



Housing Tax Expenditures Overview

Amanda Liddle
Economist
Legislative Council Staff

Legislative Oversight Committee
Concerning Tax Policy
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For Housing
Investors/Builders

Affordable Housing Tax Credit

Overview:

- Provides housing developers and investors a credit against state income tax or insurance premium tax liability for investment in affordable housing projects in the state

History:

- Established in 2001
- Renewed and/or expanded in 2014, 2016, 2018, 2019, 2022, and 2024

Affordable Housing Tax Credit

Administration:

- The credit is administered by the Colorado Housing and Finance Authority (CHFA)
- CHFA pairs the state credit with the federal Low Income Housing Tax Credit program
- In 2023, CHFA awarded state credit to 10 developments that will construct or preserve 1,110 apartments
- Credits are required to be allocated over 6 years and cannot exceed the annual cap, except for developments in counties impacted by federally declared natural disaster

Current Law Allocation of Colorado's Affordable Housing Tax Credit

Allocation Year and Amount	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	Total
2019: \$30 million	\$5.00													
2020: \$60 million	\$10.00	\$10.00												
2021: \$60 million	\$10.00	\$10.00	\$10.00											
2022: \$60 million	\$10.00	\$10.00	\$10.00	\$10.00										
2023: \$60 million	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00									
2024: \$180 million	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00								
2025: \$156 million		\$26.00	\$26.00	\$26.00	\$26.00	\$26.00	\$26.00	\$26.00						
2026: \$132 million			\$22.00	\$22.00	\$22.00	\$22.00	\$22.00	\$22.00						
2027: \$132 million				\$22.00	\$22.00	\$22.00	\$22.00	\$22.00	\$22.00					
2028: \$156 million					\$26.00	\$26.00	\$26.00	\$26.00	\$26.00	\$26.00				
2029: \$180 million						\$30.00	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00			
2030: \$180 million							\$30.00	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00		
2031: \$180 million								\$30.00	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00	
Calendar Year Totals	\$75.0	\$96.0	\$108.0	\$120.0	\$136.0	\$156.0	\$156.0	\$160.0	\$138.0	\$116.0	\$90.0	\$60.0	\$30.0	\$1,441

Transit-Oriented Communities Tax Credit

Overview:

Provides housing builders and investors a credit against state income tax or insurance premium tax liability for low-income housing projects located in transit-oriented communities

Administration:

A lot of technical overlap with the Affordable Housing Tax credit, as it is administered by CHFA in a similar manner

- Tax credit may not be claimed until the project is completed and placed in service

Current Law Allocation of Colorado's Transit-Oriented Communities Tax Credit

Allocation Year and Amount	2025	2026	2027	2028	2029	2030	2031	2032	2033	Total
2025: \$10 million	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00					
2026: \$10 million		\$2.00	\$2.00	\$2.00	\$2.00	\$2.00				
2027: \$10 million			\$2.00	\$2.00	\$2.00	\$2.00	\$2.00			
2028: \$55 million				\$11.00	\$11.00	\$11.00	\$11.00	\$11.00		
2029: \$65 million					\$13.00	\$13.00	\$13.00	\$13.00	\$13.00	
Calendar Year Totals	\$2.0	\$4.0	\$6.0	\$17.0	\$30.0	\$28.0	\$26.0	\$24.0	\$13.0	\$150.00

Middle-Income Housing Tax Credit

Overview:

Income tax credit for owners of housing developments focused on rental housing for middle-income households, can be used on income tax or insurance premium tax

Administration:

- Households with annual income between 80 percent and 120 percent or 140 percent of the county median income of households of the same size
- Owner of the housing development must provide middle-income housing for at least 15 years

Current Law Allocation of Middle-Income Housing Tax Credit

Allocation Year and Amount	2025	2026	2027	2028	2029	2030	2031	2032	2033	Total
2025: \$25 million	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00					
2026: \$25 million		\$5.00	\$5.00	\$5.00	\$5.00	\$5.00				
2027: \$50 million			\$10.00	\$10.00	\$10.00	\$10.00	\$10.00			
2028: \$50 million				\$10.00	\$10.00	\$10.00	\$10.00	\$10.00		
2029: \$50 million					\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	
Calendar Year Totals	\$5.0	\$10.0	\$20.0	\$30.0	\$40.0	\$35.0	\$30.0	\$20.0	\$10.0	\$200.00

Preservation of Historic Structures Tax Credit

History and Overview:

- Original credit passed in 1990, and replaced by current version of the tax credit in 2014, revised in 2018
- Available to property owners who rehabilitate or preserve a residential or commercial certified historic structure in Colorado
- HB 24-1314 establishes a second income tax credit pool of \$5 million annually that may be reserved for commercial structures rehabilitated into housing units
- A total of \$25 million in tax credit reservations between 2025 and 2029.
- Credit can be claimed through 2036, upon completion of the project

