SB 25-261

Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

SB 25-261: PROPERTY TAX DEFERRAL PROGRAM ADMINISTRATION

Prime Sponsors:
Sen. Amabile; Kirkmeyer
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Fiscal note status: The fiscal note reflects the introduced bill.

Summary Information

Overview. The bill repeals the state administration of the property tax deferral program by the Department of Treasury or a third-party administrator contracted by the department. The bill moves administration of property tax deferrals to county treasurers, and only allows certain new applicants in counties that pass a resolution to do so.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Revenue
- State Expenditures
- TABOR Refunds
- Local Government

Appropriations. For FY 2025-26, the bill decreases required General Fund appropriations to the Department of the Treasury by $2,459,187. It is assumed that this reduction will be made in the FY 2025-26 Long Bill, rather than in this bill.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2025-26	Out Year FY 2026-27
State Revenue	$0	$0
State Expenditures	-$2,459,187	-$2,631,330
Transferred Funds	$0	$0
Change in TABOR Refunds	$0	$0
Change in State FTE	0.0 FTE	0.0 FTE

Summary of Legislation

Under current law, taxpayers may apply to the state to defer all or a portion of their property tax to be repaid with interest when the property is sold or transferred. The program is administered by the Treasury through a third-party contractor. The bill repeals the use of a third-party contractor, repeals the option of the Treasurer to conduct a public education campaign, and moves administration of the program to county treasurers.

Further, the bill specifies that beginning with the 2025 property tax year, deferrals for new participants, other than people over age 65 and active duty military, will only be available in counties if the board of county commissioners adopts a resolution to accept those deferral claim applications. The bill requires county treasurers to issue certificates of deferral for county records and send copies to the State Treasurer. Lastly, the bill repeals a prohibition on county clerk and recorders from charging a fee for recording the certificate of deferral.

Background

Property Tax Deferral Program

Under current law, homeowners may defer all or a portion of their property tax to be paid with interest when the property is sold or transferred. The state treasurer loans the amount of deferred tax on behalf of participants to affected local governments, and a lien is placed upon the property in the amount of the deferred tax, plus interest. Once the deferred property taxes are paid back or the property is transferred or sold, the loan balance and interest are paid back to the state. The deferral program is administered by the State Treasury through a contract with a third-party contractor.

For the 2023 property tax year, there were 1,042 deferrals awarded in 30 counties, up 14.5 percent from 910 awards and 20 counties in 2022.[1] In 2023, about 82 percent of participants were seniors, and nearly 18 percent were among the general public. In 2023, only 5 participants were deferrals for active military service members.

Senate Bill 22-220

Senate Bill 22-220 centralized administration of the property tax deferral program from county governments to the State Treasury, and allowed the Treasurer to contract with a third-party administrator. The bill also allowed the Treasury to conduct a public education campaign about the program, and promulgate rules for program administration.

[1] https://leg.colorado.gov/sites/default/files/images/final_tax_property_commission_presentation.pdf

State Revenue

Overall, the change in administration for property tax deferrals and elimination of the public education campaign is expected to reduce the number of applicants seeking a property tax deferral. The exact impact on deferrals will also depend on county participation. The reduction in state revenue includes both lower deferred property tax loan repayments and interest. The amount and timing of this impact depends on when liens are collected. Revenue from interest payments is credited to the General Fund and is subject to TABOR.

State Expenditures

Program Administration

The bill will reduce state expenditures by $2.5 million in FY 2025-26 and $2.6 million in FY 2026-27, and similar amounts in future years by repealing state-level program administration, as shown in Table 1. Reduced state expenditures are based on the state's current contract with the program vendor.

Deferral Loans

Assuming the bill reduces deferral program participation, the bill will reduce state expenditures on loans paid to counties on behalf of the deferral program participants. Any amount loaned is repaid by local governments to the state upon their collection of deferred tax and interest. Because loans for deferrals are temporary obligations that are eventually repaid, they are not accounted for in the state budget and no change in appropriations is required.

TABOR Refunds

The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers depending on the amount of reduced interest as the state makes fewer deferral loans under the bill. This estimate assumes the March 2025 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2026-27. Because TABOR refunds are paid from the General Fund, decreased General Fund revenue will lower the TABOR refund obligation, but result in no net change to the amount of General Fund otherwise available to spend or save.

Local Government

Local Government Revenue

Assuming fewer deferral program participants under the bill, the bill increases local government revenue from property taxes and decreases local government revenue from the state, with no net impact on local resources. Local governments may have reduced or increased TABOR refund obligations if voters have authorized the retention and spending of one, but not both, of these sources of revenue. The bill may also increase revenue for counties that impose a fee for recording certificates of deferral.

Local Government Expenditures

The bill increases workload for county treasurers to administer property tax deferral and for processing applications and issuing certificates of deferral.

Effective Date

The bill takes effect July 1, 2025.

State Appropriations

For FY 2025-26, the bill decreases required General Fund appropriations to the Department of the Treasury by $2,459,187. The fiscal note assumes that this reduction will be included in the FY 2025-26 Long Bill, rather than this bill.

State and Local Government Contacts

Joint Budget Committee Staff

Treasury