SCR 22-002

Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number:	LLS 22-0249	**Date:**	April 22, 2022
Prime Sponsors:	Sen. Liston; Ginal	**Bill Status:**	Senate SVMA
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Bill Topic: **HOMESTEAD PROPERTY TAX EXEMPTION EXPANSION**

Summary of Fiscal Impact:

☐ State Revenue
☒ State Expenditure
☐ State Transfer
☒ TABOR Refund
☒ Local Government
☐ Statutory Public Entity

Conditional on voter approval, this concurrent resolution increases the senior and veterans with a disability homestead property tax exemptions and allows seniors who qualify for the exemption to continue to claim it if they move. With voter approval, the resolution increases expenditures to reimburse local governments for these exemptions. In years when there is not a sufficient TABOR surplus to fully fund the expanded exemption, it will increase General Fund expenditures.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced resolution.

Table 1
State Fiscal Impacts Under SCR 22-002

		Budget Year FY 2022-23	Out Year FY 2023-24	Out Year FY 2024-25
Revenue		-	-	
Expenditures	General Fund	-	$65.4 million	$73.0 million
Transfers		-	-	
Other Budget Impacts		-	-	

Summary of Legislation

The concurrent resolution refers a constitutional amendment to voters at the November 2022 statewide election. If approved by voters, the amendment increases the senior homestead and veterans with a disability homestead property tax exemptions from 50 percent of $200,000 to 50 percent of $300,000 of actual value of the owner-occupied primary residence starting with property tax year 2023 plus cumulative inflation for each subsequent property tax year. Additionally, it allows seniors who qualify for the exemption to continue to claim the exemption if they move. The amendment preserves the General Assembly's ability to raise or lower the actual value of which 50 percent is exempt.

Background

The homestead exemption in the state constitution exempts 50 percent of the first $200,000 of residential property owned by a qualifying senior or veteran with a service-connected disability from property taxes. For example, a $150,000 residence is taxed as if it were worth $75,000, and a $500,000 residence is taxed as if it were worth $400,000.

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

TABOR refund mechanisms. Reimbursements to local governments for the property tax exemptions are 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.

Senior homestead exemption. A homeowner is eligible to claim the senior homestead exemption if he or she meets the following requirements:

- The homeowner is 65 years old as of January 1 of the tax year; and
- The homeowner has occupied the home as his or her primary residence for at least ten years.

Veteran with a disability homestead exemption. A veteran with a disability is eligible to claim the disabled veterans homestead exemption if he or she is rated 100 percent permanently disabled by the U.S. Department of Veterans Affairs, and owned and occupied the property as their primary residence on January 1st of the year in which they apply for the exemption.

Assumptions

Expanded exempt value. The Division of Property Taxation provided data on properties that qualified for the homestead exemption in 2020. These data were adjusted for forecast home price appreciation, and the property tax benefit was recalculated under the resolution.

Inflation adjustment. The fiscal note assumes that the applicable inflation rate is measured by the Denver-Aurora-Lakewood consumer price index.

Portability. Based on national data adjusted for Colorado's demographics when possible, this fiscal note assumes that:

- about 30 percent of homes sold in Colorado are sold by seniors aged 65 and above; and
- about 68 percent of seniors selling their homes had satisfied the residency requirement and previously qualified for the exemption.

Based on these assumptions as well as statewide home sales reported by the Colorado Association of Realtors, it is estimated that about 27,500 of the estimated 136,000 home sales in 2023 will be made by seniors who previously qualified for the exemption and moved. Based on national statistics, it is further assumed that about 54 percent of these home sellers, or 14,700 households, will buy another home in Colorado. For property tax year 2023, the estimated average expenditure per senior exemption, including the expanded exempt value under this resolution, is $777, which is an additional $206 in savings per taxpayer, based on the March 2022 Legislative Council Staff forecast.

Caseload and average exemption amounts were grown to tax year 2024 by the March 2022 Legislative Council Staff forecast for households qualifying for the senior homestead exemption.

State Expenditures

Contingent upon voter approval, in years when the state does not incur a TABOR surplus or when the surplus is not sufficient to fully fund reimbursements to local governments for the expanded property tax exemptions under this resolution, the resolution will increase state General Fund expenditures for these reimbursements. The resolution increases reimbursements to local governments by $65.4 million in FY 2023-24, and by $73.0 million in FY 2024-25, and by increasing amounts in future years with inflation and accounting for changes in property value. Workload and costs are also incurred in the Department of Local Affairs, Department of Military and Veterans Affairs, and Office of Information Technology. These impacts are described below.

Local government reimbursements. Table 2 shows the increased homestead exemption, the forecast for current law reimbursements, and the net impact of the resolution, which is estimated to be $65.4 million in FY 2023-24 and $73.0 million in FY 2024-25, based on the assumptions described above. Expenditures for portability are additive, with expenditures compounding each year for the first ten years by amounts similar to those shown. Payments to local governments from the increased exemption will be made by the State Treasurer and, based on the March 2022 LCS Economic and Revenue Forecast, it is assumed that these increased expenditures will be paid using available money set aside for TABOR refunds in FY 2023-24. In years when the state is not required to make TABOR refunds, the resolution will require increased General Fund appropriations compared to current law.

Table 2
Homestead Exemptions Under Current Law and SCR 22-002, If Approved by Voters

	FY 2023-24	FY 2024-25
Expanded Exempt Value Under SCR 22-002	$223.2 million	$229.3 million
Current Law Exemptions	$169.3 million	$179.9 million
Net Change from Expanded Exempt Value	**$53.9 million**	**$49.5 million**
Portability for qualifying seniors	$11.4 million	$23.5 million
Total Net Change [1]	**$65.4 million**	**$73.0 million**

[1] *Totals may not sum due to rounding*

Election expenditure impact – existing appropriations. This resolution 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.

Other impacts. Workload in the Division of Property Taxation and the Department of Military and Veterans Affairs will increase to review and audit applications for expanded exemptions, to update informational materials, and to respond to questions from taxpayers. The workload increase is minimal and can be accomplished within existing appropriations.

Other Budget Impacts

TABOR refund. While the resolution does not affect the total TABOR refund required in FY 2022-23 or FY 2023-24, it will increase the portion of the TABOR refund that will be paid using the homestead exemption mechanism, which is the first of three mechanisms used under current law to issue refunds. Based on the size of the projected TABOR refund in FY 2023-24, this will in turn decrease the amount required to be refunded by the six-tier sales tax refund mechanism, which is the third means of refunding money to taxpayers after the homestead exemption and the temporary income tax rate reduction. A forecast of TABOR revenue is not available beyond FY 2023-24.

Local Government

The resolution has offsetting impacts on local government revenue that will not change net revenue to any jurisdiction. It 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.

In addition, workload for county assessors will increase to administer additional exemptions. This work can be accomplished within current assessor staffing levels.

Effective Date

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

State and Local Government Contacts

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