HB 23-1284

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number:	LLS 23-0988	**Date:**	April 12, 2023
Prime Sponsors:	Rep. deGruy Kennedy; Lieder	**Bill Status:**	House Finance
		Fiscal Analyst:	David Hansen | 303-866-2633 david.hansen@coleg.gov

Bill Topic: **MODIFICATIONS TO THE PROPERTY TAX DEFERRAL PROGRAM**

Summary of Fiscal Impact:

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

The bill expands the property tax deferral program by allowing deferrals in two specific instances. It increases state loans to local governments on an ongoing basis, and increases state revenue from repayment of those loans.

Appropriation Summary: No appropriation is required. See State Expenditures section.

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

Table 1
State Fiscal Impacts Under HB 23-1284

		Budget Year FY 2023-24	Out Year FY 2024-25
Revenue		-	-
Expenditures[1]	General Fund	\$150,000	\$150,000
Transfers		-	-
Other Budget Impacts		-	-

[1] *These expenditures reflect loans to local governments to offset additional property tax deferrals under the bill. These loans will be repaid, with interest, at some point in the future when properties are sold or transferred.*

Summary of Legislation

The bill makes two changes to the property tax deferral program beginning for property tax year 2023.

Under current law, a homeowner may not defer tax on a home that is income-producing. The bill exempts homeowners from this restriction if they are 65 and older, called into military service, or a surviving spouse who chooses to continue to defer property taxes.

The bill also allows homeowners who are called into military service and have a loan guaranteed by the U.S. Veterans Administration to choose to defer property taxes if the value of deferred taxes and all other liens on the property exceed the current law limit, which is 90 percent of the home's actual value.

Background

Property tax deferral program. Under current law, homeowners may defer all or a portion of their property tax to be paid with interest when the property is sold or transferred. The state treasurer loans the amount of deferred tax to affected local governments, and a lien is placed upon the property in the amount of deferred tax, plus interest. The property may not be income-producing, meaning that it cannot be rented to someone else.

Homeowners over 65 and active duty military servicepersons may defer the full amount of tax due, so long as the amount of tax deferred, interest, and all other active liens does not exceed 90 percent of the home's actual value. Other homeowners may defer any increase in property tax that exceeds 4 percent over the average amount owed in the previous two years, and the amount of deferral for these taxpayers is limited to $10,000 across all years. Interest is assessed at the same rate as for the most recently issued ten-year Treasury note as of February 1 each year.

For property tax year 2021, a total of $2.6 million in property tax was deferred. Preliminary data for 2022 indicate that $3.0 million was deferred for that year, the first year for which an expanded deferral was available under Senate Bill 21-293. Properties in Boulder County accounted for over 60 percent of deferrals, with the next largest shares attributable to El Paso County (11 percent) and Adams County (7 percent).

Assumptions

The bill expands the set of properties owned by homeowners over 65, active duty military servicepersons, and surviving spouses, that are eligible for the deferral program. Relative to property tax year 2021, the last year when these homeowners were the only homeowners eligible for the program, the bill is expected to increase deferrals by 5 percent, or about $150,000 for tax years 2023 and 2024 after adjusting for changes in assessed values and assessment rates. There are no data available to estimate the bill's impact on deferrals, and this fiscal note assumes a relatively small impact. Most owners of income-producing property are expected to be able to satisfy their tax burden without requiring placement of a lien, and the population of military servicepersons with liens that total 90 percent of the value of their property is expected to be relatively low. To the extent that more homeowners than expected utilize the additional deferrals allowed under the bill, the expenditure and revenue impacts will be greater than estimated.

State Revenue

The bill will increase state revenue by the amount of property tax deferred, estimated in the State Expenditures section, plus interest. However, the amount and timing of this impact depends on when liens are collected, which is usually when the property is sold or transferred. Impacts through FY 2024-25 are assessed as minimal, but will exceed the expenditure impact by a margin of interest over all fiscal years. Revenue from interest payments is subject to TABOR.

State Expenditures

Property tax deferral program. The expanded property tax deferral program will require loans from the state treasury to local governments beginning in FY 2023-24 when additional property taxes will first be deferred. This impact is estimated at $150,000 for each of FY 2023-24 and FY 2024-25, as explained in the Assumptions section above. Any amount loaned will be repaid by local governments to the state upon their collection of deferred tax and interest when the property is sold.

Because loans to local governments for deferrals are temporary obligations that are eventually repaid, they are not appropriated in the state budget. Likewise, the additional loans in the bill do not require an appropriation.

Local Government

The bill decreases local government revenue from property taxes and increases local government revenue from the state, with no net impact on local resources. Local governments may have reduced or increased TABOR refund obligations if voters have authorized for the retention and spending of one, but not both, of these sources of revenue.

Effective Date

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

State and Local Government Contacts

Counties	County Assessors	Governor
Information Technology	Local Affairs	Property Tax Division
Treasury		