official Assessment Date. The first day of January in each year should be designated as the official assessment date, and all taxable property should be listed and assessed in the county where it is located on that date, except as otherwise provided for by law.

4) Livestock Sold During January. Any livestock which is sold for feeding or slaughter prior to the first day of February in any year should not be listed and assessed for such year in the name of the seller.

5) Division of Livestock Assessment Among Counties. Division of assessments on livestock which is herded or grazed in more than one county during the taxable year should be based upon a division of numbers of livestock, rather than of assessed valuation, and computation of such division should be based upon the nearest half month during which the livestock is herded or grazed in each county. When livestock is moved into any county from another county in the state after the assessment date, for which the assessor has received no agreement for division of livestock assessment, such assessor should be authorized to make a new assessment and division thereof, which shall supercede any previous assessment and division thereof previously made.

6) Livestock Fattened on Agricultural Products. All livestock which is being fattened on agricultural products by feeding in any county in the state should be assessed within the county where fed at such proportion of their full valuation as the time they are within the county for the current year bears to the full year, or those who are in the business of feeding livestock should be assessed as merchants upon the basis of the average investment in livestock during the preceding year.

7) Property Brought Into the State After the Assessment Date. Personal property brought into the state after the assessment date in any year should be listed and assessed in the county where it is located for that proportion of its full assessed valuation that the number of months or major fraction thereof remaining in the taxable year shall bear to a full year; if any such property shall not remain in this state until the next succeeding assessment date, it should be assessed for a proportion of its full assessed valuation that the number of months or major fractions thereof in this state bears to a full year; but no such assessment should be made for less than one-fourth of the assessed valuation for a full year, except as otherwise provided for by law.

8) Average of Merchandise or Manufactures. The measure of the value of merchandise and manufactures should be the average amount of money and credit invested in merchandise or in manufactures during the year preceding the assessment date.

9) Filing Schedule of Personal Property. Prior to the first day of May in each year each person who owns, or has in his possession or under his control, any taxable personal property, should be required to file a tax schedule listing such personal property with the assessor of the county wherein such property was located on the assessment date of the then current year, and furnish such information or records for examination as may be required by the assessor to make a proper and correct assessment.

10) Notice to Taxpayer Regarding Filing of Schedule. On or before the first day of April, the assessor should be required to notify all persons known to him to own, have in their possession or under their control, taxable personal property, who have not previously filed with him a schedule of such personal property, that they shall file such schedule before the first day of May next following, subject to the penalties for failure to do so provided for by law.

11) Penalty for Failure to File Schedule. If, prior to the first day of May, any person known by the assessor to own, or have in his possession or under his control, any taxable personal property, who shall have failed to file a schedule listing such property for assessment, or shall have refused to furnish such information or records for examination as required by the assessor, or shall have filed a schedule from which any taxable personal property known to the assessor was omitted, the assessor should be authorized to proceed to assess such property based upon the best information obtainable by him, and to assess upon such person a penalty in the amount of five dollars for each one thousand dollars of assessed valuation or part thereof. Such penalty should be certified to the county treasurer for collection with the taxes levied upon the assessed valuation of the property of such person.

12) Form of Return--Merchandise and Manufactures. Prior to the first day of May in each year, any person who owns, or has in his possession or under his control, any merchandise or manufactures should be required to render to the assessor of the county in which such merchandise or manufactures are situated on the assessment date, a statement of the amount of money and credits invested in such personal property on the last day of each and every month of the twelve months ending with the last day of December of the year preceding. Such statement should be based upon records of actual physical inventories taken, upon the month-end balances of perpetual inventory accounts, or upon a calculation of month-end inventories with use of monthly purchases and sales records.

13) Form of Return--Merchandise and Manufactures in More Than One County.

Any person who owns, or has in his possession or under his control, merchandise and manufactures which are situated on the assessment date in more than one county, should be required to render a consolidated statement to the assessor in each county wherein such property is situated and to the Colorado tax commission, of the amount of money and credits invested in such personal property in each of the counties at the end of each month.

14) Form of Return--Personal Property Other Than Livestock, Merchandise or Manufactures. Prior to the first day of May in each year, any person who owns, or has in his possession or under his control, any taxable personal property, excepting livestock, merchandise or manufactures, should be required to render to the assessor of the county in which such property is situated on the assessment date, a statement listing such personal property, giving the original cost of each item when new, and the date purchased new or the approximate age thereof in years; provided that items of such personal property whose original cost was less than \$500 need not be listed individually as items, but may be included in groups of such items of equal age.

15) Notice of Assessment. Prior to the first day of July in each year, the assessor of each county should be required to deliver in person or by mail a notice of assessment to each person who is the owner of taxable property, real or personal, which has been listed and assessed for the then current year; such notice of assessment may be a carbon copy of the tax schedule, but should include a description of the property assessed, and the amount of the assessed valuation for the current year; such notice should also include notice of the dates when the assessor will sit to hear complaints and an explanation of the rights of taxpayers to object to erroneous or excessive assessments.

16) Taxpayers Remedy to Correct Error. It should be provided that any person who is the owner of taxable property which has been assessed for a valuation that he believes is excessive, or which he believes is erroneously or illegally assessed, having received notice of such assessment, may file an objection with the county assessor between the first day of July and the third Monday of July in the year of the assessment, and request a review of such assessment; that when any such person is denied a review by the county

assessor, or is denied an adjustment of assessed valuation or correction of the assessment claimed to be erroneous, in writing, he may appeal, successively, to the county board of equalization, the Colorado tax commission, and thereafter, to district court in the county wherein the property is situated; that no person shall have a right of such appeal to the county board of equalization or any higher authority if he has not first filed his objection with the county assessor during the period provided for by law, unless he has not received proper notice of assessment, in which case he may be permitted to file objection within a reasonable length of time after receiving notice of assessment.

17) Machine Records of Assessment Information. It would be desirable to have detailed information concerning the assessed valuation of property in all counties recorded by a central machine records unit, from which any statistical information relating to assessed valuations which might be required by the tax commission, the county assessors, the General Assembly, or any other person or agency having a legitimate need for such statistics, might be easily and readily compiled.

18) Newly Organized Taxing Districts. When a new governmental district or jurisdiction of any kind whatsoever is formed, the county assessor should be required to certify to the governing body of such district the total valuation of taxable property located within the district, and to extend on the tax list the taxes levied by such district, provided that no such newly organized district should be permitted by law to levy a tax for the year in which organized unless it shall have been duly organized and shall have notified the county assessor of its intention to levy a tax prior to the first day of May in such year.

19) Taxation of Mobile Homes. It should be provided by law that mobile homes are exempt from property taxation in accordance with the provisions of Article X, Section 6, of the Constitution, and that all mobile homes shall be subject to the payment of specific ownership tax whether they use the public highways or not.

20) Realty Recording Act. Real estate conveyance certificates should be required to be filed only with deeds conveying fee title to any real estate, and agreements of purchase and sale for the conveyance of fee title. Such certificates should contain the following information concerning each conveyance:

- a) The names and mailing addresses of the seller and the purchaser;
- b) Any relationship, by blood, marriage, business or other association, existing between the seller and the purchaser;
- c) The date of the instrument, and if a deed represents the completion of a prior contractual agreement, the date of such agreement;
- d) The nature of the instrument;

e) The full legal description of the real estate conveyed as the same appears on the instrument filed for recording;

f) The total consideration, in terms of dollars, paid and to be paid for the real estate so conveyed, and a detailed explanation of the nature of said total consideration, as the amount of cash paid, the principal amount of indebtedness assumed by mortgage, deed of trust, or conditional sale agreement, or the value of other property traded;

g) A listing and evaluation of any property or rights other than the described land and improvements thereon which is conveyed with said land and improvements and payment for which is included in the stated consideration, as personal property, growing crops, leases of other lands, grazing permits, and licenses, franchises, or other intangible rights or interests.

h) The purpose of the conveyance, as clearance of title, satisfaction of debt, gift, or conveyance of full title;

i) The use to which the purchaser proposes to put the real estate conveyed, as agricultural, industrial, commercial, or residential.

j) Such other information as the General Assembly may prescribe.

Such real estate conveyance certificates should be subscribed to under oath by or on behalf of both the purchaser or purchasers, and seller or sellers. In addition to the present requirements of the law with respect to payment of fee and marginal notation, no deed or agreement with which a conveyance certificate is required to be filed should be recorded unless and until said certificate is filed in correct form.

21) General Statutory Revision. A general revision of the existing statutes relating to the assessment of property should be accomplished to repeal obsolete sections, reconcile conflicting sections, clarify ambiguous sections, accomplish a logical arrangement of sections according to subject matter, and incorporate such new provisions of law as may be enacted.

22) Such legislation as is needed to implement the foregoing conclusions should be enacted.

## XII

### ADMINISTRATIVE ORGANIZATION

Equalization of assessments among properties, among classes of property and among counties does not exist in Colorado. The discussions in preceding chapters have pointed out the many gaps, confusions and contradictions in the current statutes relating to assessment methods and procedures. The General Assembly has constitutional authority to prescribe methods and procedures that will secure equalized assessments. Numerous suggestions have been made in the preceding chapters for improving the laws relating to assessment of proper

However, the mere prescribing of methods of assessments by the General Assembly, whether in broad outline or in great detail, will not bring about equalization. Prescribing methods of assessment by law (designed to produce equalized assessments) will not, alone, guarantee equalized assessments. Prescribing methods of assessment by administrative directive (designed to produce equalized assessments) will not, alone, guarantee equalized assessments. Prescribing improved administrative procedures will not, alone, guarantee equalized assessments.

All of these, together, will not guarantee equalized assessments. The best plan that can be conceived by man is of no avail if it is not executed as conceived.

Such methods of assessment and administrative procedures as may be prescribed by law or by administrative directive must be uniformly, efficiently and equitably applied by assessing officials who are qualified to make such application and whose offices are adequately staffed and equipped for such purpose. The uniform use of such methods and procedures must be effectively enforced.

The proper application of prescribed methods and procedures is dependent upon an aggressive administrative organization to which is delegated authority to apply such methods and procedures in the assessment of property and in the equalization of such assessments. Such an organization must have a structure designed to accomplish efficiently its intended purpose. It must have the capacity to perform its assigned task. It must be composed of personnel capable of functioning properly. It must have clear and adequate authority to accomplish its purpose. And it must not be hampered by laws which, in themselves, are obstacles to the accomplishment of the desired goal.

