



Final Fiscal Note

Drafting Number: LLS 23B-0009
Prime Sponsors: Sen. Liston

Date: November 29, 2023
Bill Status: Postponed Indefinitely
Fiscal Analyst: Elizabeth Ramey | 303-866-3522
elizabeth.ramey@coleg.gov

Bill Topic: **EXPANDING 2023 PROPERTY TAX EXEMPTIONS**

Summary of Fiscal Impact:	<input type="checkbox"/> State Revenue	<input checked="" type="checkbox"/> TABOR Refund
	<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
	<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

For property tax year 2023 only, the bill would have increased the homestead exemption for seniors, veterans with a disability, and surviving spouses of veterans with a disability from 50 percent of \$200,000 to 50 percent of \$350,000 and allowed seniors who would have qualified for the exemption to claim it if they stopped occupying their primary residence for reasons of medical necessity. The bill would have increased state expenditures to reimburse local governments for these exemptions.

Appropriation Summary: No appropriation would have been required.

Fiscal Note Status: The fiscal note reflects the introduced bill. This bill was postponed indefinitely by the Senate State, Veterans, and Military Affairs Committee on November 17, 2023; therefore, the impacts identified in this analysis do not take effect.

Table 1
State Fiscal Impacts Under SB 23B-005

		Current Year FY 2023-24	Budget Year FY 2024-25	Out Year FY 2025-26
Revenue		-	-	-
Expenditures		-	-	-
Transfers		-	-	-
TABOR Refund	Homestead Exemption	\$115.7 million	-	-
	Other Refund Mechanisms	(\$115.7 million)	-	-
	Net TABOR Refund Change	\$0	-	-

Summary of Legislation

For property tax year 2023, only the bill increases the homestead exemption for seniors and veterans with a disability from 50 percent of \$200,000 to 50 percent of \$350,000 of actual value of the owner-occupied primary residence. The bill allows seniors who would have qualified for the exemption to claim it if they have owned but not occupied their residence for 10 years, stopped occupying their primary residence for reasons of medical necessity, and have not owned another primary residence since then.

Background

The homestead exemption is available for owner-occupied primary residences of qualifying seniors, veterans with a service-connected disability, surviving spouses of veterans with a disability who previously qualified for the exemption, and Gold Star surviving spouses. Under current law, the homestead exemption applies to taxes that would be assessed on 50 percent of the first \$200,000 of the home's value. 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.

The Colorado Constitution allows the General Assembly to adjust the \$200,000 amount to which the exemption applies. The amount has previously been lowered to \$0 following recessions, but has never been increased to a level above \$200,000.

Local government reimbursements. The state is required to reimburse local governments for the revenue reduction attributable to the homestead exemption. Reimbursements are made from the state General Fund via the Department of the Treasury.

TABOR refund mechanism. Reimbursements to local governments for the homestead exemption are accounted as a TABOR refund mechanism under current law. A TABOR surplus collected in one fiscal year is set aside to fund these reimbursements in the following fiscal year.

Residency requirement. For a senior to claim the homestead exemption, the senior must have occupied their home as their primary residence for at least ten years. This requirement does not apply to veterans with a disability or to Gold Star surviving spouses.

Assumptions

Expanded exempt value. The fiscal note uses Division of Property Taxation data on properties that qualified for the homestead exemption in 2022. These data were adjusted for forecasted home price appreciation and the property tax benefit as recalculated under the bill. For property tax year 2023, the bill is expected to increase the value of the average homestead exemption from \$570 to \$970. Caseload and average exemption amounts were grown to tax year 2023 by the September 2023 Legislative Council Staff forecast for homestead exemptions.

Medical necessity. The fiscal note assumes that a small number of the seniors who will be newly eligible for the homestead exemption under the bill will claim it in 2023, due to administrative requirements and application deadlines for the current property tax year 2023. The impact on the state reimbursement requirement is assumed to be minimal.

State Expenditures

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

Other Budget Impacts

TABOR refund. The bill has no impact on the amount required to be refunded under TABOR for FY 2022-23; however, it increases the amount refunded via homestead exemptions by \$115.7 million, from \$163.2 million to \$278.9 million. Depending on administration, this may either decrease the amount refunded on 2023 income tax forms by an equal amount, or it may result in an over-refund of the FY 2022-23 surplus. If refunds exceed the obligation, current law directs that the excess be subtracted from the next state TABOR refund obligation.

Local Government

The bill 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 1. The bill 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.

Technical Note

The fiscal note assumes that Gold Star surviving spouses, who are eligible to claim homestead exemptions starting in property tax year 2023 under Amendment E, passed by voters in 2022, are eligible for the expanded exemptions under the bill.

The bill is expected to increase the amount of TABOR refunds paid to taxpayers from the FY 2022-23 state surplus via homestead exemptions. Under current law, this would therefore decrease the amount refunded to taxpayers via the six-tier sales tax refund mechanism to be used on income tax returns for tax year 2023. Six-tier amounts for 2023 were set by the Department of Revenue in September 2023 following a process in current law, and it is unclear whether the amounts can be adjusted before tax forms are printed if this bill becomes law. If six-tier amounts are not adjusted, the state may overrefund revenue for the current year. Current

law requires that refund amounts in later years be adjusted so that the total amount refunded under TABOR is corrected across multiple years.

Effective Date

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

State and Local Government Contacts

County Assessors
Military Affairs

Information Technology
Personnel

Local Affairs
Property Tax Division