HCR 22-1003

Legislative Council Staff

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Fiscal Note

Drafting Number:	LLS 22-0673	**Date:**	March 4, 2022
Prime Sponsors:	Rep. Geitner Sen. Bridges; Lundeen	**Bill Status:**	House SCMVA
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Bill Topic: **EXTEND HOMESTEAD EXEMPTION TO GOLD STAR SPOUSES**

Summary of Fiscal Impact:

- ☐ State Revenue
- ☒ State Expenditure
- ☐ State Transfer
- ☒ TABOR Refund
- ☒ Local Government
- ☐ Statutory Public Entity

Conditional on voter approval, this concurrent resolution extends eligibility for the homestead exemption for seniors or veterans with a disability to the Gold Star spouse of a deceased serviceperson. With voter approval, the resolution increases state expenditures and increases state and local government workload. In years when there is not a sufficient TABOR surplus to fully fund the expanded exemption, it will increase General Fund expenditures.

Appropriation Summary: No appropriation is required.

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

Table 1
State Fiscal Impacts Under HCR 21-1002

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue		-	-
Expenditures	General Fund	$39,363	$581,813
	Centrally Appropriated	$8,913	$14,993
	Total Expenditures	$48,276	$596,806
Transfers		-	-
Other Budget Impacts	General Fund Reserve	$5,904	$8,522

Summary of Legislation

This concurrent resolution refers a constitutional amendment to voters at the November 2022 statewide election. If approved, the amendment expands eligibility for the homestead property tax exemption, currently available to qualifying seniors or veterans with a disability, to surviving spouses of a United States Armed Forces service member who died in the line of duty or veteran whose death resulted from a service-related injury or disease as determined by the United States department of veterans affairs, if the surviving spouse is a recipient of dependency indemnity compensation, beginning in the 2023 property tax year.

Background

The homestead exemption in the state constitution exempts 50 percent of the first $200,000 of residential property owned by a qualifying senior or veteran with a service-connected disability from property taxes. For example, a $150,000 residence is taxed as if it was worth $75,000, and a $500,000 residence is taxed as if it was worth $400,000.

The Department of Military and Veterans Affairs (DMVA) reviews each application for the exemption for veterans with a disability and forwards completed applications to county assessors who apply the property tax exemption to individual properties.

Surviving spouses who take possession of the home of a deceased qualifying senior or veteran with a disability are eligible for the homestead exemption, but other surviving spouses are not currently eligible for the homestead exemption under current law.

Local government reimbursements. The state is required to reimburse local governments for the revenue reduction attributable to senior and veterans with a disability property tax exemptions. These reimbursements are made as expenditures from the state General Fund.

TABOR refund mechanisms. The homestead exemption is the first of three TABOR refund mechanisms under current law. A TABOR surplus collected in one fiscal year is set aside to issue refunds via these reimbursements in the following fiscal year.

Senior homestead exemption. A homeowner is eligible to claim the senior homestead exemption if he or she meets the following requirements:

- The homeowner is 65 years old as of January 1 of the tax year; and
- The homeowner has occupied the home as his or her primary residence for at least ten years.

Veteran with a disability homestead exemption. A veteran with a disability is eligible to claim the veterans with a disability homestead exemption if he or she is rated 100 percent permanently disabled by the U.S. Department of Veterans Affairs, and owned and occupied the property as their primary residence on January 1st of the year in which they apply for the exemption.

State Expenditures

Conditional on voter approval, the resolution increases expenditures in years when the state does not incur a TABOR surplus or when the surplus is not sufficient to fully fund reimbursements to local governments for the expanded property tax exemptions under this resolution. The resolution will increase state expenditures by $48,276 in FY 2022-23 and $596,806 in FY 2023-24, paid from the General Fund, to reimburse local governments and for staff in the Department of Military and Veterans Affairs (DMVA) to process additional applications for property tax exemptions. Workload and costs are also incurred in the Department of Local Affairs. These impacts are described below. If approved by voters, these costs will require appropriation through the annual budget process.

Local government reimbursements. General Fund expenditures will increase by about $525,000 per year starting in FY 2023-24 to reimburse local governments for reduced property tax revenue under the expanded exemption. This estimate is based on data from the U.S. Department of Defense Office of the Actuary, the U.S. Census Bureau, and the December 2021 Legislative Council Staff homestead exemption forecast. For FY 2023-24, it is estimated that 883 surviving spouses who are not otherwise able to claim the homestead exemption will claim the exemption under the resolution. It is assumed that the average exemption will be similar to the veterans with a disability property tax exemption.

Department of Military and Veterans Affairs. Workload and expenditures in the Department of Military and Veterans Affairs (DMVA) to process the increased number of applications for the exemption, coordinate website updates, and respond to inquiries from taxpayers will increase by $39,363 in FY 2022-23 and $56,813 in FY 2023-24.

Table 2
DMVA Expenditures Under HCR 22-1003

	FY 2022-23	FY 2023-24
Department of Military and Veterans Affairs		
Personal Services	$32,353	$55,463
Operating Expenses	$810	$1,350
Capital Outlay Costs	$6,200	-
Centrally Appropriated Costs[1]	$8,913	$14,993
Total Cost	**$48,276**	**$71,806**
Total FTE	**0.6 FTE**	**1.0 FTE**

[1] *Centrally appropriated costs are not included in the bill's appropriation.*

Department of Local Affairs. Workload in the Division of Property Taxation will increase to update procedures, conduct training, and respond to inquiries from taxpayers. The workload increase is minimal and can be accomplished within existing appropriations.

Election expenditure impact — existing appropriations. This resolution includes a referred measure that will appear before voters at the November 2022 general election. While no additional appropriation is required, certain election costs are incurred by the state when ballot measures are referred. These include reimbursing counties for certain election costs; publishing the text and title of the measure in newspapers across the state; and preparing and mailing the Blue Book.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this resolution are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this resolution. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 2.

Other Budget Impacts

TABOR refund. While the resolution does not affect the total TABOR refund required in FY 2023-24, it will increase the portion of the TABOR refund that will be paid using the homestead exemption mechanism, which is the first of three mechanisms used under current law to issue refunds. Based on the size of the projected TABOR refund in FY 2023-24, this will in turn decrease the amount required to be refunded by the six-tier sales tax refund mechanism, which is the third means of refunding money to taxpayers after the homestead exemption and the temporary income tax rate reduction. A forecast of TABOR revenue is not available beyond FY 2023-24.

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve beginning in FY 2022-23. Based on this fiscal note, the resolution is expected to increase the amount of General Fund held in reserve by $5,904 in FY 2022-23, and by $8,522 in FY 2023-24, which will decrease the amount of General Fund available for other purposes.

Local Government

The resolution has offsetting impacts on local government revenue that will not change net revenue to any jurisdiction. It conditionally decreases property tax revenue with offsetting increased state reimbursements to local governments by $525,000. The resolution 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.

Effective Date

If approved by voters at the November 2022 general election, the changes take effect upon proclamation of the Governor.

State and Local Government Contacts

Information Technology	Military Affairs	Personnel
Property Tax Division – Local Affairs	Treasury	