HCR 21-1001

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number:	LLS 21-0779	**Date:**	March 02, 2021
Prime Sponsors:	Rep. Sandridge	**Bill Status:**	House SCMVA
		Fiscal Analyst:	Elizabeth Ramey | 303-866-3522 Elizabeth.Ramey@state.co.us

Bill Topic: **VETERANS WITH A DISABILITY PROPERTY TAX EXEMPTION ELIGIBILITY**

Summary of Fiscal Impact:

☐ State Revenue
☒ State Expenditure *(conditional)*
☐ State Transfer
☐ TABOR Refund
☒ Local Government
☐ Statutory Public Entity

Conditional on voter approval, this resolution expands eligibility for the homestead exemption for veterans with a disability. With voter approval, it increases state expenditures for reimbursement to local governments for this exemption on an ongoing basis.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This fiscal note applies to the introduced resolution.

Table 1
Conditional State Fiscal Impacts Under HCR 21-1001

		Budget Year FY 2021-22	Out Year FY 2022-23	Out Year FY 2023-24
Revenue		-	-	-
Expenditures	General Fund	-	$0.2 million	$19.7 million
	Centrally Appropriated	-	$0.05 million	$0.1 million
	Total Expenditures	**-**	**$0.3 million**	**$19.8 million**
	Total FTE	-	**3.6 FTE**	**8.6 FTE**
Transfers		-	-	-
TABOR Refund		-	-	-

Summary of Legislation

This resolution refers a constitutional amendment to voters at the November 2022 statewide election. If approved, the amendment expands eligibility for the homestead exemption for veterans with a disability, from veterans with a service-connected disability rated as 100 percent to those with a disability rated at least 50 percent by the U.S. Department of Veterans Affairs (VA). It is assumed that the expansion will apply to eligible homeowners starting with the 2023 property tax year.

Background

The homestead exemption for veterans with a disability in the state constitution exempts 50 percent of the first $200,000 of residential property owned by a veteran with a disability from property taxes. To receive the exemption, the homeowner must have a service-connected disability rated 100 percent by the U.S. Department of Veterans Affairs (VA), and owned and occupied the property as their primary residence on January 1st of the year in which they apply for the exemption.

The Colorado Division of Military and Veterans Affairs (DMVA) reviews each application and forwards completed applications to county assessors who apply the property tax exemption to individual properties. Service-connected disabilities are those resulting from an injury or illness that was incurred or aggravated during military service. The VA determines a disability rating, from 10 percent to 100 percent in increments of 10 percentage points, based on the severity of the medical condition and the amount by which it will diminish the veteran's earning potential.

Local government reimbursements. The state is required to reimbursement local governments for the revenue reduction attributable to these exemptions. These reimbursements are made as expenditures from the state General Fund.

TABOR refund mechanisms. The reimbursement to local governments for the property tax exemptions is the first of three TABOR refund mechanisms under current law. A TABOR surplus collected in one fiscal year is set aside to fund these reimbursements in the following fiscal year.

State Expenditures

Conditional on voter approval, the bill increases expenditures from the General Fund by $0.3 million and 3.6 FTE in FY 2022-23 and by $19.8 million and 8.6 FTE in FY 2023-24. This amount includes additional General Fund expenditures for the expanded exemption and administrative costs, as described below. In future years, expenditures will grow with the eligible population.

Department of the Treasury. Estimates are based on data from the Veterans Benefit Administration on the population of veterans in Colorado by disability rating in federal fiscal year 2018-19 and on the December 2020 Legislative Council Staff homestead exemption forecast. These data were adjusted for expanded eligibility and growth in the number of eligible veterans claiming the homestead exemption. For FY 2023-24, it is estimated that an additional 32,200 veterans will claim the exemption under the resolution, for total veteran homestead exemption claimants of 43,300. Table 2 shows the conditional expenditures for the increased homestead exemption, the forecast for current law reimbursements, and the net impact of the resolution.

Table 2
Conditional Change in Homestead Exemptions Under HCR 21-1001

	Budget Year FY 2021-22	Out Year FY 2022-23	Out Year FY 2023-24
Expanded Homestead Exemption	-	-	$25,848,953
Current Law	-	-	$6,638,607
Net Change	**-**	**-**	**$19,210,346**

Department of Local Affairs. Workload in the Division of Property Taxation will increase to update procedures, conduct training, and respond to inquiries from taxpayers. The workload increase is minimal and can be accomplished within existing appropriations.

Department of Military and Veterans Affairs. Workload and expenditures in the Department of Military and Veterans Affairs to process the increased number of applications for the exemption will increase by $301,085 and 3.6 FTE in FY 2022-23, and by $574,694 and 8.6 FTE in FY 2023-24. Expenditures are for the addition of staff, associated capital outlay and operating costs, document management and postage, and the centrally appropriated amounts described below. Expenditures after FY 2023-24 should decline as the initial surge in new applications decreases.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain conditional costs associated with this resolution are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this resolution. These costs, which include employee insurance and supplemental employee retirement payments, are estimated to be $52,215 in FY 2022-23 and $124,918 in FY 2023-24.

TABOR refunds. In future years when the state refunds a TABOR surplus, the bill will increase the amount of revenue that may be refunded via property tax exemptions for veterans with disabilities, and decreases the amount of revenue to be refunded via sales tax rebates paid using the state income tax form. Under current law and the December 2020 LCS forecast, the state is not expected to issue TABOR refunds through at least FY 2023-24. The bill does not change expectations concerning refunds to taxpayers.

Election expenditure impact — existing appropriations. This bill includes a referred measure that will appear before voters at the November 2022 general election. While no additional appropriation is required, certain election costs are incurred by the state when ballot measures are referred. These include reimbursing counties for certain election costs; publishing the text and title of the measure in newspapers across the state; and preparing and mailing the Blue Book.

Local Government

The resolution has offsetting impacts on local government revenue that will not change net revenue to any jurisdiction. It conditionally decreases property tax revenue with offsetting increased state reimbursements to local governments by the amounts shown in Table 2. The resolution may affect local government TABOR refunds if local voters have exempted one of, but not both of, property tax revenue and revenue received from the state government.

Effective Date

If approved by voters at the November 2022 general election, the changes take effect upon proclamation of the Governor.

State Appropriations

No appropriation is required. If approved by voters, appropriations will be addressed through the annual budget process.

State and Local Government Contacts

Counties	County Assessors
Information Technology	Local Affairs
Military Affairs	Personnel
Property Tax Division - Local Affairs	Revenue