Presently, the administrative organization to which has been delegated the performance of the administration of assessment and equalization includes:

- 1) The General Assembly, which, within constitutional limitations, has the responsibility of prescribing by law methods of assessment designed to produce equalized assessments, appropriating funds for administration at the state level, and providing for administrative organizations and procedures.

2) The State Board of Equalization, which has final responsibility for the equalization of assessments.

3) The Colorado Tax Commission, which, within constitutional and statutory limitations, has the responsibility of making original assessments of public utility properties, formulating assessment policies, supervising the assessment of property other than public utility property, and enforcing all laws relating to assessment and equalization.

4) The county board of equalization in each county which is responsible for the equalization of assessments within each county.

5) The board of county commissioners in each county, which, in addition to its ex officio responsibility as the county board of equalization, acts upon petitions for abatement or refund of taxes, controls the budgets of the county assessor's office, and appoints the county assessor in case of vacancy.

6) The county treasurer, in each county, who is empowered to make assessments omitted by the assessor.

7) The county assessor, in each county, who is responsible for the original assessment of all property except public utilities.

In the following sections, the problems relating to each of these parts of the administrative organization will be considered, starting with the county assessor. Although this officer was last named in the above list, his function is basic to the operation of the entire organization. Although the process of assessment must be planned and supervised from above, the successful performance of the assessment organization as a whole is dependent on proper performance by the local assessor in assessing each individual property.

### The County Assessor

At the base of the administrative structure for assessing property is the office of the county assessor. In this office rests the responsibility for making original assessments on all property except that owned by public utility corporations.

Selection and Qualifications of County Assessor The principal requirement of an effective assessing organization is that the county assessors, having responsibility for original assessments, be qualified to perform that function. The function of assessing property is not an easy one, and not one that just anyone can perform or supervise. It requires the determination and evaluation of many factors in determining the valuation of a wide variety of property. In addition to appraising property, an assessor must operate an office which handles a mass of administrative details relating to the maintenance of property records; the calculation of valuations; the annual compilation of individual property valuations into total valuations for each governmental unit which levies a property tax and into total valuations for each class of property; the calculation of all property taxes levied by all units of government; and the consolidation of these levies into a dollar amount for each property.

The nature of the assessor's duties are such that, in a small county, where a specialized staff cannot be provided, the assessor must have knowledge of or skill in: the laws relating to assessment; accounting principles; appraisal theories and techniques; land descriptions and titles; map reading and construction; statistical methods; general office procedures; the use of office equipment; public relations; a good general knowledge of his county, its geography, topography, economy, and the values of types of property present therein; and the political acumen to remain in office.

In a larger county, less particular knowledge and skill may be needed by the assessor himself, but a greater executive ability to direct the performance of duties by specialized assistants is needed. He must be capable of selecting employees who are qualified to perform the duties, organizing them into an efficient operating unit, instructing them and supervising their work, and judging the quality of their work. This requires a high degree of executive ability and sufficient knowledge of the duties to be performed to enable him to act in an executive capacity.

The state constitution contains the following provisions relating to the selection of county assessors:<sup>1</sup>

- 1) A county assessor shall be elected in each county at the general election in 1954, and each four years thereafter.
- 2) The assessor shall serve for a term of four years beginning on the second Tuesday in January following his election.
- 3) No person shall be eligible for election as county assessor:
  - a) unless he shall be a qualified elector, that is, over twenty-one years of age, a citizen of the United States, and a resident of the state for at least twelve months prior to his election;
  - b) unless he shall have resided in the county one year preceding his election;
  - c) if he has been "convicted of embezzlement of public moneys, bribery, perjury, solicitation of bribery, or subornation of perjury";
  - d) if he has participated in the fighting of a duel.
- 4) No person shall hold such office without devoting his personal attention to its duties.

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1. State Constitution, Art. XII, XIV, XX

- 5) Unless removed according to law, he shall exercise the duties of such office until his successor is duly qualified.
- 6) The county assessor "shall be subject to removal for misconduct or malfeasance in office in such manner as may be provided by law".
- 7) In case of vacancy in the office of county assessor, the board of county commissioners shall fill the same by appointment, and the person appointed shall hold the office until the next general election, or until the vacancy is filled by election according to law.
- 8) The above provisions do not apply to the city and county of Denver. "The officers of the city and county of Denver shall be such as by appointment or election may be provided for by the charter; and the jurisdiction, term of office, duties and qualifications of all such officers shall be such as in the charter may be provided; but the charter shall designate the officers who shall, respectively, perform the acts and duties required of the county officers to be done by the constitution or by the general law, as far as applicable."

The General Assembly has never added any qualifications to those contained in the constitution.<sup>2</sup> Therefore, anyone can become a county assessor, if he meets the constitutional requirements, gets his name on the ballot, and receives a plurality of the votes cast at a general election. There is no requirement that a candidate for election demonstrate his ability to perform the duties of the office. There is no safe-guard against the election of a person who is totally incapable of performing the duties.

Incumbent Assessors The present county assessors range in age from twenty-five to seventy-six, with an average age of fifty-two years. When first becoming assessors, their average age was forty-five. Sixty-one are male and two are female.

They have been in office, including 1958, an average of 7.65 years. Five have been in office less than four years, nineteen for four years, fourteen for six years, eight for from seven to eight years, four for ten years, and thirteen for from eleven to twenty-eight years.

The education of the present assessors averages 12.4 years. Eight have had less than a high school education, but none less than eight years. Thirty have a high school diploma only. Three have had short business courses. Eight have completed from one to two years of college. Seven possess college degrees.

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2. The statutes do require the assessor to take an oath of office and to file two different official bonds before taking office. - C. R. S. 1953, Sec. 35-8-1 and 137-3-1.

Before election to office, they had a variety of occupational experience. Twenty-one were farmers or ranchers. Twelve were businessmen. Three were salesmen. One was a bank teller. Four were office clerks. Two were sales clerks. Four were construction workers. One was an attorney. One was a public accountant. One was a teacher. Three were miners. One was a laborer. One came from the military service. Three were government workers. One had no previous occupational experience. Fifteen of them had previous experience, as well, in the assessors office in subordinate positions, an average of five and one-half years, ranging from one to ten years.

They are, in short, a good cross-section of typical solid citizens of Colorado. Since the present salary scale, and the difficulty of the duties, do not make the office of county assessor an attractive one, many who are currently serving have run for election to this office because of a desire to perform an essential public service. Most of them could probably earn more income with less effort and responsibility in some other line of endeavor.

With few exceptions, the current assessors had no particular preparation for assuming the office of county assessor, either by education or by experience. Many occupations, perhaps all, provide experience which is to some extent applicable to the duties of county assessor. However, there is no way in which a person can acquire specific training and experience in the function of assessing except by working as an assessor, or as a professional appraiser. In larger counties, assessors may be selected from among employees who have had experience in the technical phases of assessing. However, this is not a frequent occurrence. Those who have become proficient in the field of professional appraisal are not attracted to the office of county assessor. Salaries paid to county assessors are not comparable to the economic opportunities in the professional field.

Another objection to election as a method of selecting county assessors is that, as an elected official, the county assessor is subject to continuous political pressures. Attempts may be made to influence him to grant special favors in the way of reduced assessed valuations. Such influence may some-approach the level of coercion. The fear that people whose valuations have been raised will vote against him at the next election may deter an assessor from increasing valuations when he knows that they should be increased. If he does increase valuations extensively, or refuses to decrease them under pressure, he may be defeated at the next election. And, of course, there is always the possibility that the assessor may curry the favor of the electorate of his own accord.

Appointment of Assessor Is there some other manner of selecting county assessors which would help to assure that qualified persons would be selected for the office, and which would eliminate the undesirable aspects of political influence and pressure? There are at least two possibilities: 1) appoint, rather than elect, county assessors; or 2) require a candidate for election as county assessor to meet minimum qualifications for the office.

Appointment could take one of several forms: 1) appointment by a state

agency; 2) appointment by the board of county commissioners; or 3) appointment by a board created for the purpose, a modification of what is known as the "Iowa plan". The desirability of appointment as a method of selection varies according to the body making the appointment. The body selected to make the appointment should be judged upon the basis of how well appointment by it would maintain the proper balance between local autonomy and central authority, and how effective it would be in selecting competent assessors and in removing the assessors from political influence.

If state-wide equalization of assessed valuations is to be achieved, it is essential that an administrative agency of the state have authority to enforce laws relating to the assessment of property, and authority to formulate and carry out policy within the framework of the law. County assessors must be required to comply with such laws and policies. They may question them, of course. In fact, they should be encouraged to question any law or policy which they feel should be changed. But until a change is made, existing laws and policies should be complied with strictly.

On the other hand, there are advantages to be found in local control of the assessment process, as distinct from law or policy--the performance of the function of assessing individual property by local people who are familiar with local property, are acquainted with local people, yet not subservient to them, and cognizant of local economic conditions which affect the value of property.

The appointment of assessors by a state agency could result in the creation of a centralized bureaucracy which might act arbitrarily without regard for justice to the individual taxpayer. For instance, without local participation in the assessment process, mere mechanical application of appraisal methods could result in buildings being appraised and assessed strictly according to cost of reproduction without regard for varying levels of market value reflecting local circumstance.

Appointment of assessors by a state agency would undoubtedly strengthen the authority of that agency over assessors so appointed. It might also remove the assessor from the influence of local political considerations. However, large administrative organizations have their own internal politics. A state-appointed assessor might be inclined to curry favor from his superiors and seek to gain advancement by increasing valuations without regard for justice. The present tendency toward competitive under-valuation might be replaced by the opposite extreme of competitive over-valuation.

Appointment of assessors by the boards of county commissioners would retain local control of the selection of the county assessor. However, it would tend to make the county assessor subject to a body which is itself subject to political pressure, and which is frequently not representative of all property interests in the county. The board of county commissioners is representative of geographical parts of the county, each coming from a separate district, though elected by all of the voters of the county. However, it is possible that all three commissioners in a county may be representative of only one type of property interest. Furthermore, the board

is representative of only one of the many units of government which are concerned with equitable property tax assessments.

