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Final Fiscal Note

Drafting Number:	LLS 23-0480	Date:	September 7, 2023
Prime Sponsors:	Sen. Pelton B.; Cutter Rep. Armagost; Ortiz	Bill Status:	Signed into Law
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Bill Topic: **VETERANS WITH DISABILITY PROPERTY TAX EXEMPTION REQMNTS**

Summary of Fiscal Impact:	<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
	<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
	<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill makes changes to the application process for the property tax exemption for veterans with a disability. The bill decreases state government expenditures, on net, while increasing workload for some agencies, and increases local government workload.

Appropriation Summary: For FY 2023-24, the bill requires but does not include a reduction in appropriations of \$5,740 from the Department of Military and Veterans Affairs.

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

**Table 1
State Fiscal Impacts Under SB 23-036**

		Budget Year FY 2023-24	Out Year FY 2024-25
Revenue		-	-
Expenditures	General Fund	(\$5,740)	(\$11,480)
	Centrally Appropriated	(\$1,639)	(\$3,278)
	Total Expenditures	(\$7,379)	(\$14,758)
	Total FTE	(0.1 FTE)	(0.2 FTE)
Transfers		-	-
Other Budget Impacts	General Fund Reserve	(\$861)	(\$1,722)

Summary of Legislation

Current law requires an individual applying for the property tax exemption for a veteran with a disability to submit the application to the Department of Military and Veterans Affairs (DMVA). Starting for property tax year 2024, the bill instead requires an individual to submit an application to the county tax assessor and eliminates the requirement that the DMVA determine whether an individual is a qualifying veteran with a disability. In addition, the bill 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.

Under current law, an eligible veteran is required to submit an application for the exemption to the (DMVA), which reviews each application and forwards them to county assessors who apply the property tax exemption to individual properties. The county then reports all approved property owners to the Division of Property Taxation in the Department of Local Affairs, which reviews and audits county data.

Starting for property tax year 2024 for new applicants, the bill requires that an individual submit an application directly to the county tax assessor and eliminates the requirement that the DMVA determine whether an individual is a qualifying veteran with a disability. The DMVA is required to develop guidance that specifies the documentary evidence from the VA which constitutes proof of veteran with a disability status, which the bill requires accompany each application.

Assumptions

It is assumed that 1,500 exemption applications will be shifted from the Department of Military and Veterans Affairs to county assessors in FY 2024-25, with new applications growing by approximately 12 percent each year. The fiscal note assumes that the change in procedures will apply to applications for property tax exemptions for Gold Star Spouses, who may apply for exemptions starting with property tax year 2023 in accordance with Amendment E.

This fiscal note assumes that the bill will not change the number of applicants for the exemption. If applications increase, the bill will increase state expenditures to reimburse local governments for their resulting revenue loss; if applications decrease, the bill will decrease these expenditures. In years when the state is required to pay TABOR refunds to taxpayers, these reimbursements are one of the mechanisms used to pay TABOR refunds.

State Expenditures

The bill reduces costs in the DMVA by about \$7,400 in FY 2023-24 and about \$14,800 in FY 2024-25 and future years. The bill also increases workload in the DMVA and in the Department of Local Affairs. These impacts are summarized in Table 2 and discussed below.

**Table 2
Expenditures Under SB 23-036**

	FY 2023-24	FY 2024-25
Department of Military and Veterans Affairs		
Personal Services	(\$5,740)	(\$11,480)
Centrally Appropriated Costs ¹	(\$1,639)	(\$3,278)
Total Cost	(\$7,379)	(\$14,758)
Total FTE	(0.1 FTE)	(0.2 FTE)

¹ Centrally appropriated costs are not included in the bill's appropriation.

Department of Military and Veterans Affairs. Workload in the DMVA will decrease as the department is no longer required to review applications for the exemption. Workload will increase to develop guidelines for documentary evidence required to prove eligibility for the exemption and to respond to inquiries from taxpayers. On net, these impacts are expected to result in a reduction of 0.2 FTE and decrease General Fund expenditures as shown in Table 2. The first-year FTE reduction and cost savings reflect a half-year impact.

Department of Local Affairs. Workload in the Division of Property Taxation will increase to update procedures, forms, and notices, conduct training, and respond to inquiries from taxpayers. The workload increase is minimal and can be accomplished with existing resources.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 2.

Local Government

Workload for county assessors will increase to administer additional applications for homestead property tax exemptions, to update processes, train staff, and respond to taxpayer inquiries. These workload impacts will vary by county depending on the number of applications.

Effective Date

The bill was signed into law by the Governor and took effect on June 5, 2023, except for sections 5 and 6 concerning the exemption application process, which take effect January 1, 2024.

State Appropriations

For FY 2023-24, the bill requires but does not include a reduction in General Fund appropriations of \$5,740 from the Department of Military and Veterans Affairs, and 0.1 FTE.

Departmental Difference

The Department of Military and Veterans Affairs assesses the bill as requiring no reduction in its appropriations for personal services, based on the fact that staff who process homestead exemption applications perform other duties in the Division of Veterans Affairs and because the department did not receive appropriations for additional staff in the initial implementing legislation for the constitutional amendment creating the disabled veteran homestead exemption (House Bill 07-1251). The fiscal note assumes that the department has been fully funded for its current duties through the annual budget process and estimates that the bill will result in a measurable reduction in workload for the department; thus, a reduction in appropriations is required.

State and Local Government

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