

# STATE OF COLORADO

## OFFICE OF THE GOVERNOR

136 State Capitol Building  
Denver, Colorado 80203  
Phone (303) 866-2471  
Fax (303) 866-2003



John W. Hickenlooper  
Governor

June 6, 2014

The Honorable Colorado House of Representatives  
Sixty-ninth General Assembly  
State Capitol Building  
Denver, Colorado 80203

Dear Colleagues:

This is to inform you that I will neither sign nor veto House Bill 14-1371, "Concerning Property Taxation of Oil and Gas Leaseholds and Lands, and, in Connection Therewith, Specifying that the Wellhead is The Point of Valuation and Taxation for Such Leaseholds and Lands." Therefore, this bill will become law at 12:01 a.m. on August 6, 2014. This letter sets forth my reasons for allowing this bill to become law without my signature.

Under recent interpretations of the law, the production value from oil and gas leases located in more than one property taxing jurisdiction is, for property tax purposes, allocated between the jurisdictions in proportion to the surface acreage of the lease within each district's boundaries. House Bill 14-1371 simplifies this process, and specifies instead that the wellhead is the point of valuation and taxation for property tax purposes. This simplification is consistent with the personal property and severance tax treatment of oil and gas interests. The bill passed through both chambers of the General Assembly with a total of only three 'no' votes.

Since its passage, however, we have heard from certain stakeholders that the bill should be vetoed because it changes a "long-standing" principle of taxation, creating tax winners and losers. We have even heard from legislators who voted for the bill who are now having second thoughts. We recognize that changing methods of allocating property tax revenues can have significant financial impacts to local jurisdictions, and we are sympathetic to the jurisdictions whose property tax revenue will be reallocated.

Notwithstanding our public policy concerns about this bill, it is the Colorado General Assembly that has the duty and power to craft Colorado's laws, and House Bill 14-1371 had overwhelming legislative support. As a matter of good government, when carefully crafted legislation that simplifies the tax code passes with near unanimous support, that legislation should be allowed to become law. We take the veto power very seriously, and view it as more than simply a last chance opportunity for a legislative do-over. The veto power should be exercised judiciously and carefully: to protect essential state interests, to guard against legislative overreach, and to protect the core rights and freedoms of all Coloradans.

For these reasons, I am allowing House Bill 14-1371 to become law without my signature. We are hopeful that members of the General Assembly will engage interested stakeholders in a dialogue about the effects of the bill's implementation.

Sincerely,

A handwritten signature in black ink, appearing to read "John Hickenlooper", written over a horizontal line.

Governor John Hickenlooper