The county assessor performs a function which, while it has been delegated to the county, is for the benefit of, not only the county government itself, but also the state at large, each school district, each town and city, and each special district in the county. In terms of taxes levied upon the assessed valuation of a county, the other units of government combined, have a much greater stake in the property tax than the county government does. School districts are greater beneficiaries of the property tax than the county government, and with reference to urban property, municipal corporations are greater beneficiaries than the counties.

It would seem that if local control of the selection of county assessors, other than by the electorate as a whole, is to be retained, all units of government which depend on the property tax as a source of revenue should participate in the selection of the assessor. The "Iowa plan" referred to above recognizes this principle. As it operates in the State of Iowa, a county conference board is created. This board is composed of the county board of supervisors, the members of the county board of education, and the mayors of all incorporated cities and towns in the county. A county assessor is selected by this county conference board, each of the three groups voting as a unit, with the vote of at least two of the three groups required for the selection.

In Colorado, such a plan would have to be modified to fit the needs of this state. The county board could have the following composition: the county commissioners; the president of each board of education in the county; the mayor of each incorporated town and city; and, perhaps, the chairman of the governing body of each special district levying a tax in the county. Each of these four groups could be required to vote as a unit, the votes of at least three of the four groups being required for the selection of an assessor.

Such a plan would have the advantage of retaining local participation in the selection of the county assessor. It would broaden local participation to include the interests of all units of government which make use of the assessed valuations of the county as a tax base, and would be more likely to represent all economic interests in the county. It would place the responsibility for selection upon a group of people, who, in their official capacities, would be concerned with the selection of a qualified person to perform the duties of county assessor. One objection that is raised to such a plan is that it would place the responsibility for the selection of the assessor in the hands of tax spenders, rather than taxpayers.

Examination of Candidates The selection of a qualified person, whether by election or by appointment, could be further assured by requirement that candidates for election or appointment be examined and certified as qualified, another adaptation of the "Iowa plan". It could be provided that whenever there was need for selection of an assessor in a county, the tax commission would conduct an examination and certify those who performed

satisfactorily on the examination as eligible for selection as county assessor. The examination should probably be held in the county seat, and could be administered by the county superintendent of schools, as are other such examinations. They should be open to all who are now eligible to be candidates for the office. The date and place of examination should be adequately publicized. All those wishing to take the examination should have opportunity to prepare for it, and be provided with such study material as would be needed for such preparation.

The examination should cover the laws relating to assessment of property, the duties of the assessor's office, the principles and techniques of appraisal, elementary principles of accounting, and areas of general information which are applicable to assessing. An examination, in itself, does not guarantee the selection of a good assessor. However, it can serve the purpose of eliminating those applicants who, through their inability to pass a reasonable examination for which they have been given adequate opportunity to prepare, fail to demonstrate the ability to learn the duties of the office, given adequate instruction and supervision.

Term of Office In connection with appointment as a method of selection, another problem is that of the term of office. Some possibilities are: 1) a stated term of years, such as four years, with open competition for appointment at the end of each term; 2) a stated term of years, with a vote of confidence in the incumbent appointee by the appointing authority at the end of each term, open competition for appointment following a vote of no confidence; or 3) an indefinite term, with the appointee subject to removal at any time by the appointing authority for unsatisfactory performance of duties.

A stated term, followed by open competition for appointment, has the advantage that it might encourage a higher level of performance on the part of the assessor if he knew that he would have to compete for the office periodically. On the other hand, such policy might result in too frequent loss of the accumulated experience of an incumbent assessor. A stated term, with the privilege of reappointment if satisfactory to the appointing authority, would tend to give the assessor somewhat more security of tenure. An indefinite term would give the assessor the greatest security of tenure, provided there were adequate safe-guards against arbitrary removal, yet the threat of removal would likely serve as a spur to a high level of performance.

The abandonment of the election of county assessors, and the substitution of some form of appointment, would require the adoption of a constitutional amendment. Whether the people of the state would accept such a proposal may be open to question. A definite proposal to amend the constitution to provide for a specific method of appointing assessors has never been submitted to the electorate as a separate issue. The people have, however, repeatedly rejected proposals of a general nature which would have permitted the appointment of county officers in general. The most recent of these was the proposal known as Constitutional Amendment No. 3 which appeared on the ballot in the 1958 general election. This proposal would have permitted the adoption of alternate forms of county government, some of which could have resulted in

the appointment of county assessors. However, this proposal, like others which have preceded it, was not directed specifically to the solution of the problem under consideration.

The requirement for examination and certification could be enacted as a statute, while retaining election, without a constitutional amendment. This could be done by providing that no one should be elected as county assessor who had not been examined and certified as eligible for election to the office. There is precedent for such a provision in the law, in the case of the county superintendent of schools, who must hold a valid Colorado teaching certificate covering the term of his office, and who must have taught in the Colorado public schools for at least eight months,<sup>3</sup> before he is eligible for the office.

Salaries of County Assessors Salaries paid to county assessors are important in order that capable people may be attracted to and retained in office. As provided in the Constitution, the General Assembly has classified the counties of the state according to population and has set a scale of salaries for assessors and other county officers based upon this classification. At its last session, the General Assembly adopted a new classification and salary scale, which is shown in table XXIII. These salaries will be effective beginning with the next term of office, the second Tuesday in January, 1959. Also shown, for purposes of comparison, are the present salaries, the populations upon which the new classification is based, and the 1958 assessed valuations of the counties. Two assessed valuations are shown for each county. The first is the total valuation of all property assessed by the county assessor, excluding public utilities. The second is the total valuation of the county, including public utilities. The first is a better measure of the responsibility of the county assessor. The second is a better measure of the ability of the county to pay a given salary.

An analysis of these salary scales with reference to the amount of assessed valuation shows that salaries presently paid to county assessors are not commensurate with the responsibility of the office in any of the classifications, and are insufficient to attract to these positions people who are qualified to undertake the responsibility, for consideration of salary alone. The increased salary schedule effective in 1959 is still inadequate.

While the top salary of \$6,000, applying to the eight counties<sup>4</sup> with the largest population and assessed valuation, cannot be said to be a starvation wage, it is certainly a penurious salary in view of the responsibility of the office and the degree of ability which should be required

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3. C.R.S. 1953, Sec. 35-10-1

4. Denver is excluded from this discussion because the General Assembly has no control over the salaries paid in this county.

TABLE XXIII  
SALARIES OF COUNTY ASSESSORS

County	Salary Effective January 1959	Present Salary	1950 Population	1958 Assessed Valuation of Locally-Assessed Property	Total 1958 Assessed Valuation, Including Public Utilities
<u>Class I</u> Denver	(Governed by City Charter)			\$989,648,520	\$1,070,893,790
<u>Class IIA</u>					
Pueblo	\$6,000	\$5,400	90,118	139,479,350	160,261,030
El Paso			74,523	164,904,490	178,943,350
Weld			67,504	122,733,050	144,169,400
Jefferson			55,687	160,032,200	171,886,190
Arapahoe			52,125	140,464,240	153,523,910
Boulder		(4,800)*	48,296	101,953,810	119,168,960
Adams		(4,800)*	40,234	128,816,830	148,199,600
Larimer		(4,800)*	43,554	83,225,220	90,784,720
<u>Class IIB</u>					
Mesa	5,400	4,800	38,974	78,740,350	84,602,490
Las Animas			25,905	21,971,300	30,897,670
Otero			25,275	31,472,635	37,584,155
<u>Class IIIA</u>					
Fremont	5,100	4,500	18,366	21,370,790	27,879,510
Morgan			18,074	58,015,570	63,572,010
Delta			17,365	17,066,050	20,450,000
Logan			17,187	52,896,240	63,019,550
Montrose			15,220	25,922,540	29,148,550
La Plata			14,880	30,154,405	39,217,325
Prowers			14,836	21,888,240	26,735,760
Rio Grande			12,832	16,422,561	19,037,631
Garfield			11,625	21,146,270	29,245,010
<u>Class IIIB</u>					
Yuma	4,700	4,100	10,827	21,091,500	23,655,980
Huerfano			10,549	7,626,120	11,200,970
<u>Class IIIC</u>					
Alamosa	4,700	4,100	10,531	11,551,422	15,659,932
Conejos			10,171	7,994,890	10,307,480
Montezuma			9,991	13,756,215	15,740,995
Routt			8,940	17,821,870	22,064,210
Bent			8,775	10,951,457	15,776,717
Kit Carson			8,600	18,101,895	19,435,075
Baca			7,964	14,639,082	20,123,882
Washington			7,520	40,218,910	42,722,480

TABLE XXIII - (Cont'd.)

<u>County</u>	<u>Salary Effective January 1959</u>	<u>Present Salary</u>	<u>1950 Population</u>	<u>1958 Assessed Valuation of Locally-Assessed Property</u>	<u>Total 1958 Assessed Valuation, Including Public Utilities</u>
<u>Class IVA</u>					
Chaffee	\$4,400	\$3,800	7,168	\$ 9,622,860	\$ 13,925,960
Lake			6,150	29,167,935	31,675,255
Costilla			6,067	4,091,800	5,675,640
Moffat			5,946	17,098,375	18,705,045
Lincoln			5,909	14,525,465	18,714,405
Gunnison			5,716	10,605,185	11,431,355
Saguache			5,664	9,334,710	10,009,160
Crowley			5,222	5,975,050	7,453,910
Sedgwick			5,095	12,087,140	13,720,560
Phillips			4,924	14,882,250	16,453,550
Rio Blanco			4,719	75,511,025	80,369,045
Eagle			4,488	7,363,401	12,672,711
Elbert			4,477	10,747,228	14,283,988
Grand		(3,400)*	3,963	8,495,815	11,400,515
Douglas		(3,400)*	3,507	8,997,800	13,464,810
<u>Class IVB</u>					
Cheyenne	\$4,000	\$3,400	3,453	10,707,055	15,381,495
Clear Creek			3,289	4,912,200	5,895,610
Archuleta			3,030	4,399,860	5,836,670
Kiowa			3,003	9,616,190	13,331,830
Park		(3,000)*	1,870	7,510,745	7,933,975
Teller			2,754	5,165,350	5,933,280
San Miguel			2,693	6,487,330	7,979,530
<u>Class V</u>					
Ouray	3,600	3,000	2,103	3,553,029	4,413,499
Jackson			1,976	7,161,380	9,151,750
Dolores			1,966	4,266,520	5,027,300
Pitkin			1,646	7,086,670	8,109,030
Custer			1,573	3,052,231	3,164,481
<u>Class VIA</u>					
San Juan	3,360	2,800	1,471	1,667,714	2,499,104
Summit			1,135	4,440,935	5,344,905
Gilpin			850	2,044,345	2,828,095
<u>Class VIB</u>					
Mineral	2,760	2,300	698	1,090,615	1,790,755
Hinsdale			263	1,154,340	1,184,870

\* Counties reclassified in 1957.

of the officer having such responsibility. In the lower classifications, the salary is not sufficient to provide a living wage in this day of high living costs. An assessor in one of these counties, in order to remain in office, must of necessity have a supplementary source of income. If this source is other than a pension or income from investments, the assessor must of necessity take time off from his official duties to earn it in some manner. This is exactly what happens in at least twenty of the sixty-three counties. The devotion of anything but full time to the duties of the office detracts from the ability of the county assessor to perform properly those duties.

