HB 19-1141

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

FISCAL NOTE

Drafting Number:	LLS 19-0106	**Date:**	February 7, 2019
Prime Sponsors:	Rep. Beckman	**Bill Status:**	House SVMA
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Bill Topic: PRESERVE SENIOR & DISABLED VETERAN PROPERTY TAX EXEMPTION

Summary of Fiscal Impact:

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

This bill allows seniors who qualify for the senior homestead exemption to continue to claim the exemption if they move for reasons of medical necessity and restricts the authority of the General Assembly to reduce exemption amounts in future years. It increases state expenditures for local government reimbursements on an ongoing basis.

Appropriation Summary: No appropriation is required.

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

Table 1
State Fiscal Impacts Under HB 19-1141

		FY 2019-20	FY 2020-21	FY 2021-22	FY 2030-31
Revenue		-	-	-	-
Expenditures	General Fund	-	$0.8 million	$1.6 million	$10.1 million
Transfers		-	-	-	-
TABOR Refund		-	-	-	-

Summary of Legislation

This bill modifies eligibility requirements for the senior homestead exemption, and the circumstances under which the amounts of the senior homestead and the disabled veteran property tax exemption may be reduced, as described below.

Eligibility for the senior homestead exemption. Beginning in 2020, the bill allows seniors who qualify for the senior homestead exemption to continue to claim the exemption if they move for reasons of medical necessity.

For property tax purposes, under current law, the senior homestead exemption reduces the value of a senior's home to which assessment rates and mill levies are applied by 50 percent, up to a maximum of $100,000. For example, a home with an actual value of $150,000 is taxed at 50 percent as if it were worth $75,000, and a home with an actual value of $500,000 is taxed as if it were worth $400,000 using the maximum 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.

Under the bill, eligible homeowners who move for reasons of medical necessity are treated as satisfying the ten year residency requirement. The homeowner must file a form with their county assessor, to be created by the Division of Property Taxation in the Department of Local Affairs, that indicates that the homeowner was required to move as a result of a medical condition. The form must be certified by a licensed physician.

Homeowners must occupy their new home as their primary residence, may not reside at a third home during an intervening period, and may not claim the exemption for more than one property after that at which they originally qualified.

Future reductions in exemption amounts. The Colorado Constitution sets the value of the senior homestead exemption and the disabled veterans property tax exemption at 50 percent of the first $200,000 of the home's value, such that the maximum exemption reduces a home's value by $100,000 for property tax purposes. The constitution empowers the General Assembly to increase or reduce the $200,000 cap, increasing or reducing the value of the exemption correspondingly.

The bill restricts this authority such that the General Assembly is empowered to reduce the exemption cap only when the amount of General Fund revenue collected in the preceding fiscal year is less than the amount of revenue collected in the fiscal year preceding that year. If the General Assembly reduces the exemption cap, the cap automatically returns to 50 percent of $200,000 for the following year.

State Expenditures

The bill increases General Fund expenditures by $0.8 million in FY 2020-21, $1.6 million in FY 2021-22, and larger amounts in subsequent fiscal years. When fully phased in, the bill is expected to increase General Fund expenditures by about $10.1 million annually.

The bill requires additional General Fund expenditures to reimburse local governments for their property tax loss associated with an increase in the number of persons eligible for the senior homestead exemption. The bill only impacts reimbursements to the extent that persons who would move and therefore lose the exemption under current law are able to continue claiming the exemption as a result of the bill. Homeowners who are induced to move to a different home as a result of the bill do not increase reimbursements, as these taxpayers would be assumed to claim the exemption for their current home under current law.

Assumptions. Based on national figures adjusted for Colorado's demographics where possible, this fiscal note assumes that:

- about 24 percent of homes sold in Colorado are sold by seniors aged 65 and above;
- about 75 percent of seniors selling their homes had satisfied the residency requirement and previously qualified for the exemption;
- about 11 percent of sales by seniors are due to reasons of medical necessity, based on the national share of seniors who sold their home because upkeep had become too difficult due to health limitations.

Based on these assumptions, it is estimated that about 2,300 of the 113,000 home sales reported by the Colorado Association of Realtors for 2018 were made by seniors who previously qualified for the exemption and who moved for reasons of medical necessity. Based on national statistics, it is further assumed that about 58 percent of these homesellers bought another home in Colorado. For property tax year 2018, the average expenditure per exemption was $559.

Caseload and average exemption amounts were grown to tax year 2020 by the December 2018 Legislative Council Staff forecast for senior homestead exemptions. Exemptions for 2020 are reimbursed from the General Fund in FY 2020-21, and so on.

Expenditures for reimbursements required under the bill will compound as more seniors move for reasons of medical necessity in each year after 2020. The estimated $10.1 million expenditure increase for FY 2030-31 represents the bill's annual impact after a full phase-in period of approximately ten years.

Department of Local Affairs. Workload in the Division of Property Taxation will increase as required to prepare a new form, update information on its website, and respond to questions from taxpayers. The workload increase is assessed as minimal and can be accomplished within existing appropriations.

Future reductions in exemption amounts. The bill restricts the authority of the General Assembly to reduce the value of the senior homestead exemption and disabled veteran property tax exemption in future years. Under current law, no such reductions are scheduled and this provision has no fiscal impact. To the extent that this provision prevents future reductions that would otherwise occur, this provision conditionally increases future General Fund expenditures by an indeterminate amount.

TABOR refund mechanisms. Beginning in FY 2020-21, the bill increases the amounts of local government reimbursements for the senior homestead exemption, which are used as a TABOR refund mechanism under current law. For future years when the state refunds a TABOR surplus of at least $150 million, the bill increases the amount refunded via property tax reimbursements, and decreases the amount refunded via the six-tier sales tax refund mechanism, by the amounts shown in Table 1.

Local Government

The bill has offsetting impacts on local government revenue that will not change net revenue to any jurisdiction. It decreases local government revenue from property taxes and increases local government revenue from state government reimbursements by the amounts shown in Table 1.

Workload for county assessors will increase to administer additional exemptions. This work can be accomplished within current assessor staffing levels.

To the extent that the bill prevents future reductions in the senior homestead exemption and disabled veteran property tax exemption that would otherwise occur, the bill further conditionally decreases future local government revenue from property taxes and correspondingly increases local government revenue from state government reimbursements.

Effective Date

The bill takes effect August 2, 2019, if the General Assembly adjourns on May 3, 2019, as scheduled, and no referendum petition is filed. The change to the eligibility requirements for the senior homestead exemption is effective beginning in property tax year 2020.

State and Local Government Contacts

County Assessors Property Taxation