HCR 23-1002

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Revised Fiscal Note

(replaces fiscal note dated January 19, 2023)

Drafting Number:	LLS 23-0701	**Date:**	March 14, 2023
Prime Sponsors:	Rep. Marshall Sen. Fields	**Bill Status:**	House Appropriations
		Fiscal Analyst:	Elizabeth Ramey | 303-866-3522 elizabeth.ramey@coleg.gov

Bill Topic: **PROPERTY TAX EXEMPTION FOR VETERANS WITH A DISABILITY**

Summary of Fiscal Impact:

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

Conditional on voter approval, the resolution expands eligibility for the homestead exemption for veterans with a disability. With voter approval, it will increase state expenditures for reimbursement to local governments for this exemption on an ongoing basis 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 and has been revised to reflect updated information.

Table 1
State Fiscal Impacts Under HCR 23-1002

		Budget Year FY 2023-24	Out Year FY 2024-25	Out Year FY 2025-26
Revenue		-	-	-
Expenditures	General Fund	-	$21,020	$11,480
	Centrally Appropriated	-	$4,648	$3,278
	Total Expenditures	**-**	**$25,668**	**$14,758**
	Total FTE	**-**	**0.3 FTE**	**0.2 FTE**
Other Budget Impacts	Homestead Exemption[1]	-	-	$2.1 million
	Other Refund Mechanisms	-	-	($2.1 million)
	Net TABOR Refund Change	**-**	**-**	**$0**

[1]In years when the TABOR refund obligation is not sufficient to fully fund homestead exemption reimbursements, reimbursements are paid from the General Fund budget for that fiscal year.

Summary of Legislation

Under current law, a homestead exemption is available to veterans with a disability who have a service-connected disability rated as 100 percent. This resolution refers a constitutional amendment to voters at the November 2024 statewide election to expand eligibility for the homestead exemption to veterans who are assessed by the US Department of Veterans Affairs (VA) as having individual unemployability status. The expansion will apply to eligible homeowners starting with the 2025 property tax year. In addition, the resolution changes the existing term “disabled veteran” to “veteran with a disability.”

Background

The homestead exemption in the Colorado 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.

Under current law, 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 (VA), and owned and occupied the property as their primary residence on January 1st of the year in which they apply for the exemption. 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.

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

TABOR refund mechanisms. The homestead exemption is the first of two permanent TABOR refund mechanisms under current law. A TABOR surplus collected in one fiscal year is set aside to issue refunds, in part via these reimbursements, in the following fiscal year. In years when the state does not refund a TABOR surplus, reimbursements subtract from the amount otherwise available for the General Fund budget.

Individual unemployability. In most cases, to have individual unemployability status, a veteran must be unable to keep substantially gainful employment because the veteran either has at least one service-connected disability rated at 60 percent or more disabling, or has two or more service-connected disabilities with at least one disability rated as 40 percent or more disabling and a combined rating of 70 percent or more disabling, as determined by the VA.

State Expenditures

Conditional on voter approval, the resolution increases state expenditures beginning in FY 2024-25, as discussed below. If approved by voters, these costs will require appropriation through the annual budget process.

Local government reimbursements. The resolution modifies how a portion of the state TABOR surplus is refunded beginning in FY 2025-26. Refunds via property tax exemptions and associated reimbursements to local governments will increase by $2.1 million in FY 2025-26, by $2.8 million in FY 2026-27, and by similar amounts in future years. This estimate is based on data from the DMVA, the December 2022 Legislative Council Staff homestead exemption forecast, and the 2021 American Community Survey. For FY 2025-26, it is estimated that about 3,400 veterans 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 property tax exemption for veterans with a disability under current law. In years in which the TABOR surplus is insufficient to fund local government reimbursements for homestead exemptions, these expenditures will be made from the General Fund budget.

Department of Military and Veterans Affairs. Expenditures in the Department of Military and Veterans Affairs (DMVA) will increase will increase by $25,668 in FY 2024-25 and $14,758 in FY 2025-26 to process additional applications for the exemption, coordinate website updates, and respond to inquiries from taxpayers. Expenditures are for staff and associated operating costs as shown in Table 2.

Table 2
Expenditures Under HCR 23-1002

	FY 2023-24	FY 2024-25	FY 2025-26
Department of Military and Veterans Affairs			
Personal Services	-	$14,350	$11,480
Capital Outlay Costs	-	$6,670	-
Operating Expenses	-	-	-
Centrally Appropriated Costs[1]	-	$4,648	$3,278
Total Cost	**-**	**$25,668**	**$14,758**
Total FTE	**-**	**0.3 FTE**	**0.2 FTE**

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 2024 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 concurrent 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 from the FY 2024-25 TABOR surplus, it will increase the portion of the TABOR refund that will be paid using the homestead exemption mechanism in FY 2025-26, which is the first of two mechanisms used under current law to issue refunds. Based on the size of the projected TABOR refund in FY 2024-25, this will in turn decrease the amount required to be refunded by the six-tier sales tax refund mechanism, which is the second means of refunding money to taxpayers after the homestead exemption. A forecast of TABOR revenue is not available beyond FY 2024-25.

Local Government

The resolution has offsetting impacts on local government revenue that will not change net revenue to any jurisdiction. It decreases property tax revenue with offsetting increased state reimbursements to local governments by the amounts shown in Table 2. 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.

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

Technical Note

If SB 23-036 is enacted, there is minimal workload increase for the DMVA to respond to inquiries from taxpayers, as workload for reviewing exemption applications is shifted to local governments.

Effective Date

If approved by voters at the November 2024 general election, the changes take effect upon proclamation of the Governor.

State and Local Government

Counties	County Assessors	Information Technology
Local Affairs	Military Affairs	Property Tax Division - Local Affairs
Personnel	Revenue	