An analysis of Table XXIII also shows a disparity between the relative populations of the counties and the importance of the office of county assessor, as judged by the total assessed valuation, indicating that population is not the best basis of classification. For instance, Morgan County, with an assessed valuation of \$63,572,010, is classified lower than Las Animas County, with an assessed valuation of \$30,897,670.

However, total assessed valuation as a basis of classification would probably not be completely satisfactory, either. Comparative assessed valuations are not a true measure of the difference in work load and ability required in the county assessor's offices. There is so much difference between the degree of skill and the amount of work required to produce a given amount of assessed valuation for different classes of property that a true measure of the relative difficulty of the offices from county to county can be obtained only by an analysis of the valuations by class of property, properly weighted according to degree of skill required in assessing them. The number of separate classes of property under the jurisdiction of individual assessor's offices varies from a minimum of twenty-seven to a maximum of sixty-four.

Little can be done at present to alter the salary scale of county assessors. Under the provisions of the state Constitution<sup>5</sup> no assessor can receive an increase of salary during his term of office. Therefore, any increased scale of salaries which might be adopted by the Forty Second General Assembly could not become effective before January, 1963, except for any person appointed to fill a vacancy prior to that time.

The Constitution provides that salary scales of county officers, including assessors, shall be determined by the General Assembly according to classifications of counties based on population. Therefore, under present constitutional provisions, nothing can be done to adjust salaries to reflect the true comparison between different county assessor's offices according to volume and difficulty of work.

Proposed amendment No. 2, which was defeated at the 1958 general election, would have removed both of the obstacles referred to above. It would have permitted county assessors and other county officers to receive increases in salary during their terms of office, and would have authorized the General Assembly to consider factors other than population in classifying counties.

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5. State Cons., Art. V, Sec. 30

Training Minimum qualifications might be prescribed for eligibility to become an assessor. Assessors might be either elected or appointed after examination and certification. Salaries might be increased to an adequate level to attract and hold persons of a high degree of ability. Yet, a county assessor would still have a tremendous amount to learn about his duties after taking office.

With the new terms of office in 1959 there will be an especially great need for training of assessors because of the inexperience of many in office. There will be sixteen newly-elected assessors beginning their first terms of office. Of these, only two have had any experience in an assessor's office--one as chief deputy for one and one-half years, and one as county assessor previously for about three years. There will be, in addition, seven assessors who have served as such for less than four years, ranging from three months to three and one-half years. In addition, there will be eleven assessors beginning their second term of office, having had no more than four years of experience in the office. The remaining twenty-nine assessors have had more than four year's experience, ranging from six to twenty-eight years.

How are these many inexperienced assessors to learn the duties of their offices, the principles and practices of appraising, the administrative routines of their offices, and the provisions of the law relating to their office? Some of them may be given some instruction by the retiring assessor. However, the nine assessors who were defeated at the polls are not likely to devote much, if any time, to instructing their victorious opponents, and the victorious candidates are not likely to seek such instruction.

Some of them may receive valuable instruction from experienced deputies and assistants who remain in the office, and who will also continue to perform their usual duties while the assessor is learning. However, seven of the new assessors will enter offices where all assessing has been done by the assessor himself. The only assistance available will be from employees whose duties have been principally clerical. Five more of them are entering offices where the major and most difficult part of assessing was done personally by the assessor, and those assistants remaining in the office do not have full knowledge of the duties of the assessor. Two of them are entering large offices having large and highly specialized staffs. However, the benefit of experienced help can be realized only if the help is retained. Sometimes a new assessor replaces some or all of the former employees, or they refuse to remain.

The new assessors will receive a certain amount of individual instruction from consultant assessors of the tax commission. Each of the consultant assessors will go from county to county in his own district spending some time in the instruction of new assessors. The amount of time spent is insufficient, however. In some instances, weeks and months may pass before a consultant is able to spend more than a day or two with a particular assessor.

They will learn something of their duties at the annual conference of the Colorado Assessor's Association in January, if they attend. These meetings serve a valuable function. An assessor, new or old, can learn much from the talks, discussions and demonstrations that make up the program of the conference. He can learn even more from individual discussion with experienced assessors. If he has any questions to ask, he can probably get answers, sometimes a variety of answers, frequently the wrong answers. However, there is no formal course of instruction covering the basic information that assessors need to learn. The purpose of the conference is the consideration of the more important problems that are currently facing the assessors, and the talks and discussions may be of such a nature that a new assessor does not even benefit much from them because he has insufficient basic information to understand the problems under discussion.

They can learn much by reading and studying on their own. However, the statutes which they have in their possession require interpretation in the light of experience, and there is no manual available to them explaining what the law means as currently interpreted. There is no manual available to them which explains all of the duties of the county assessor. There is the real estate appraisal manual, but a new assessor can have much difficulty in understanding it if he is not given considerable instruction in its use.

They can learn by doing, and commit many grievous errors in the process.

In recognition of this urgent present need for assessor training, the executive committee of the Colorado Assessors' Association has planned to include in the program of the 1959 annual conference of the association, a half day of briefing of new assessors by experienced assessors in the basic information needed by them. This is a very commendable undertaking. However, much more than this is needed in the way of a training program for assessors. There is an urgent need for several things to remedy this lack of training.

Assistants Another factor influencing the quality of the work of an assessor's office is the staff of deputies and assistants--adequacy as to numbers, individual qualifications, and manner of organization for the work to be done. This problem of course, varies from county to county with the volume of work required.

The number of full-time employees in various county assessor's offices varies from none in five counties to one hundred twenty-six in the city and county of Denver. Twenty-one offices have only one full-time employee; twelve have two; four have three; five have four; and thirteen have from five to one hundred twenty-six, the largest other than Denver having twenty-one.

Because of the extreme variation among sixty-three counties of different sizes and having different problems, it would be too

difficult to attempt to present a detailed analysis of the personnel problem in this report. In general, most county assessors do not have sufficient assistance to perform the task assigned to them. In many counties, the assessors claim that they do not need or desire more assistance. However, an examination of their assessments and records will indicate that if they were to undertake to do a thoroughly good job of assessing the property in their counties, they would need more assistance.

The salaries paid to employees of the county assessors vary a great deal. In general, they do not represent fair compensation for the work performed and are inadequate to attract and hold competent people. This is not to say that none of the assessor's employees are competent. Many assessors have been fortunate in obtaining very capable people willing to work for the pay offered, people who have returned from retirement to active employment, or who have other income, and work with the assessor because they are attracted to the work, or who prefer this to other work available in the community. However, it is true that many assessors are unable to get people sufficiently well qualified, especially for the more technical duties.

One problem, in particular, confronts the assessors in the smaller counties. They may be able to get adequate clerical assistance. They may be able to get suitable people to do the general run of personal property assessing. But they are unable to employ people with the specialized skills required for some of the more difficult assessing. From time to time they may need the services of a competent accountant or a qualified real property appraiser. They may not be able to employ such a man because they cannot afford to employ him full-time, and do not need him full-time, but none is available for part-time work.

The need for such assistance is met to some extent by the tax commission. The consultant assessors provide general assistance in the counties to which they are assigned. In fact, a good deal of their time is spent in actually doing work for the assessors, appraising structures, constructing plat books, etc. However, the time they can spend in this manner is limited, and they are not specialists. The industrial appraisal engineer on the staff of the tax commission is sent on request of an assessor to appraise the buildings and equipment of large industrial establishments. He has performed a valuable service, but he has not been able to accomplish the appraisal of all properties for which his services have been requested and some do not request his services.

#### County Board of Equalization

The Constitution provides that there shall be in each county a county board of equalization, consisting of the board of county commissioners, whose duties shall be to "adjust, equalize, raise or lower the

valuation of real and personal property within their respective counties, subject to revision, change and amendment by the state board of equalization" and "to equalize to the end that all taxable property in the state shall be assessed at its full cash value and also perform such other duties as may be prescribed by law".<sup>6</sup>

The statutes provide that "the county commissioners of each county shall constitute a board of equalization for the adjustment and equalization of the assessment among the several taxpayers of their respective counties"; that, as such board of equalization, they shall meet at the county seat beginning on the third Monday in July and ending on or before the twenty-eighth day of July; that at least ten days' notice of the time and place of the first meeting shall be given by publication, or by posting written or printed notices; that, at the time of such meeting, the board shall receive from the assessor "the complete assessment of his county, together with a list of property returned to him" and "lists of all persons or corporations in his county who have returned insufficient lists of personal property, or have failed to return any list of property as required by law" and a report of "his action in each case"; hear petitions from taxpayers claiming that their property has been "unjustly or erroneously" assessed for the current year; "grant or refuse the prayer of the petitioner, in whole or in part, as may seem just and proper" and "correct any error or mistake in such assessment made by the assessor under the law whenever, in their judgement, justice and right may require it" taking into consideration "the value as fixed by the assessor upon other similar assessable property similarly situated"; make or direct changes in any other assessments "such as will adjust the assessments as made by the county assessor so as to equalize the same among the several taxpayers of the county"; and "supply any omissions in the assessment roll, which may come to their notice".<sup>7</sup>

The function of the county board of equalization, as provided by statute, is three-fold: 1) to hear and act upon complaints of individual taxpayers concerning the assessed valuations upon their property; 2) to order the assessor to supply omissions of assessments which come to its attention; and 3) to order changes of assessments so as to equalize assessments among the several taxpayers of the county. There is, in addition, the constitutional requirement that it shall equalize to the end that all taxable property be assessed at its full cash value.

