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Fiscal Note

Drafting Number: LLS 22-0682
Prime Sponsors: Sen. Winter
Rep. Gray

Date: February 14, 2022
Bill Status: Senate Finance
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Bill Topic: **HOMESTEAD EXEMPTION AND CONSUMER DEBT PROTECTION**

Summary of Fiscal Impact:

- | | |
|---|--|
| <input checked="" type="checkbox"/> State Revenue | <input 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 |

The bill increases the value of certain property that is exempt from seizure to satisfy debt. The bill may decrease state and local revenue and increase state and local workload.

Appropriation Summary: No appropriation is required.

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

Summary of Legislation

Colorado's statutory homestead exemption exempts a portion of a homestead from seizure to satisfy a debt, contract, or civil obligation. This bill increases the portion of homestead exempted from \$75,000 to \$300,000 for an owner- or owner family-occupied home and from \$105,000 to \$400,000 for a home occupied by an owner or owner's family member who is elderly or disabled. The bill also modifies the definition of homestead to include a dwelling, and defines dwelling as conventional housing and personal property that is actually used as a residence, including any vehicle, trailer, vessel, camper coach, mounted equipment, railway car, shipping or cargo container, or shed.

Existing homestead exemptions for household goods, property related to an occupation, vehicles, and other items are increased in value and expanded to include certain accounts and equipment.

Finally, the bill removes the requirement that child support payments not be comingled with other moneys in order for payments to be exempt from seizure.

State Revenue

The bill may impact revenue from debt collections to the following state agencies.

Judicial Department. The bill is expected to reduce criminal restitution recoveries. Because actual revenue collections depend on a variety of factors, this impact has not been estimated.

Department of Revenue. While the Taxation Division has the authority to seize property for unpaid taxes, such enforcement actions are rare; any related revenue impact is expected to be minimal.

State Expenditures

The bill may minimally increase workload in state agencies, as described below.

Trial courts. The bill is not expected to change the number of cases that would be filed with the trial courts in the Judicial Department in order to address a debt, contract, or civil obligation, but may minimally impact how cases proceed and are resolved. No change in appropriations is required.

State debt collection. Because the bill limits creditors' options for collecting debt in certain cases, state agencies that are involved in collecting debts, including the Judicial Department, the Department of Personnel and Administration, and the Department of Revenue, may have additional workload when working with debtors to resolve outstanding debt. Generally, state agencies report that actions to seize property occur infrequently, so any impact to these agencies is assumed to be minimal.

Department of Human Services. The Division of Child Support Services sends a Notice of Lien and Levy to financial institutions to collect past due child support. The division will update these notices to advise obligors of the new exemptions from levy under the bill using existing resources.

Local Government

Similar to the state, workload may increase for local governments to the extent the bill changes the process for collecting outstanding debts. The fiscal note assumes this bill does not impact property tax-related collections.

Effective Date

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

State and Local Government Contacts

Human Services
Law
Revenue

Judicial
Personnel and Administration

Labor and Employment
Property Tax Division