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Fiscal Note

Drafting Number: LLS 22-0084 Date: February 22, 2022
Prime Sponsors: Rep. Kipp; Rich Sen. Coram; Ginal Bill Status: House Trans. & Local Govt. Fiscal Analyst: Marc Carey | 303-866-4102 marc.carey@state.co.us

Bill Topic: MOBILE HOME PROPERTY TAX SALE NOTICE & EXEMPTION

- Summary of Fiscal Impact: State Revenue, State Expenditure, State Transfer, TABOR Refund, Local Government, Statutory Public Entity

Beginning in 2022, this bill provides a property tax exemption for certain mobile homes, reducing the assessed value for property taxes. The bill reduces local government property taxes, and increases the state share of school finance on an ongoing basis.

Appropriation Summary: For FY 2022-23, the bill requires an appropriation of \$298,439 to the Colorado Department of Education.

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

Table 1 State Fiscal Impacts Under HB 22-1223

Table with 4 columns: Category, Fund, Budget Year FY 2022-23, Out Year FY 2023-24. Rows include Revenue, Expenditures, Transfers, and Other Budget Impacts.

Summary of Legislation

Beginning with property tax year 2022, this bill creates a property tax exemption for mobile homes with an assessed value (AV) less than or equal to \$2,000. The bill also eliminates the requirement that a county treasurer provide notice in a newspaper of the sale of a mobile home due to property taxes owed if:

- a warrant has been delivered to the owner of the home or to his or her agent; and
- the county treasurer provides notice of the sale on the treasurer's website.

Assumptions

The Division of Property Taxation (DPT) in the Department of Local Affairs (DOLA) identified the AV and property tax associated with qualifying mobile homes that would be exempt under this bill in a recent survey of county assessors. Survey responses were not collected for all counties in Colorado. Fiscal impacts were calculated under the following assumptions:

- The bill applies to qualifying mobile homes only. To the extent the bill also applies to manufactured homes, impacts will be greater than estimated;
- No qualifying mobile homes exist in counties not responding to the survey. To the extent they do, impacts will be greater than estimated;
- Because county name was not included in the survey, a uniform 27 total program mills was assumed, likely overstating the school finance impact; and
- Owners of qualifying mobile homes do not deduct property taxes associated with their mobile homes from their income tax.

State Expenditures

Starting in FY 2022-23, state expenditures for school finance are increased by up to \$298,439 as described below. In addition, the bill results in a workload increase for DOLA in FY 2022-23.

School finance impact. Using an assumed uniform 27-mill total program mill levy on affected mobile homes, the decrease in property taxes available for the local share of school finance may increase required state aid by up to \$298,439 in FY 2022-23 with ongoing impacts in future fiscal years. If the budget stabilization factor remains unchanged, state aid will offset the property tax decrease.

DOLA – Division of Property Taxation (DPT). In FY 2022-23, the DPT will issue guidance to county assessors on exempting qualifying mobile homes. This will be accomplished within existing resources.

Other Budget Impacts

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 bill is expected to increase the amount of General Fund held in reserve by at least \$44,766 in FY 2022-23 and future years, which will decrease the amount of General Fund available for other purposes.

Local Government

Local government property tax revenue will be reduced by an estimated \$931,453 annually, starting in FY 2022-23.

Municipalities, counties, and special districts. Property tax revenue to municipalities, counties, and special districts with qualified mobile homes will be reduced by about \$633,013 annually. To the extent that local governments increase mills because of constitutional and statutory revenue and budget considerations, the revenue impact will be reduced.

School districts. School district property taxes will be reduced by \$298,439 annually. The state's share of total program funding, however, may be increased, offsetting the reduction in property tax revenue.

County Assessors. County assessors will reclassify exempt qualifying mobile homes based on guidance issued from DPT. Exempting properties is part of the normal course of business for county assessors and they will be able to handle the change in workload within existing resources. Workload and costs will also decrease by a minimal amount to publish fewer newspaper notices.

Effective Date

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

State Appropriations

In FY 2022-23, the bill requires a General Fund appropriation of \$238,439 to the Colorado Department of Education for the state's share of total program.

State and Local Government Contacts

Counties
County Treasurers

County Assessors
Property Tax Division – Local Affairs