# SB 26-116

# Fiscal Note

## Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

## SB 26-116: PROPERTY TAX MODIFICATIONS

**Prime Sponsors:**
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Rep. Zokaie

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**Fiscal note status:** This revised fiscal note reflects the introduced bill, as amended by the Senate Finance Committee.

### Summary Information

**Overview.** The bill repeals the ongoing classification of qualified-senior primary residence properties after the property tax benefit for 2025 and 2026 expires as scheduled under current law. The bill sets the business personal property tax exemption threshold at $58,000 beginning for property tax year 2027 and requires county assessors to calculate the value of exempt business personal property each year from property tax year 2022 to property tax year 2026.

**Types of impacts.** The bill is projected to affect the following areas on an ongoing basis:

- State Expenditures
- Local Government

**Appropriations.** For FY 2026-27, the bill requires an appropriation of $13,500 to the Department of Local Affairs.

**Table 1**
**State Fiscal Impacts**

| Type of Impact | Budget Year FY 2026-27 | Out Year FY 2027-28 |
|---|---|---|
| State Revenue | $0 | $0 |
| State Expenditures (General Fund) | $13,500 | $0 |
| Transferred Funds | $0 | $0 |
| Change in TABOR Refunds | $0 | $0 |
| Change in State FTE | 0.0 FTE | 0.0 FTE |

## Summary of Legislation

The bill repeals the classification of qualified-senior primary residence properties after property tax year 2026. The bill also sets the business personal property tax exemption threshold in current law at $58,000 beginning for property tax year 2027 and repeals the biannual inflation adjustments to the threshold for each reassessment cycle that are required under current law. Lastly, the bill requires county assessors to calculate the aggregate value of exempt business personal property within the county with value between $7,900 and $58,000 for each property tax year from 2022 until 2026 for use in calculating reimbursements for reduced property tax revenue related to business personal property tax exemptions.

## Background

### Qualified Senior Primary Residence Property Tax Benefit

Senate Bill 24-111 created a property tax benefit for qualifying senior homeowners who have previously qualified for the constitutional senior homestead exemption but who are currently ineligible for it. The bill created an equivalent benefit by reducing the assessed value of qualified-senior primary residence properties, or by subtracting an amount equal to 50 percent of the first $200,000 in actual value from the value of the property before the assessment rate is applied. The subtraction is limited to the lesser of $100,000 or the amount that reduces a property's assessed value to $1,000. Senior homeowners must apply to county assessors for the classification. Under current law, the benefit is available for the 2025 and 2026 property tax years (PTY) only. Based on preliminary data from the Division of Property Taxation, there were about 2,350 classifications confirmed for PTY 2025 for a total benefit of $1.6 million for FY 2025-26. Based on an analysis of senior homeowners using U.S. Census data, utilization of the property tax benefit was about 4 percent of eligible households for PTY 2025.

### Business Personal Property Tax Exemption

Businesses with personal property valued at less than a set amount are exempt from paying business personal property taxes. House Bill 21-1312 increased the business personal property tax exemption from $7,900 to $50,000 and established a mechanism to reimburse local governments each year for the reduction in their property tax revenue. The exemption threshold is required to be adjusted for inflation every two years. For the current reassessment cycle, the threshold is set at $56,000. For annual reimbursements, county assessors and treasurers estimate the reduced property tax based on the actual value of the property exempted under the bill for the 2021 property tax year, and adjusted by a growth factor as calculated by the Division of Property Taxation. From FY 2021-22 to FY 2024-25, the state has paid between $16.7 million and $19.5 million in reimbursements each year.

## State Expenditures

The bill increases General Fund expenditures in DOLA by $13,500 in FY 2026-27 only. It may also impact business personal property tax reimbursements to local governments and the state share of school finance. These impacts are summarized below.

### Department of Local Affairs, Division of Property Taxation

The Division of Property Taxation will need to update its portal for assessors to accommodate changes to the business personal property tax exemption baseline amount. The portal update will require 100 hours of programming, for a total cost of $13,500 in FY 2026-27 only. Costs are paid from the General Fund and reappropriated to the Office of Information Technology.

The bill increases division workload in FY 2026-27 to update manuals, provide technical assistance, and reevaluate calculations for business personal property tax reimbursements with a new baseline exemption total. This workload increase can be accomplished within existing appropriations.

The bill will also minimally reduce workload in the division by repealing the requirements for the division related to verification of qualified-senior primary residence applications and classifications, and forms for notification.

### Business Personal Property Tax Reimbursements

The bill may reset a baseline exemption amount used to calculate business personal property tax reimbursements. However, as noted in the Technical Note section below, it is unclear which property tax year the baseline exemption amount should be applied to and how assessors will report data to the Division of Property Taxation for the reimbursements. For this reason, the impact to reimbursements is not estimated.

### School Finance

Setting the business personal property tax exemption threshold at $58,000 is not expected to impact school finance expenditures based on the threshold increasing to a projected $58,000 as adjusted for inflation under current law. However, if the threshold would have differed from this projection for the 2027 reassessment cycle, the impact will vary from this analysis. In future years without an inflation adjustment, the value of taxable personal property over the threshold is expected to increase over time and will increase local share total program revenue compared with current law, thereby reducing the state-aid obligation for school finance.

## Local Government

### Local Revenue

The bill may impact the amount of business personal property tax reimbursements in FY 2026-27, FY 2027-28, and future years. Eliminating inflation adjustments to the business personal property exemption threshold is not projected to impact property tax revenue for property tax year 2027 and 2028. In future years, eliminating inflation adjustments is expected to increase property tax revenue over time for local property tax jurisdictions.

#### Property Tax

Eliminating inflation adjustments to the business personal property exemption threshold is not projected to impact property tax revenue for property tax year 2027 and 2028. This analysis projects that under current law, the exemption threshold for the 2027 reassessment cycle will be set at $58,000, equal to the amount set in the bill. In future years, eliminating inflation adjustments is expected to increase revenue over time for local property tax jurisdictions.

#### Business Personal Property Tax Exemption Reimbursements

The bill may reset a baseline exemption amount used to calculate business personal property tax reimbursements, impacting reimbursement revenue for property tax year 2026 and future years. However, as noted in the State Expenditure section and in the Technical Note section below, it is unclear which property tax year baseline exemption amounts apply to, and the impact is not estimated. If changes in the bill increase the baseline exemption amount, it will increase revenue to local governments through state reimbursements.

### Local Expenditures

The bill increases workload for county assessors to calculate the aggregate amount of exempt business personal property in each county valued between $7,900 and $58,000 for property tax years 2022 to 2026. Costs will vary depending on software systems and technical capabilities in each assessor’s office.

The bill will also reduce workload for county assessors by ending requirements for ongoing administration and classification of qualified-senior primary residence real property.

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## Technical Note

The bill as amended may reset a baseline exemption total for business personal property valued between $7,900 and $58,000, as noted above. Under current law, the baseline exemption total was set for property tax year 2021 and reflects property within the county as of January 1, 2021. For property tax years 2022 until 2026, assessors will not be able to verify the property that was in the county on January 1, 2021. Assessors will also not be able to aggregate exempt business personal property for property tax years prior to 2025. The bill is not clear on which property tax year should be used to calculate the baseline exemption total.

## Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

## State Appropriations

For FY 2026-27, the bill requires a General Fund appropriation of $13,500 to the Department of Local Affairs, Division of Property Taxation. This amount is reappropriated to the Office of Information Technology.

## State and Local Government Contacts

Counties

County Assessors

County Treasurers

Local Affairs

Municipalities

Property Tax Division

Revenue

Special Districts