How effective are the several boards of equalization in the performance of these functions? In order to find an answer to this question,

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6. State Cons., Art. X, Sec. 16.

7. C.R.S. 1953, Sec. 137-3-38, 137-8-1 to 3.

the proceedings of boards of equalization in forty-four counties during the years 1953 through 1957 have been examined, and the subject has been discussed with all assessors and with many members of such boards.

Typically, a few petitions for adjustment of assessments are received at the time of the meetings of the board of equalization. Few taxpayers, even though they may not be satisfied with their assessments, avail themselves of the privilege of a hearing before the county board of equalization at the proper time. Most boards of equalization deny most of the petitions presented to them. In eighteen of the forty-four counties there were no appeals during the entire five-year period. In seven of the counties a total of twenty-one appeals were all denied. In nineteen of the counties, having three hundred eighty-eight appeals during the five years, one hundred fifty-one adjustments were made. Of these, one hundred eighty-six appeals and one hundred adjustments were in two counties. The total amount of adjustment, even in these two counties, was relatively small.

County boards of equalization usually do not make adjustments in the assessments of their counties except as a result of petitions of individual taxpayers for reductions of their assessments. Only two cases of such adjustments were encountered for the five-year period investigated. In one county the board ordered a ten per cent reduction of the assessments on farm lands in 1954. In 1957, in another county, at the insistence of the assessor, the board ordered the reduction of valuations on all lots in two city blocks after having reduced the valuations on part of the lots on petition from individual taxpayers. No case was encountered, or has been heard of, where a county board of equalization has increased assessed valuations.

Likewise, no case has been encountered where a county board of equalization, as such, ordered the county assessor to supply any omissions of assessments. However, many assessors have reported that the commissioners of their counties, as individuals, have been helpful in calling attention to personal property which might otherwise have been overlooked.

Usually, the complete assessment of the county and other information which the law requires the assessor to present to the board of equalization are not presented. Usually, the assessor has not completed his abstract of assessment for submission to the tax commission prior to the meeting of the board, although he does present it to the chairman for signature before sending it to the tax commission. The boards of equalization do not review the entire assessment of the county with reference to whether assessed valuations of particular properties, or particular classes of property, should be raised or lowered. They give no attention to the question of whether assessments are at full cash value, or are equalized within the county at any other level. Their activities are confined solely to the hearing of a few petitions of individual taxpayers for reduction of assessed valuations.

In general, it can be said that county boards of equalization, as now constituted, do not perform the function for which they were created. In some counties, there is no record that the board even met during the last five years. Many county commissioners with whom the problem was discussed do not realize that the board of equalization should do anything but hear petitions of individual taxpayers, and they do not feel that they as individuals are competent to exercise judgment in matters of property assessment. They feel that they should rely upon the county assessor to know better what is a correct assessment.

An ex-officio board of equalization has many weaknesses. Its members may not have any particular qualifications for judging matters of assessed valuation. They are not elected upon the basis of possessing such qualifications. Sitting as a board of equalization is only one of the many duties that they must perform, and they have little time to devote to this particular duty. Furthermore, they do not, as individuals, represent the various property interests present in the county, and they represent only one of the units of government which are interested in the property tax.

Again, the State of Iowa has shown the way to improved provisions for equalization and tax appeal at the county level. In that state, the county conference board, previously referred to, which selects the county assessor, also selects a county board of review. This board of review is charged with the duty of guiding the county assessor and acting as a board of review to raise or lower assessments. The board of review consists of three or five members as each conference board may choose. It must consist of at least one farmer, one registered real estate broker, and one person experienced in the building and construction field. As with the selection of the county assessor, each group of the conference board votes as a unit, and the agreement of at least two of the groups is necessary for selection. No two members of the board of review may be citizens of the same town or township, and not more than two members of the same profession may serve.

#### Board of County Commissioners

The board of county commissioners in each county, as such, and not as a county board of equalization, performs certain functions related to assessment administration. They include the appointment of the county assessor, in case of vacancy; the approval of the assessor's annual budget and the subsequent approval of all expenditures thereunder; and the approval of all petitions for abatement or refund of taxes.

Petitions for abatement or refund of taxes are different than petitions concerning erroneous or unjust assessments received and acted upon by the county board of equalization. However, the difference is principally with reference to time of petition and the manner in which it is handled. As a county board of equalization, the board acts to adjust the current assessment of property, prior to the submission of

such assessment to the tax commission and the state board of equalization, and prior to the certification of such assessment to the various taxing jurisdictions which levy a tax thereupon. In such cases, the action of the board with reference to individual assessments is final.

After its adjournment as board of equalization, the board of county commissioners cannot make adjustments in original assessments. However, at any time either before or after the payment of taxes, the taxes, or a part of them, may be abated or refunded by order of the board, subject to the approval of the tax commission. Such action may be taken when taxes are found to be erroneous or illegal, because of erroneous assessment, improper or irregular levying of the tax, or clerical errors. Hearings must be held on all petitions for abatement or refund of taxes, and the assessor must be afforded an opportunity to be present at such hearings.

Many petitions for abatement or refund are initiated by the county treasurer to relieve himself of liability for collection of taxes which were erroneously assessed and levied because they are double assessments or because they are assessed and levied against personal property not owned on the assessment date. Some petitions are initiated by the county assessor, in the name of the taxpayer, for the correction of errors in assessment or tax computation discovered by the county assessor. Many petitions are received from taxpayers wherein they are protesting the justice of the assessed valuations.

Strictly speaking, all taxpayer petitions based on objections to the assessed valuation should be presented to the board of equalization with reference to current assessments only, and should be heard by the county commissioners at no other time. However, with considerable justification, if it appears that the taxpayer had insufficient notification of the assessed valuation, or insufficient knowledge of his rights, or if the assessment was obviously erroneous or unjust, commissioners will hear such petitions and act upon them. As suggested in the chapter on administrative procedures, an improvement in notification of property owners will result in a great decrease in the number of petitions for abatement and refund.

The control of the commissioners over the annual budget of the county assessor has an important influence on the ability of the county assessor to perform the duties of his office. Many county assessors are not provided with adequate budgets to enable them to perform the duties of their offices properly. Some assessors may not be allowed funds for the hiring of temporary deputies for the assessment of personal property. They must attempt to do all of such assessing themselves during a very short period of time. As a result they cannot do a thorough job. In some counties, which are sufficiently large to make effective and economical use of mechanical equipment for the listing of property, the county commissioners have steadfastly refused to authorize the purchase of such equipment. Two of the

largest counties in the state have no tabulating equipment for use in abstracting because of budget limitations. One assessor has had to purchase a calculator at his own expense in order to have the use of one. Most counties are understaffed. The pay scales for assessor's employees are excessively low in most counties.

With reference to the pay of employees an especially difficult problem exists. The assessor's office needs some employees with a higher degree of skill or technical knowledge than is needed in any other county office. Yet commissioners either refuse to recognize this fact, or recognizing it, claim that they cannot pay any of the assessor's employees at a higher rate than the other county employees. As a result, in one of the largest counties in the state, the chief real estate appraiser is paid only \$325.00 per month.

Why do these situations exist? In some cases, perhaps the county cannot afford a greater budget for the assessor without increasing its tax levy. In some cases, the assessor is reluctant to request a larger budget. In others, the commissioners refuse to recognize the need for a larger budget. It is difficult to determine any way in which this situation could be corrected by legislative action. There are at present statutory requirements that the commissioners shall pay all necessary expenses of the assessors office and all necessary field expenses, and that they shall hire deputy assessors when necessary.

Problems relating to the appointment of county assessors in case of vacancy have been discussed earlier, with reference to the office of county assessor.

### The County Treasurer

The county treasurer in each county, although his primary function is the collection of taxes, has certain statutory duties, power and authority relating to the assessment of property. The law provides that "If any taxable property shall be omitted in the assessment of any year or series of years, and not listed upon the assessment roll, when discovered it shall be assessed by the assessor for the time being and inserted on the assessment roll, or in case of the failure or neglect of the assessor the same shall be assessed by the treasurer, and by him inserted in the warrant with the arrears of taxes as provided for 'additional assessments'."<sup>8</sup>

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8. C.R.S. 1953, Sec. 137-3-21

"Omissions, errors or defects in any form in any assessment list or tax roll, when it can be ascertained therefrom what was intended, may be supplied or corrected by the assessor at any time before the return of the assessment roll to the treasurer, or by the treasurer at any time after the receipt of the roll."<sup>9</sup>

"When the treasurer of any county, after the tax list is committed to him, ascertains that any real estate, horses, mules, asses, cattle, sheep, goats, swine or other personal property then in his county, are omitted from the tax list, and has reason to believe that such personal property has not been taxed in any other county for that year, he shall forthwith proceed to list, value and assess said property in the same manner that the assessor or county clerk<sup>10</sup> might have done and shall enter such assessment in his tax book, following the levies made and delivered to him by the clerk. Such entries shall be designated as additional assessments. The taxes so levied and assessed by the treasurer shall be as valid for all purposes as if the assessment had been made by the assessor, anything in this chapter to the contrary notwithstanding."<sup>11</sup>

"It shall be the duty of the county treasurer to assess, at a fair value, the property of any person liable to pay taxes, whom the county assessor has failed to assess, and to place the same on the tax roll, and to collect taxes on the same in the manner provided by law. Such treasurer shall not be compelled to assess such property in person; and he is authorized to administer oaths to such persons, or any others, touching the value of property."<sup>12</sup>

The performance of the function of assessing property by anyone who is not an assessing officer, and particularly by an officer whose principal function is the collection of taxes, if exercised without consultation with the county assessor, cannot be expected to contribute to the goal of equalization of assessments. It does not seem desirable that the county treasurer have any authority to make any corrections in the tax list. However, that officer should have the duty and authority, when he discovers an apparent omission of taxable property from the tax list, or an apparent error in said tax list, to request that such omission be supplied or such error be corrected by the county assessor, and in case the county assessor refuses or neglects to supply such omission or correct such error, to report the same to both the board of county commissioners and the tax commission.

