SB 25-261

Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

SB 25-261: PROPERTY TAX DEFERRAL PROGRAM ADMINISTRATION

Prime Sponsors:
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Fiscal note status: The fiscal note reflects the reengrossed bill. The fiscal note has been updated to reflect new information, as well as amendments adopted by the Senate..

Summary Information

Overview. The bill relocates administrative duties for the property tax deferral program formerly conducted by county treasurers from the state Department of the Treasury back to county treasurers. The bill also narrows the property tax deferral program to include only seniors and those in active military service.

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 $2,298,361. 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	-$2,298,361	-$2,622,334
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 narrows the deferral program to include only people over age 65 and those in active duty military service. The bill requires county treasurers to issue certificates of deferral for county records and send copies to the State Treasurer. The bill repeals a prohibition on county clerk and recorders from charging a fee for recording the certificate of deferral, and requires the State Treasurer to provide each county treasurer with a list of owners, addresses, and lien amounts for deferrals by January 1 each year.

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

Senate Bill 21-293

Beginning with property tax year 2022, SB 21-293 broadened the property tax deferral program to allow homeowners other than seniors and active duty military service members to participate in the property tax deferral program if their property tax liability grew by 4 percent over the average tax liability of the prior two years. The 4 percent threshold was removed by Senate Bill 24-233.

State Revenue

Overall, the change in administration for property tax deferrals, elimination of the public education campaign, and narrowing of the deferral program to just seniors and active duty military is expected to reduce the number of applicants seeking a property tax deferral. 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 would have been collected. Revenue from interest payments is credited to the General Fund and is subject to TABOR.

State Expenditures

The bill decreases state expenditures in the Department of Treasury by $2,298,361 in FY 2025-26, $2,622,334 in FY 2026-27, and similar amounts in future years. These costs, paid from the General Fund, are summarized in Table 2 and discussed below.

Table 2
State Expenditures
Department of Treasury

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27
Third-Party Administrative Contract	-$2,459,187	-$2,631,330
Software System Implementation	$150,000	$0
Software Licensing and Maintenance	$4,500	$4,500
Capital Outlay Costs	$1,830	$0
Recording and Printing	$3,233	$3,233
Postage and Mailing	$1,263	$1,263
Total Costs	**-$2,298,361**	**-$2,622,334**

Department of the Treasury — Program Administration

On net, the bill will reduce state expenditures by $2.3 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 2. Reduced state expenditures are based on the state's current contract with the program vendor. Reductions will be partly offset for the Treasury Department to internalize some of the administrative functions that were a part of the third-party administrative contract. This includes the need to continue to track applicants, deferral amounts, and interest. The bill also requires the Treasury Department to provide county treasurers with annual reports of those in the deferral program.

Repeal of the contract with the third-party administrator will result in one-time costs for the Treasury Department to implement a software tracking system and for equipment needed for document management and recording. On-going costs include software licensing and maintenance. Costs in Table 2 for software licensing and maintenance could total an estimated $16,500 each year. Other ongoing costs include recording, printing, and postage.

Department of the Treasury — 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 $2,298,361. 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

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the General Assembly website.