HCR 24-1001

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Final Fiscal Note

Drafting Number:	LLS 24-0975	**Date:**	July 31, 2024
Prime Sponsors:	Rep. DeGraaf; Luck	**Bill Status:**	Postponed Indefinitely
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Bill Topic: **SENIOR PROPERTY TAX EXEMPTION PORTABILITY**

Summary of Fiscal Impact:

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

Conditional on voter approval, the concurrent resolution would have allowed seniors who qualified for the homestead exemption in 2016 or later years to continue to claim it after moving, starting in property tax year 2025. With voter approval, the resolution would have increased expenditures to reimburse local governments for the exemptions and to administer the 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 resolution. This resolution was postponed indefinitely by the House Finance Committee on April 22, 2024; therefore, the impacts identified in this analysis do not take effect.

Table 1
State Fiscal Impacts Under HCR 24-1001

		Budget Year FY 2024-25	Out Year FY 2025-26	Out Year FY 2026-27
Revenue		-	-	-
Expenditures	General Fund	-	$19,004	$25,338
	Centrally Appropriated	-	$5,311	$7,082
	Total Expenditures	**-**	**$24,315**	**$32,420**
	Total FTE	**-**	**0.3 FTE**	**0.4 FTE**
Transfers		-	-	-
Other Budget Impacts	General Fund Reserve	-	$2,851	$3,801
	TABOR - Homestead Exemptions	-	$65.8 million	$75.0 million
	TABOR - Six-tier Refunds	-	($65.8 million)	($75.0 million)
	Net TABOR Refund Change	**-**	**$0**	**$0**

Summary of Legislation

This concurrent resolution refers a constitutional amendment to voters at the November 2024 statewide election. The Colorado constitution currently allows a senior who has owned and occupied the same primary residence for at least ten years, or the surviving spouse of a qualifying senior, to claim a property tax exemption for the first $200,000 of the home's value. If approved by voters, the amendment allows a senior, or their surviving spouse, who qualified for the exemption in 2016 or later years to continue to claim the exemption if they moved or move. The expanded exemption is first available in property tax year 2025.

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.

Senior homestead exemption. A homeowner is eligible to claim the senior homestead exemption if he or she meets the following requirements:

- The homeowner is 65 years old as of January 1 of the tax year; and
- The homeowner has occupied the home as his or her primary residence for at least ten years.

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 property tax exemptions are the first of three TABOR refund mechanisms under current law. A TABOR surplus collected in one fiscal year is set aside to fund these reimbursements in the following fiscal year.

Assumptions

Based on data from the U.S. Census Bureau American Community Survey on senior homeowners in Colorado and the December 2023 Legislative Council Staff forecast for homestead exemptions, the fiscal note estimates that about 110,000 seniors who qualified for the homestead exemption from 2016 to 2025 but moved at least once during that period will newly requalify for the senior homestead exemption under the resolution in property tax year 2025, with an estimated average expenditure per senior exemption of $609.

Based on data from the Colorado Association of Realtors on statewide home sales, as well as the National Association of Realtors survey on generational trends in home buying and selling, adjusted for Colorado's demographics when possible, the fiscal note assumes that:

- approximately 30 percent of homes sold in Colorado are sold by seniors ages 65 and above;
- approximately 70 percent of seniors selling their homes satisfy the residency requirement and previously qualified for the exemption each year; and
- approximately 70 percent of those seniors re-purchase homes in Colorado

Based on these assumptions, an additional 14,000 households will newly qualify for the senior homestead exemption in property tax year 2026 due to home sales by seniors who are expected to have previously qualified for the exemption, sold their home in that year, and repurchased one in Colorado. For property tax year 2026, the estimated average expenditure per senior exemption is $615, for an additional $9.2 million in homestead exemption expenditures. Homestead exemption expenditures are expected to increase by decreasing amounts through property tax year 2036, as some seniors who moved in 2016 would begin to satisfy the current law residency requirement starting in property tax year 2027.

State Expenditures

The resolution will increase General Fund expenditures by $24,315 and 0.3 FTE in FY 2025-26, by $32,420 and 0.4 FTE in FY 2026-27, and by similar amounts in future years. These costs occur in the Division of Property Taxation in the Department of Local Affairs to review and audit applications for expanded exemptions, to update informational materials, and to respond to questions from taxpayers. These costs are summarized in Table 2.

Table 2
Expenditures Under HCR 24-1001

	FY 2024-25	FY 2025-26	FY 2026-27
Department of Local Affairs			
Personal Services	-	$19,004	$25,338
Centrally Appropriated Costs	-	$5,311	$7,082
Total Cost	**-**	**$24,315**	**$32,420**
Total FTE	**-**	**0.3 FTE**	**0.4 FTE**

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

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. Based on this fiscal note, the resolution is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

TABOR refunds. The resolution 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 $65.8 million, from $187.1 million to $252.9 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 resolution 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 resolution 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 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 amount shown in Table 1. 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 larger exemptions.

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 Contacts

Counties	County Assessors	Information Technology
Local Affairs	Property Tax Division - Local Affairs	Revenue
Secretary of State	Treasury	

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