Preservation of Historic Structures Tax Credit

Qualifications and Administration:

- Must be 30 years old and in the National Register of Historic Places, the State Register of Historic Properties, or within a designated historic district of one of the state's 67 certified local governments (CLGs)
- At least 50% of commercial building must be converted to housing
- Up to \$1.5 million available per project
- Credit covers 20% of building expenditures
 - Additional 10 percentage points for projects in rural areas
 - Additional 5 percentage points for income-restricted housing

Sales Tax Exemptions for Housing Authorities and Projects Owned by Housing Authorities

Overview:

- **Exemptions for Housing Authorities.** Sales to housing authorities are exempt from state, local, and special district sales and use taxes
- **Exemptions for Qualifying Projects.** Construction of qualifying housing projects by housing authorities is exempt from state, local, and special district sales and use taxes

History:

- The exemption of housing authorities from any taxes or fees payable to the state, subdivision, or local government dates to the 1930s
- HB 00-1284 extended exemptions for public housing authorities to subsidiaries
- 2013 – DOR interpreted law to disallow certain exemptions to subsidiaries
- HB 16-1006 clarified statute to allow certain exemptions to housing authority subsidiaries, including qualifying projects owned by housing authorities and their subsidiaries

Sales Tax Exemptions for Housing Authorities and Projects Owned by Housing Authorities

Qualifications:

- **Qualifying Projects:** Qualifying projects include projects intended for occupancy by persons of low income that are owned by, leased to, or under construction by a housing authority or its subsidiaries. Qualifying projects are exempt from sales and use tax during the construction period.
 - **Exemption Certificates:** housing authorities & their subsidiaries may apply for exemption certificates for qualifying projects from the Department of Revenue
- **Mixed Use Qualifying Projects:** For qualifying projects that are only partially used for occupancy by persons of low income, the exemption is partial and in proportion to the part of the project that is for occupancy by low income persons
 - The partial sales and use tax owed on mixed use qualifying projects must be filed quarterly based on the **taxable portion of purchases** by the housing authority or its subsidiaries
 - Taxable portion of purchases = dollar amount of otherwise taxable purchases made for the project * percent of project that is NOT for low income occupancy

Manufactured Home Sales Tax Exemption

Overview: Manufactured homes are fully exempt from the state sales and use tax

History:

- Effective August 2018, HB 18-1315 expanded the preexisting exemption, which was for 48 percent of a manufactured home's price, to 100 percent. To qualify, homes must be in compliance with the National Manufactured Housing Construction and Safety Standards Act of 1974.

Manufactured Home Sales Tax Exemption

Qualifications: Manufactured homes:

- are preconstructed building unit(s) designed for residential purposes in either a temporary or permanent location;
- are built in a factory or location other than the residential site; and
- are not licensed vehicles nor do they have motive power.

Revenue impact: HB 18-1315 was expected to reduce General Fund revenue by \$811,200 beginning in FY 2019-20. Actual revenue impacts are not itemized in DOR reports.

Tiny Homes Sales Tax Exemption

Overview: In 2022, legislation passed to exempt tiny homes from the state sales and use tax.

Qualifications: Under HB 22-1242, a tiny home is defined as a structure that:

- is permanently constructed on a vehicle chassis;
- is designed for long-term residency;
- includes electrical, mechanical, or plumbing services that are fabricated, formed, or assembled at a location other than the site of the completed home;
- is not self-propelled; and
- has a square footage of no more than four hundred square feet.

Tiny homes are distinct from manufactured homes, recreational park trailers, recreational vehicles, semitrailers, and intermodal shipping containers.

For Would-Be
Buyers

Employer Assistance for Home Purchase Tax Credit

Overview: This state income tax credit is available for employers who make a contribution to an employee for purchasing a primary residence

- The credit is 5 percent of the contribution, up to \$5,000 per employee per year and \$500,000 per employer
- The employee must use the money for eligible expenses

Revenue Impact:

- For tax years 2024 through 2026, the credit is expected to decrease General Fund Revenue by \$835,000 to \$1.0 million.

