SB 22- 220

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Revised Fiscal Note

(replaces fiscal note dated April 26, 2022)

Drafting Number:	LLS 22-0907	**Date:**	April 28, 2022
Prime Sponsors:	Sen. Hansen; Rankin	**Bill Status:**	Senate Appropriations
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Bill Topic: **PROPERTY TAX DEFERRAL PROGRAM**

Summary of Fiscal Impact:

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

This bill relocates administration of the existing state property tax deferral program from county governments to the State Treasury, and allows the Treasurer to contract with a third party administrator to administer the program. It increases state expenditures and impacts local government expenditures on an ongoing basis.

Appropriation Summary: For FY 2022-23, the bill requires a General Fund appropriation of $1,725,883 to the Department of the Treasury.

Fiscal Note Status: The fiscal note reflects the introduced bill. It has been updated to reflect new information.

Table 1
State Fiscal Impacts Under SB 22-220

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue		-	-
Expenditures	General Fund	$1,725,883	$1,773,782
Transfers		-	-
Other Budget Impacts	General Fund Reserve	$258,882	$266,067

Summary of Legislation

Current law includes a property tax deferral program for qualified property owners whose property taxes grow above a certain threshold each year. Through the program, the state makes secured loans to taxpayers to pay property taxes on the taxpayer's homestead. In 2021, the General Assembly statutorily required the Governor and State Treasurer to study the program, and potentially recommend changes. This bill implements some of these recommendations.

The bill shifts administrative responsibilities for the program from county treasurers to the State Treasurer, and specifies that the State Treasurer may:

- conduct a public education campaign about the program;
- contract with a third party to administer the program;
- promulgate rules for program administration.

As part of the revised program, the bill requires:

- taxpayers to file deferral claims with the State Treasurer;
- the State Treasurer to issue and record the certificate of tax deferral with the appropriate county clerk's office;
- the county treasurer to refund any overpayment on an account that has been deferred to person that paid the taxes;
- taxpayers to tender repayment of loans to the state treasurer; and
- the State Treasurer to send updated deferral notices to taxpayers who have previously deferred property taxes reflecting that State Treasurer's new administrative role.

Finally, the bill creates an exception to the requirement that a loan becomes payable for a property that becomes uninhabitable and loses its value as a result of natural causes, including fire, explosion, flood, tornado, action of the elements, act of war or terror, or other causes beyond the control of the property owner.

Background

Senate Bill 21-293. Beginning for 2022 property taxes, SB 21-293 expanded the existing property tax deferral program by allowing homeowners to apply to apply for a deferral of a portion of their property taxes if their property tax liability grows by more than 4.0 percent from the average liability over the previous two years. At least $100 of any property tax increase exceeding 4.0 percent may be deferred. Total deferrals across multiple years is limited to $10,000 for the property. To qualify, homeowners must apply with their county treasurer by April 1 of the year when tax is due. That bill also required the Governor's Office and State Treasurer study the deferral program and recommend changes to the General Assembly by January 1, 2022. CoreLogic was retained to conduct the required study and produce the final report, submitted on December 30, 2021.

CoreLogic Study Results. The CoreLogic study found the existing property tax deferral program had very low utilization and was not scalable. Only 17 of 64 Colorado counties had homeowners utilizing the program. The study recommended centralizing administration at the state level to scale the existing program and expand eligibility. State level administration would create operational efficiencies and promote participation.

Assumptions

This fiscal note assumes the property tax deferral program will be altered according the recommendations from the CoreLogic study. Although the State Treasurer will contract with a third party administrator, personnel costs are estimated using the State of Colorado 2022 salary schedule.

State Expenditures

The bill increases state expenditures in Department of the Treasury by $1,725,883 in FY 2022-23 and $1,773,782 in FY 2023-24 from the General Fund to contract with a third party administrator to administer the expanded program. Expenditures are shown in Table 2 and detailed below.

Table 2
Expenditures Under SB 22-220

	FY 2022-23	FY 2023-24
Dept. of Treasury - Third Party Administrator		
Personal Services (16.0 FTE)	$788,184	$859,838
Operating Expenses and Indirect Costs	$937,699	$913,944
Total Cost	**$1,725,883**	**$1,773,782**

Third party administrator costs. Estimated personnel costs associated with program administration include salaries and benefits for a program manager, office manager, ten customer service specialists, two property tax specialists and two accountants. Salaries were estimated using the Colorado State Employee 2022 salary schedule, and have been adjusted in the first year to account for the pay date shift. The third party administrator will also require standard operating expenditures, $600,000 per year to market the program, and about $55,000 in FY 2023-24 and thereafter to develop and operate an online portal for program participants.

Other Budget Impacts

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve beginning in FY 2022-23. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts in Table 1, which will decrease the amount of General Fund available for other purposes.

Local Government

Participation in property tax deferral. Centralization of the property tax deferral program is assumed to increase participation in the program. This would increase property tax deferrals and reduce local government property tax revenue in current years by the amount that was deferred to future years. The amount of the increased deferrals has not been estimated.

County Treasurers. County treasurers will see reduced workload as they will no longer have to administer the existing property tax deferral program for seniors and disabled veterans. However, they will have an increase in workload as they will have to work with the third party administrator to market the expanded program and include information on taxpayer's property tax bill. The net workload impact for county treasurers is expected to be minimal.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

In FY 2022-23, the bill requires a General Fund appropriation to the Department of the Treasury of $1,725,883.

State and Local Government Contacts

Governor's Office	State Treasurer	County Treasurers
Counties	County Assessors	