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9. C.R.S., 1953, Sec. 137-3-48.

10. Reference to the county clerk indicates how obsolete this section is.

11. C.R.S., 1953, Sec. 137-9-19.

12. C.R.S. 1953, Sec. 35-7-17.

## The Colorado Tax Commission

Statutory Provisions The agency of the state government which is charged with the administration of property tax assessment is the Colorado tax commission. This commission was created by law in 1911, when it was given all the statutory duties, power and authority of the state board of equalization except final authority in matters of equalization.<sup>13</sup>

The tax commission consists of three members, They are appointed by the governor pursuant to Article XII, Sec. 13, of the Constitution relating to civil service and hold office subject to civil service laws and regulations. The law does not provide which of the three commissioners shall be chairman of the commission. In practice, the three commissioners annually elect one of their number to be chairman for the ensuing year.

A majority of the commission constitutes a quorum to transact business. A vacancy on the commission does not impair the right of the remaining commissioners to exercise the powers of the commission as long as the majority remains.

The commission is authorized to employ a "secretary, examiners, experts, clerks, accountants, stenographers and other assistants". At present the staff of the commission includes: a secretary, a director of appraisals, an assistant director of appraisals (vacant), an industrial appraisal engineer, a statistician, eight consultant assessors, and a secretarial staff of three. All of these employees are subject to civil service.

The law provides that "the commission shall adopt reasonable and proper rules and regulations to govern its proceedings and to regulate the mode and manner of all valuations of real ~~or~~personal property, appointments, investigations, inspections and hearings not otherwise specifically provided for."

The commission has the duties, power and authority:

- 1) To supervise the administration of and to enforce all laws for the assessment and levying of taxes;
- 2) To supervise the county assessors, boards of county commissioners, county boards of equalization, and all other officers and boards of assessment and levy, "to the end that all assessment of property, real, personal, and mixed, be

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13. C.R.S. 1953, Sec. 137-6-1.

made relatively just and uniform and at its true and full cash value;

3) To require all county assessors, county commissioners, and county boards of equalization to assess all property of every kind or character at its actual and full cash value;

4) To "make a reappraisal of the property...in any county or municipal subdivision thereof...whenever in the judgement of the tax commission" such property "has not been assessed at its true and full cash value...to the end that all classes of property in such taxing district shall be assessed in compliance with the law";

5) To "require county assessors to place upon the assessment roll any property which may be found to have, for any reason, escaped assessment and taxation";

6) To provide forms of returns to be made by the assessors to its office;

7) To prepare and transmit to the assessors "such instructions as it deems conducive to the best interests of the state upon any subject affecting taxation, or the construction of any statute affecting taxation, the execution of which devolves on any county or local officer";

8) To "see that all laws concerning the valuation and assessment of all classes of property are faithfully obeyed";

9) To "issue such orders and instructions to the different taxing officers as will carry into effect the provisions of this chapter";

10) To "prescribe a uniform system of procedure in the assessor's offices and the form and size of all tax schedules, tax rolls and warrants, field books, plat and block books and maps, and all other notices and forms furnished to taxpayers, and all blanks, books and records used in the offices of county assessors";

11) To "investigate the works and methods of county assessors, boards of county commissioners, county boards of equalization, and county treasurers in the assessment, and equalization of taxes on all kinds of property by visiting the counties of the state";

12) To "require any assessor to appear before it" and "to examine such assessor, under oath, concerning the assessment of his county for the purpose of ascertaining whether such assessor has complied with the law in assessing property in his county", and to "issue process to bring such assessor before it";

13) To "call an annual meeting of the county assessors" and "to call a group meeting of two or more of the county assessors at such time and place as it may designate";

14) To "appear...in any court or tribunal in any proceeding in which an abatement or refundment of taxes is sought".

In addition, the commission has all powers of original assessment of all public utility corporations. It is required to recommend to the state board of equalization the amount that is to be added to or deducted from the valuation of property of each county in order to accomplish equalization at full cash value. It shall make a report annually to the governor and state treasurer of the operation and execution of all laws which it is required to administer, and its recommendations of such changes as in its opinion should be made in the tax laws of the state. It may approve or disapprove all petitions for abatement or refund of taxes, and no abatement or refund shall be allowed by the board of county commissioners if the application is disapproved by the commission. It shall pass on all petitions of levying bodies for permission to levy taxes in excess of statutory limitations.<sup>14</sup>

In earlier chapters of this report frequent reference has been made to the policies of the tax commission and its various activities. Its prescribed policies for the assessment of various classes of property have been set forth and explained in detail. Its real estate appraisal manual has been described, analyzed and criticized. Its annual circular No. 1 which sets forth matters of policy in the form of recommendations to the assessors has been discussed.

It prescribes policies and procedures to be used by the county assessors. However, it cannot be said that its performance of this function has been entirely satisfactory. Many of its policies are merely in the form of recommendations or suggestions, rather than orders and instructions. Many matters of assessment policy are left entirely to the discretion of the individual assessors. Many of the recommendations are the result of decisions made by the assessors as a group, rather than by the commission itself. Its stated policies are inconsistent in many respects. As has been demonstrated, its policies, even when properly executed, do not result in equalized assessments.

It does not seriously attempt to prescribe the use of uniform forms. About the only forms prescribed by the tax commission and used by all assessors are the abstract of assessment form which is supplied to the assessors, and the various forms of property cards used for recording real property appraisals.

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14. All of the preceding statutory provisions are contained in C.R.S. 1953, Art., 137-6.

Its enforcement of the methods of assessment is ineffective. As has been demonstrated, assessors are permitted to use methods and procedures which vary from the requirements of the appraisal manual and other policies of the commission. They are allowed to change land valuations that have been established for their counties without prior consultation with the commission. They are allowed to discount appraised valuations of improvements without demonstrating justification. They are allowed to use appraisals made by the tax commission industrial engineer or not as they see fit, or to alter the appraisals.

Consultant assessors do visit the county assessors in their counties. However, in general, their inspection of what the assessors are doing is not very thorough. Their instruction of assessors has been inadequate. They have not succeeded in obtaining much uniformity of either procedures or results among the counties with which they work. They have provided considerable assistance to some assessors by helping them to make appraisals, or by doing appraisals or other work for them.

Considering the lack of equalization, which obviously exists, few recommendations are made by the tax commission to the state board of equalization for increases or decreases in assessed valuations.

Only one such recommendation was made in 1958. In 1956, recommendations were made for increases in the valuations of seven counties. In 1954, recommendation was made for an increase in the valuation of one county. Such is the recent history of tax commission recommendations.

It is not meant to imply that the tax commission does nothing. Through the efforts of the appraisal division an extensive reappraisal of real property was partially accomplished. Through its continued efforts, much is done to improve the assessments in a number of counties each year. For instance, during the current year reappraisals of agricultural lands are in progress in three counties where such reappraisal had not been previously accomplished; a complete survey has been made of assessed valuations of agricultural lands within two miles of all county boundary lines, as a step in the direction of attempting to equalize these valuations among counties; considerable research on residential construction costs has been accomplished, and preparation of some supplementary material for the appraisal manual is under way. Much has been accomplished in recent years by the part-time employment of a tax accountant who has inspected the assessment of merchandise, furniture and fixtures, in a number of counties. Through his efforts, the assessment of these classes of property has been improved in these counties. The tax commissioners themselves have made several changes in the assessment of public utilities in an effort to improve such assessments.

However, these are but a few of the many things that need to be done.

Many reasons can be found to explain the failure of the tax commission to fully accomplish its mission and in some degree to excuse

its failure. First, its efforts to accomplish equalization are sometimes thwarted by the law itself and court decisions relating thereto. In the case of *Bohen v. Lake County*, the Supreme Court ruled that the tax commission has no authority to order a change in the valuation of a single taxpayer's property after the county board of equalization has acted.<sup>15</sup> This decision has resulted in the peculiar situation that the tax commission may, during the course of the year, prior to the meeting of the county board of equalization, order the assessor to raise the assessed valuation on a particular property, the county board of equalization may then order him to reduce it, and the tax commission has to accept the decision of the county board as final for the current year. No further change can be made in the valuation, except as part of a uniform adjustment of valuations on classes of property, or all property in the county, until the next year's assessment.

The state board of equalization sometimes does not accept the tax commission's recommendations and approve an order for increase of valuation. This occurred in 1956 when the tax commission recommended increases in valuation of seven counties, and the state board of equalization refused to approve the recommendations.

Some assessors have a very unco-operative attitude. They refuse to obey the orders or follow the instructions of the commission, unless such orders or instructions coincide with their own opinions or desires. Some assessors do not recognize the authority of the tax commission, or recognizing it, choose to ignore it as long as they can get away with doing so. A possible explanation for the existence of this situation is the fact that while the law does specify in considerable detail the authority of the tax commission to supervise the assessors and enforce the assessment law, it does not specifically state among the duties of the county assessor that it is his duty to assess property in compliance with the provisions of law and the orders and instructions of the tax commission.

Some assessors are unable to accomplish what the tax commission would have them do for reasons which have been explained earlier in this chapter. They do not understand what is required, they do not have the ability to perform the work that is required, they are subject to local pressures which they are unwilling or unable to resist, they have insufficient capable help to accomplish the work, or they are handicapped by insufficient office space, equipment, or budget.

As with the assessors, the ability of the tax commission to perform fully its assigned task is hindered by many things of an administrative nature. It does not have enough man-power to accomplish

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15. *Bohen v. Lake Co.* 109 Colo. 283, 124 P.2d 606. (1942)

everything which should be done. At least some of its employees are not well qualified to perform the tasks assigned to them. The salaries paid are insufficient to attract well-qualified people. The security of civil service tenure has its effect on the industry, ambition, devotion to duty, and efficiency of the personnel. During the past year, the position of assistant director of appraisals has been vacated by death, two of the consultant assessors have suffered heart attacks, and one of the commissioners has suffered ill health.

Extensive and continuous research is needed to develop good methods of assessing property, to determine what are proper assessed valuations for various types of property, to maintain current information on market values of all classes of property, to provide assessors with information needed by them in making assessments, and so forth. The commission is not staffed to conduct this research, although an effort is made to do a small amount of it. The industrial appraisal engineer is able to do some construction cost analysis and gather some information on equipment costs, but the major part of his time is required for the appraising of industrial property about the state. The director of appraisals has little time for concentrated research effort, if he is to accomplish anything in the supervision of the county assessors. In short, at least a small research staff is needed but is not available.