Federal Home Mortgage Interest Deduction

Overview:

- Taxpayers who **itemize** deductions on their federal tax returns can deduct home mortgage interest paid from federal gross income
- One of the largest federal tax expenditures, it feeds into Colorado state income tax receipts via federal taxable income
- For TY 2024, federal **standard** deduction is \$14,600 (\$29,200 if filing jointly)

Home Mortgage Interest Deductions, Tax Year 2019

Size of Federal AGI	Number of Returns	Average Deduction	Total Deductions
Negative Income	NA	NA	
\$ 0 to \$ 9,999	1,828	\$12,043	\$22,015,371
\$ 10,000 to \$ 19,999	3,193	\$13,931	\$44,481,280
\$ 20,000 to \$ 29,999	4,580	\$13,274	\$60,795,978
\$ 30,000 to \$ 39,999	7,025	\$12,893	\$90,575,993
\$ 40,000 to \$ 49,999	10,848	\$11,364	\$123,271,869
\$ 50,000 to \$ 59,999	14,590	\$12,473	\$181,984,467
\$ 60,000 to \$ 74,999	25,576	\$12,300	\$314,584,426
\$ 75,000 to \$ 99,999	41,294	\$13,043	\$538,579,352
\$ 100,000 to \$ 199,999	107,859	\$14,562	\$1,570,676,406
\$ 200,000 to \$ 499,999	71,173	\$18,098	\$1,288,085,898
\$ 500,000 to \$ 999,999	12,547	\$21,685	\$272,086,686
\$ 1,000,000 and over	5,520	\$23,120	\$127,622,992
Total	306,033	\$15,145	\$4,634,760,718

Source: Office of Research and Analysis, Department of Revenue

First-Time Homebuyer Savings Account Deduction

Overview: Taxpayers may deduct interest earned in a savings account established to save for purchase of their first home

- OSA presented their evaluation of the program at committee's August 24, 2023 meeting

History:

- Created in HB 16-1467, became available in 2017
- Repealed during the 2024 session

Revenue Impact:

