



Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Final Fiscal Note

Drafting Number: LLS 24-0455 Date: July 30, 2024
Prime Sponsors: Rep. DeGraaf; Luck Bill Status: Postponed Indefinitely
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Bill Topic: EXPAND HOMESTEAD EXEMPTIONS

Summary of Fiscal Impact:
State Revenue [ ] State Transfer [ ] Local Government [x]
State Expenditure [x] TABOR Refund [x] Statutory Public Entity [ ]

The bill would have increased the homestead exemption for qualifying seniors, veterans with a disability, or Gold Star surviving spouses starting in property tax year 2025. The bill would have increased state expenditures to reimburse local governments for these exemptions. In years when there is not sufficient TABOR surplus to fully fund the expanded exemption, it would have increased General Fund expenditures.

Appropriation Summary: No appropriation was required.

Fiscal Note Status: The final fiscal note reflects the introduced bill. This bill was postponed indefinitely by the House Finance Committee on March 4, 2024; therefore, the impacts identified in this analysis do not take effect.

Table 1
State Fiscal Impacts Under HB 24-1166

Table with 4 columns: Category, Budget Year FY 2024-25, Out Year FY 2025-26, Out Year FY 2026-27. Rows include Revenue, Expenditures, Transfers, Other Budget Impacts (Homestead Exemptions, Six-tier Refund Mechanism), and Net TABOR Refund Change.

## Summary of Legislation

The bill changes the homestead exemption for qualifying seniors, veterans with a disability, or Gold Star surviving spouses from 50 percent of the first \$200,000 of actual value of an owner-occupied primary residence to the lesser of 50 percent of the actual value or 50 percent of the state median home value starting with property tax year 2025.

By March 15 annually beginning in 2025, Legislative Council Staff is required to provide an estimate of the statewide median home value for the property tax years that begin during each property tax reassessment cycle. The median home value is calculated based on the most recent available estimate of the statewide median home value in the Census Bureau's American Community Survey, adjusted for house price inflation through the fourth quarter of the preceding calendar year. If the median home value declines, the estimated statewide median home value for the previous reassessment cycle is used.

The bill also makes statutory changes to implement House Concurrent Resolution 24-1001, which take effect if that resolution is passed by the General Assembly and approved by voters at the 2024 General Election.

## Background

The homestead exemption is available for owner-occupied primary residences of qualifying seniors, veterans with a service-connected disability, surviving spouses of veterans with a disability who previously qualified for the exemption, and Gold Star surviving spouses. Under current law, the homestead exemption applies to taxes that would be assessed on 50 percent of the first \$200,000 of the home's value. For example, a \$150,000 residence is taxed as if it were worth \$75,000, and a \$500,000 residence is taxed as if it were worth \$400,000.

The Colorado Constitution allows the General Assembly to adjust the \$200,000 amount to which the exemption applies. The amount has previously been lowered to \$0 following recessions, but has never been increased to a level above \$200,000.

**Local government reimbursements.** The state is required to reimburse local governments for the revenue reduction attributable to these exemptions. These reimbursements are made as expenditures from the state General Fund via the Department of the Treasury.

**TABOR refund mechanisms.** Reimbursements to local governments for the homestead exemption are accounted as a TABOR refund mechanism under current law. A TABOR surplus collected in one fiscal year is set aside to fund these reimbursements in the following fiscal year.

## Assumptions

The fiscal note uses Division of Property Taxation data on properties that qualified for the homestead exemption in 2022. These data were adjusted for the December 2023 Legislative Council Staff assessed values forecast for home price appreciation and the property tax benefit as recalculated under the bill. Caseload and average exemption amounts were grown to tax year

2025 by the December 2023 Legislative Council Staff forecast for homestead exemptions. Adjustments assume current law and do not account for any conditional impact from HCR 24-1001. For property tax year 2025, the bill is expected to increase the value of the average homestead exemption from \$604 to \$1,511.

## State Expenditures

Workload in the Division of Property Taxation (DPT) will increase to review and audit applications for expanded exemptions, to update informational materials, and to respond to questions from taxpayers. Workload in the Legislative Council Staff will increase to estimate the statewide median home value. These workload increases can be accomplished within existing appropriations.

## Other Budget Impacts

**TABOR refunds.** The bill has no impact on the amount required to be refunded under TABOR for FY 2025-26; however, it increases the amount refunded via homestead exemptions by \$281.3 million, from \$187.1 million to \$468.4 million. Based on the size of the projected TABOR refund for FY 2025-26, 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 2025-26. For future years when the state refunds a TABOR surplus, the bill increases the amount refunded via the homestead exemption and decreases the amount refunded via the six-tier mechanism. For future years when the state does not refund a TABOR surplus, the bill increases General Fund expenditures to reimburse local governments for exempted property taxes, and reduces the amount otherwise available for the General Fund budget.

## Local Government

The bill 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 amount shown in Table 1. The bill 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 larger exemptions.

## Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed, except that if HCR 24-1001 is approved at the 2024 General Election, Section 1 amendments to Section 39-3-203(1)(a), C.R.S., take effect upon proclamation of the Governor.

**State and Local Government Contacts**

Counties	County Assessors	Information Technology
LCS Economists	Legislative Council Staff	Local Affairs
Military Affairs	Personnel	Property Tax Division - Local Affairs
Revenue	Treasury	

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The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).