A specialized staff to assist the commission in the assessment of public utilities is needed. At present, most of the work of making such assessments is performed by the commissioners themselves. A skilled accountant, and possibly an appraisal engineer, are needed to do the investigating of accounts and inspection of properties which are necessary for better assessments of public utilities.

A somewhat larger staff of field men (consultant assessors) may be needed for investigation of the work of the assessors, and for adequate supervision and instruction. More specialists are needed in the field--men who will cover the entire state supervising the assessment of special types of property, such as experts on the assessment of merchandise, livestock, agricultural lands, mining properties, commercial and industrial improvements.

Like the assessor, the commission has budgetary problems. Its budget requests for needed projects are not always approved. For instance, in 1957, a request for an increased appropriation to implement a plan for the establishment of a combined staff of specialists for research and supervision was denied.

Perhaps, the main reason for failure to achieve effective administration of assessment laws can be found in the weaknesses of a commission form of administration. Regardless of the individuals who compose a commission, it is not possible for a commission of three or five or any number of members to provide aggressive, expeditious, efficient administration of anything. The need for agreement on the part of at least

two of the commissioners on all matters of policy slows up the process of administration. The involvement of all or part of the commissioners in details of public utility assessment, passing on petitions for abatement or refund, or petitions for increase of tax levies, and visitations among the counties, sometimes delays their meeting to determine matters of assessment policy for long periods of time. When they do meet it is not always possible to arrive at an early decision.

The fact that the commissioners have civil service status also has its effect. The security of lifetime tenure and the weakness of provisions for removal provide no spur to aggressive administration. The lack of provision for any penalty to be imposed upon the commission for failure to perform its duties or accomplish its assignment also has its affect.

The tax commission as now organized performs a dual function of assessment administration and of quasi-judicial deliberation. The one function is concerned with the assessment of public utilities, the formulation of assessment policies, and the supervision of local assessment. The other is concerned with the problem of equalization of all assessments, hearings on appeals and considering petitions for increases of tax levies. The performance of these two types of functions by the same persons is not consistent with sound principles of government. It results among other things in the commission sitting in judgement upon its own actions when it compares its own assessments of public utilities with the local assessments of county assessors. Furthermore, the performance of these two functions tends to interfere with good performance of either of them.

#### The State Board of Equalization

The constitution provides "There shall be a board of equalization for the state, consisting of the governor, state auditor, state treasurer, secretary of state and attorney general. The duty of the said board of equalization shall be to adjust, equalize, raise or lower the valuation of real and personal property of the several counties of the state, and the valuation of any item or items of the various classes of such property...The state board of equalization...shall equalize to the end that all taxable property in the state shall be assessed at its full cash value, and also perform such other duties as may be prescribed by law; provided, however, that the state board of equalization shall have no power of original assessment."<sup>16</sup>

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16. State Cons., Art. X, Sec. 15.

The law provides that the state board of equalization shall sit on the third Monday of September, for the purpose of examining, adjusting and equalizing the assessments in the several counties of the state, and that on or before the fourth Monday in September, it shall complete the equalization.<sup>17</sup> It also provides that "If in the opinion of the state board of equalization upon satisfactory information submitted any county assessor has omitted taxable property in his county from the abstract of assessment, or has assessed the property of his county palpably and manifestly below its true value, or has failed to verify his return, and if said state board of equalization is likewise of the opinion that such delinquency operates as a fraud upon the state revenues, and that such revenues will be seriously impaired thereby, then the state board of equalization, upon reasonable notice to the assessor and after summary hearing, shall require the delinquent assessor to forthwith make such corrections and additions to the assessment as will make the same in accordance with the statutes unless the board also further finds that said erroneous assessment was willfully made, in which case proceedings shall be had as provided in section 137-7-6.

"Provided, that in such case before any such corrections or additions to said assessment shall be required, if desired by the assessor, he may have an appeal from the decision of the state board of equalization to the district court of the county of which he is the assessor, which appeal shall be taken as appeals are taken from the boards of county commissioners, and shall be heard summarily."<sup>18</sup>

It provides that if the governor "is satisfied from the evidence that the assessor willfully omitted to assess taxable property in his county, or willfully refused to assess the same at its true value, according to law, or failed or refused to make the affidavit required by section 137-3-40, he shall enter an executive order removing said assessor from office; whereupon the county commissioners shall fill the vacancy, but shall not reappoint the assessor so removed. And such appointee shall likewise be subject to removal, until a just and lawful assessment shall have been obtained."<sup>19</sup>

"It shall be the duty of the state board of equalization to examine the abstracts of assessments as submitted by the state tax commission. The state board of equalization shall forthwith examine the abstract of assessment of each county as submitted by the state tax commission and make a record of its action on the abstract of each county and

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17. C.R.S. 1953, Sec. 137-7-1 and 7.

18. C.R.S. 1953, Sec. 137-7-5.

19. C.R.S. 1953, Sec. 137-7-6.

certify the same to the county assessor, and the county assessor shall forthwith add to or deduct from each tract or lot, and its improvements, of real property and all personal property in his county the required per cent, or amount on the valuation thereof as it stands after it has been equalized by the state board of equalization, adding or deducting in each case any sum less than five dollars so that the value of any separate tract or lot and its improvements shall be ten dollars or some multiple thereof."<sup>20</sup>

"The state auditor shall transmit to the clerk of each county a statement of the changes, if any, which have been made in the assessments, and the rate of tax which is to be levied and collected within his county, which shall not exceed the limit permitted by the constitution; and when the board fixes no different rate, or if for any reason the board fails to sit, or the county clerk should fail to receive the statement of the rate of tax ordered by them, that rate shall be the same as levied for the preceding year; and the assessor of each county, in making up the tax list, shall compute and carry out in the proper column a state tax at the rate aforesaid. Any assessor failing herein may be fined in any sum not less than five hundred nor more than three thousand dollars, to be recovered by action of debt in the name of the people of the state of Colorado, in any court of competent jurisdiction."<sup>21</sup>

The law further provides that on or before the second Monday in September, the tax commission "shall determine whether the real and personal property of the several counties in the state shall have been assessed at its true and full cash value and if, in the opinion of the commission, the real or personal property within any county in the state as reported by said county assessor to the commission is not on the assessment roll at its true and full cash value, the commission shall determine the increase or decrease in the valuation of such county by such rate per cent, or such amount as will place said property on the assessment roll at its true and full cash value."<sup>22</sup> "When the commission has determined the true value of the real and personal property in the several counties, the commission shall transmit to the state board of equalization a statement of the amount to be added to or deducted from the valuation of the real and personal property of each county, specifying the amount to be added to or to be deducted from the valuation of the real or personal property."<sup>23</sup>

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20. C.R.S. 1953, Sec., 137-7-8.

21. C.R.S. 1953, Sec., 137-7-7.

22. C.R.S. 1953, Sec., 137-6-31.

23. C.R.S. 1953, Sec., 137-6-32.

The state board of equalization, consisting of five elective state officials, serving ex officio on such board, meets each year for a period of one week. During that week, it is expected to examine the assessed valuation of all taxable property in the state and determine whether and how much it should be increased or decreased, in whole or in any of its parts. It does not have a staff which can conduct investigations and report to it any facts relating to the assessment of property. Its members are public officials whose primary duties are unrelated to the assessment of property or the equalization of those assessments, and who have little time to devote to the problem of equalization. Therefore, they rely upon the tax commission to conduct investigations and report to them what changes should be made in the assessed valuations. The actions of the board are to either approve or disapprove the recommendations of the tax commission.

In the forty-four years since 1914, when the present constitutional provisions relating to the duties of the state board of equalization were adopted, no changes in valuation were ordered by the board in eighteen of the years. Changes were ordered in twenty-six of the forty-four years. The total changes in valuations is \$109,118,698 in increases, and \$300,372,049 in decreases. The greater part of the decreases were ordered in 1931, 1932, and 1933. The total decreases ordered for those three years being \$249,999,442.

Since 1940, the effect of orders of the state board of equalization upon the assessed valuation of the state has been much less significant than the total for the forty-four year period would indicate. During this later eighteen year period, only two increases totaling \$16,235,520 and no decreases have been ordered.

It would appear that the state board of equalization has been very ineffective in accomplishing any equalization assessments. On the other hand, it can obstruct the efforts of the tax commission to achieve equalization by refusing to approve the recommendations of the latter body.

### Findings and Conclusions

Many suggestions may be offered for reorganization of the assessment and equalization machinery of the State. There are several possible ways of reorganizing along different lines. In the remainder of this chapter there is set forth, first a suggested plan of reorganization, followed by some alternatives.

Preferred Plan of Reorganization 1) Department of Property Taxation. The distinct function of administering the assessment of property now performed by the Colorado tax commission should be separated from the quasi-judicial functions of equalization, hearing appeals, and acting on petitions by the creation of a department of property taxation. This department should be headed by a director of property assessment, appointed by the governor, and preferably exempt from civil service status. Such

director of property assessment should be granted authority to make rules and regulations for the internal organization and operation of the department, subject to the approval of the governor, and to create and abolish positions within the department, establishing minimum qualification requirements for such positions, subject to the approval of the governor, and the availability of appropriations. All duties, power and authority to assess the property of public utility corporations, to formulate and prescribe assessment policy subject to law, to supervise the assessment of property, and to enforce assessment law should be transferred from the tax commission to this department of property assessment.