- \$1,942 for four taxpayers in tax year 2018

Those Targeting Property Tax

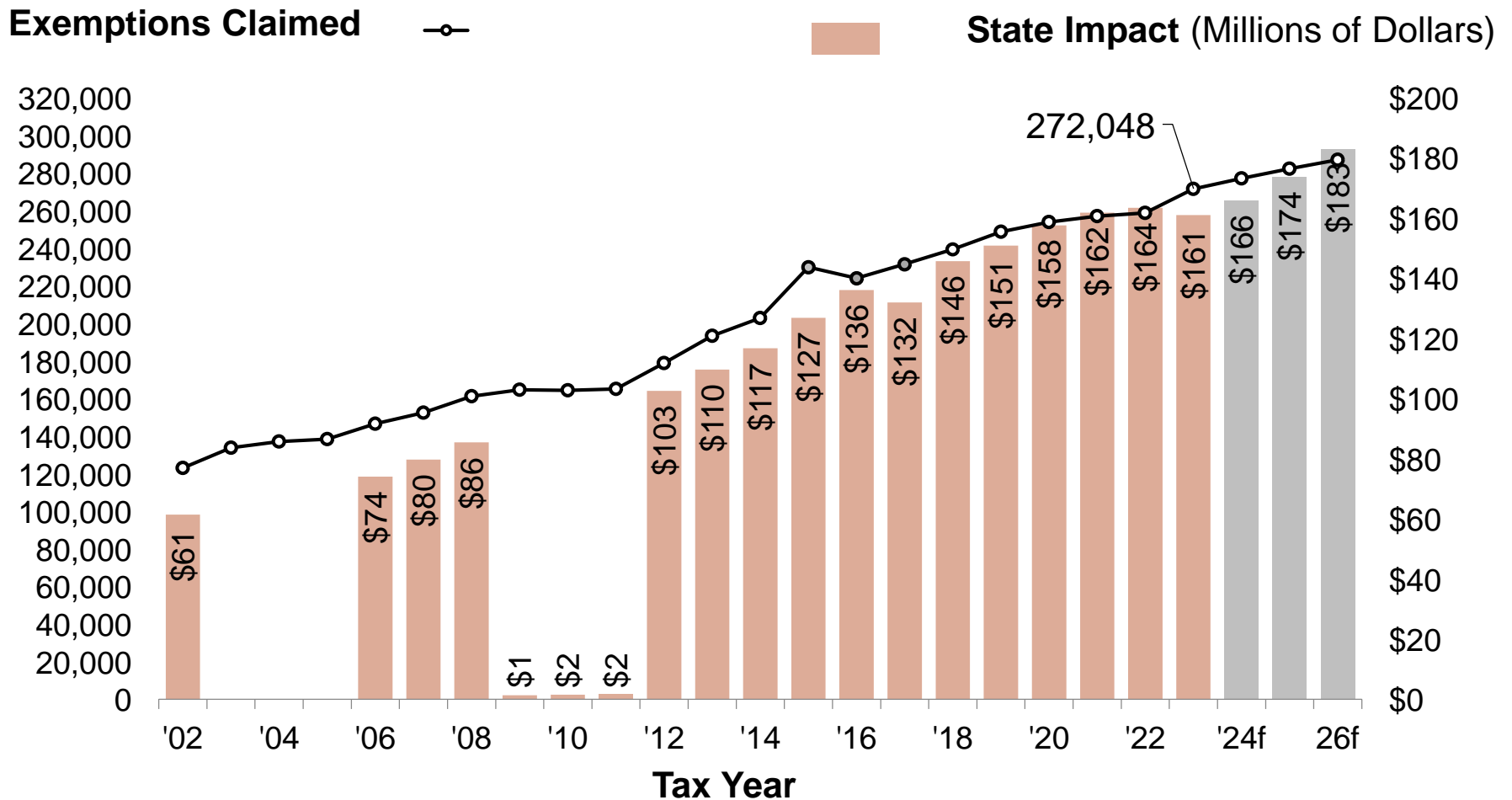
Homestead Exemptions

Overview: The homestead exemption in the state constitution reduces property taxes owed on a qualifying homeowner's primary residence by exempting 50 percent of the first \$200,000 of the home's value from taxation.

Qualifications:

- For seniors age 65+, or surviving spouses whose property is their primary residence owned and occupied continuously for at least 10 years;
- For veterans who have a service-connected disability rated 100 percent by the Veterans Administration
- For surviving spouses of either a military service member who died in the line of duty or a veteran whose death resulted from a service-related injury or disease

General Fund expenditures for homestead exemptions



Sources: Division of Property Taxation; Department of the Treasury; Legislative Council Staff
 “f” and gray shading indicate forecast.

Senior Housing Income Tax Credit

Overview: Originally available in 2022 only; HB 24-1052 reinstated the tax credit for 2024 with some changes

- Refundable tax credit up to \$800 for seniors with income up to \$75,000 (\$125,000 for joint-filers)
- The maximum credit is available to taxpayers whose income is below \$25,000 or who qualify for the PTC, and reduces by \$8 for every \$500 AGI above \$25,000

Revenue Impact:

- For tax year 2022, 89,574 credits totaling \$70 million had been claimed.
- Reinstatement is expected to produce 119,000 claims for \$67.6 million in 2024.

Property Tax, Rent, and Heat Credit Rebate (PTC)

Overview: The PTC Program provides rebates for property tax, rent, and heat expenses incurred by Coloradans whose income falls below certain thresholds

- For 2023, the program is available to qualifying residents whose income is less than \$18,026 (\$24,345 for joint filers).

Qualifications:

- Age 65 or older; a surviving spouse; a person with a disability

Expenditures:

- In 2023, the Department of Revenue issued 20,045 rebates totaling \$10.5 million, or \$526 per person.¹
- The maximum rebate amount was \$1,112 in 2023.

¹ Source: Colorado Department of Revenue Annual Report

Property Tax, Rent, and Heat Income Tax Credit (PTC)

Colorado Income Tax Credit for Individuals with a Disability Under HB 24-1268

Tax Year 2025

Single Filers		Joint Filers	
Federal AGI*	Amount of Credit	Federal AGI*	Amount of Credit
Up to \$10,000	\$1,200	Up to \$16,000	\$1,200
\$10,001 to \$12,500	\$1,000	\$16,001 to \$20,000	\$1,000
\$12,501 to \$15,000	\$800	\$20,001 to \$24,000	\$800
\$15,001 to \$17,500	\$600	\$24,001 to \$28,000	\$600
\$17,501 to \$20,000	\$400	\$28,001 to \$32,000	\$400

Property Tax Deferral Program

Overview: Homeowners may defer their property tax to be paid later

- The state treasurer loans the amount of deferred tax to local governments
- For seniors: total amount of tax due
- For others: Until SB 24-233 was passed, a portion of tax increase that exceeds 4%, up to \$10,000 across all years
- SB 24-233 removed the 4% cap starting with 2025 property tax year

Program utilization:

- 2022: 813 seniors, 13 military, 104 others
- At least \$3.0 million

Property Tax Deferral Program

Recent History

- Program had been administered by county treasurers
- SB 21-293 broadened the program beyond just seniors, commissioned a study
- CoreLogic Study released December 2021:
 - Only 17 counties using the program at all
 - Recommended state administration instead
- SB 22-220 moved administration to State Treasury
- HB 23-1284 broadened the program further



Questions?

Amanda Liddle

Economist • Legislative Council Staff
amanda.liddle@coleg.gov • (303) 866-5834
www.leg.colorado.gov/lcs

For additional information on evaluating tax expenditures, see the LCS Memorandum, "Evaluating Tax Expenditure Legislation"
https://leg.colorado.gov/sites/default/files/evaluating_tax_expenditure_legislation.pdf