2) Department of Property Taxation, Duties of. The director of property assessment should have the duties and exercise the power and authority:

- a) To assess the property of public utility corporations as provided for by law.
- b) To conduct research into matters of assessment and property values to enable him to formulate and prescribe methods of assessment which will produce equalized assessments.
- c) To prescribe, subject to provisions of law, methods of assessment to be used by county assessors.
- d) To prescribe uniform systems of procedure to be used in the offices of county assessors.
- e) To prescribe the form of all tax schedules and all other notices and forms furnished to taxpayers, tax lists and warrants, plat and block books, and all blanks, books and records used in the offices of county assessors.
- f) To require county assessors, subject to penalties as provided for by law, to assess all taxable property, excepting public utilities, according to the methods of assessment prescribed by law, or prescribed by said director of property assessment pursuant to law, and to use such uniform systems of procedure and forms as are prescribed by him.
- g) To require county assessors to make such reports and provide such information as he may prescribe.
- h) To supervise the county assessors, boards of county commissioners, and county boards of review to the end that all taxable property be assessed at a valuation which is relatively just and uniform.
- i) To enforce all laws for the assessment of taxable property.

j) To organize and conduct an annual school of instruction for assessing officers covering the laws relating to the assessment of property, the duties of the assessors office, the policies of the department of property taxation, the principles and techniques of appraisal, principles of accounting, land title and description, public relations, and any other subjects that the director may require; to enter into a co-operative arrangement with any state institution of higher education for the sponsorship of such school, and to employ qualified instructors; and to organize such school on both an elementary and an advanced level, for the benefit of both inexperienced and experienced assessing officers.

k) To publish and distribute to assessors a complete manual of instructions, in loose leaf form, including assessment laws, court decisions, opinions of the Attorney General, the duties of the county assessor, all methods of assessment, policies, procedures and forms prescribed by him, and such other information and instructions as he may deem necessary and advisable, and to revise such manual annually.

l) To enforce the provisions of the Realty Recording Act, and with the real estate conveyance information provided thereby, to conduct a continuous sales-ratio study for use in the formulation of methods of assessment, in the equalization process, and for the benefit of any other state agency that may have use for such sales-ratio information.

m) To conduct examinations for candidates for appointment as county assessor, and to certify lists of eligible candidates to the proper authorities.

3) Colorado Tax Commission. The Colorado tax commission should be retained and should have the duties and exercise the power and authority:

a) To raise or lower assessed valuations of individual properties, entire classes of property, or the total valuation of a county, to the end that assessed valuations of all property in the state shall be equalized.

b) To hear appeals of taxpayers from the rulings of county boards of review in cases of objections to assessments, and to approve or disapprove all orders of county boards of review increasing or decreasing assessed valuations.

c) To approve or disapprove all petitions for abatement or refund of taxes which have been granted by boards of county commissioners.

d) To hear objections by county assessors, county commissioners, or taxpayers concerning orders or instructions issued by the director of property assessment concerning the assessment of public utility property and the distribution of such assessments.

The Colorado tax commission should have no power or authority in the making of original assessments of public utilities nor in the supervision of county assessors in the assessment of other property.

The duty, power and authority to approve petitions for tax levies in excess of statutory limitations should be removed from the tax commission, and it should be provided that no levies may be made in excess of statutory limitations without a vote of the taxpayers upon whom such levies would be imposed.

4) Civil Service Status. The members of the Colorado tax commission, in order to provide responsibility for performance of assigned duties, should be exempted from civil service status, and definite provisions of law should be enacted providing for their removal from office for failure to perform their duties as prescribed by law or for failure to enforce the provisions of law.

5) Appropriations. Such funds should be appropriated to the department of property taxation and the Colorado tax commission to enable them to employ such personnel and make such expenditures as are necessary for the performance of their assigned duties.

6) Salary Grades. All positions in the department of property taxation and the Colorado tax commission should be graded, for purpose of compensation, sufficiently high to attract people who are competent to perform the duties to which they are assigned.

7) State Assessment Advisory Board. There should be created a state assessment advisory board to advise the director of property assessment in matters of assessment policy. Such advisory board should be composed of the three tax commissioners, six county assessors, and four legislators. Such advisory board should meet with the director of property assessment at least once every three months upon the call of the director of property assessment, and the members of such board should be paid mileage and expenses for attendance at such meetings from funds appropriated to the department of property taxation.

8) Duties of County Assessor. In order to emphasize the authority of the department of property taxation to enforce the use of prescribed methods and procedures, it should be provided by law that it shall be the duty of the county assessor of each county, and he shall have and exercise power and authority;

a) To list and assess all taxable property which has legal situs for purposes of tax assessment within his county at the full cash value thereof, excepting the property of public utility corporations.

b) To list all real property within his county which is exempted by law.

- c) In assessing property, to comply with all provisions of law relating thereto, and all lawful orders and instructions of the county board of equalization, the Colorado tax commission, the director of property assessment and the state board of equalization.
- d) To maintain such records, follow such procedures, and render such reports as may be required by law or prescribed by the director of property assessment.
- e) To attend, in person, such meetings, conferences, hearings, schools of instruction, or other assemblies as may be called by the director of property assessment.
- f) To certify, as provided for by law, the total assessed valuation within each taxing jurisdiction in his county as made by him, and as adjusted by him in compliance with any orders relating thereto issued by the county board of review, the Colorado tax commission, or the director of property assessment.
- g) To compile a tax list for delivery to the county treasurer listing the assessed valuations as made by him and as ordered by the county board of review, the Colorado tax commission, or the director of property assessment, and extend thereupon the tax levies as certified to him by the proper authorities as provided for by law.
- h) To perform such other duties as may be required by law.
- 9) State Board of Equalization, Abolition of. A proposal for amendment of the Constitution should be submitted to the electorate providing for the abolition of the state board of equalization, leaving the final authority for equalization with the Colorado tax commission.
- 10) County Boards of Equalization, Abolition of. A proposal for amendment of the Constitution should be submitted to the electorate abolishing county boards of equalization.
- 11) County Boards of Review. In place of the county board of equalization, a county board of review should be created in each county. Such county board of review should consist of one representative of each of the following property interests: agriculture, business, industry, homeowners, and either a realtor or a person experienced in building construction; provided that if the assessed valuation of property represented by any of these interests should be less than five per cent of the assessed valuation of the county, such interest should not be represented on the board, and the major property interest of the county should be entitled to an additional member on the board.

Such county board of review should be selected annually by a county conference board composed of the county commissioners, the presidents of each board of education in the county, and the mayors of each incorporated town and city in the county, each group casting one vote as a unit.

Such county board of review should hear objections of taxpayers claiming that the assessed valuations of their properties are erroneous or excessive after such taxpayers shall have filed objections with the county assessor, as provided for by law, and shall have been denied any adjustment of assessed valuation by the county assessor in writing. The actions of the board should be subject to approval of the Colorado tax commission. Such board should also act in an advisory capacity with the county assessor in matters of local assessment policy.

12) County Treasurer, Assessment Authority. The county treasurer should have no authority to make subsequent assessments, to make corrections in the tax list, nor to supply omissions from the tax list, but should have the duty, power and authority to request the county assessor to make such corrections and supply such omissions as he may discover a need for, and upon the neglect or refusal of the county assessor to comply with such request, to report such neglect or refusal to the director of property assessment.

13) County Assessor, Appointment of. A proposal for amendment of the Constitution should be submitted to the electorate providing:

a) That the county assessor shall be selected by a county conference board composed of the county commissioners, the president of each board of education in the county, and the mayor of each incorporated town and city in the county, each of the three groups casting a single vote as a unit, and the votes of at least two of the three groups being required to select an assessor.

b) That the county assessor shall be selected and appointed by such board from among a list of candidates who have been certified as eligible for such appointment by the director of property assessment after examination on their qualifications; whenever a county assessor is to be selected, the director of tax assessment shall call for and publicize an examination to be conducted at the county seat of each county, shall examine all applicants upon their knowledge of laws relating to the assessment of property, the duties of the office of county assessor, the principles and techniques of appraisal, and such matters of general knowledge as may be applicable to the office of county assessor, and shall certify as eligible for appointment as county assessor all applicants who shall pass such examination; and all applicants should be afforded an opportunity to prepare for such examination by studying the subjects covered therein, and should be provided with study material relating thereto.

c) That the county assessor shall be appointed for an indefinite term of office and shall be subject to removal at any time as provided for by law.

14) County Assessor, Salary. A proposal for amendment to the Constitution should be submitted again to the electorate providing that the salaries of county officers may be increased or decreased at any time.

15) County Assessor, Salary. A proposal for amendment of the Constitution should be submitted again to the electorate providing that the General Assembly may classify counties for purposes of designating the salaries of county officers according to any criteria which may reflect the difficulty and responsibility of the offices in each county.

16) County Assessor, Salary. If the preceding two proposals should be adopted, a realistic salary scale for county assessors commensurate with the responsibility of the office should be provided.

17) County Assessor, Budget. County assessors should be provided with sufficient funds to staff and equip their offices adequately for the performance of the duties required of them.

18) Assessment Specialists. It should be made possible for several county assessors to arrange to employ jointly specialists in assessment, such as real property appraisers, tax accountants, etc., each county paying according to the time spent in the county by such specialists.

Alternate Plans. 1) Colorado Tax Commission. If the suggested department of property taxation should not be created and there should be no separation of the administrative and judicial functions of the tax commission, the tax commission should be given the same duties, power and authority relating to assessment administration as it is suggested should be given to the department of property taxation, and also those quasi-judicial duties, powers and authority which it is suggested should be given to the tax commission.

2) If the tax commission should not be exempted from civil service status, a manner of removal for incompetence, or neglect, or refusal to perform the duties assigned to it should be provided by law.

3) If the suggested department of property taxation should not be created, there should be created a state assessment advisory board to advise the tax commission in matters of assessment policy, composed of seven county assessors and six legislators.

4) If the state board of equalization should not be abolished, it should be authorized to order increases or decreases in the assessments of individual properties when such increases or decreases are recommended to it by the tax commission.

5) If the county boards of equalization should not be abolished, the suggested county boards of review could still be created and could act subject to the approval of the county boards of equalization; if such county boards of review should not be created, the actions of the

boards of equalization should be subject to approval of the tax commission.

6) If an amendment to the Constitution providing for the appointment of county assessors should not be adopted, it should be provided that no person shall be elected as county assessor who shall not have been examined and certified as eligible as suggested in connection with the appointment proposal.

7) If an amendment to the Constitution providing for the appointment of County assessors should be adopted, instead of an indefinite term subject to removal at any time, it could be provided that the assessor be appointed for a term of four years, at the end of which time, the county conference board could vote on the question of retaining the incumbent assessor for another four year term, a negative vote being followed by the selection of another person for the office; or it could be provided that at the end of each four year term, the county conference board would select an assessor from among all candidates who had been examined and certified as eligible.

Such legislation as is needed to implement such of the foregoing conclusions as are deemed necessary should be enacted.