SB 24-111

Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Revised Fiscal Note

(replaces fiscal note dated April 25, 2024)

Drafting Number:	LLS 24-0674	**Date:**	May 6, 2024
Prime Sponsors:	Sen. Kolker; Hansen Rep. Lieder; Young	**Bill Status:**	House Second Reading
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Bill Topic: **SENIOR PRIMARY RESIDENCE PROPERTY TAX REDUCTION**

Summary of Fiscal Impact:

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

The bill reduces property tax assessed values for the 2025 and 2026 property tax years for senior homeowners who previously qualified for the senior homestead exemption in 2020 or later years but have since moved, and provides a similar property tax benefit. The bill increases state and local expenditures and impacts TABOR refund mechanisms. If the state TABOR refund obligation is not sufficient to fully fund the property tax benefit, the bill will increase General Fund expenditures further.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the reengrossed bill, as amended by the House Finance and House Appropriations Committees.

Table 1
State Fiscal Impacts Under SB 24-111

		Budget Year FY 2024-25	Out Year FY 2025-26	Out Year FY 2026-27
Revenue		-	-	-
Expenditures	General Fund	-	$151,832	$54,642
	Centrally Appropriated	-	$5,232	$6,976
	Total Expenditures	**-**	**$157,064**	**$61,618**
	Total FTE	**-**	**0.3 FTE**	**0.4 FTE**
Transfers		-	-	-
Other Budget Impacts	General Fund Reserve	-	$22,775	$8,196
	TABOR Refunds – Property Tax Subtraction	-	$34.1 million	$43.3 million
	TABOR Refunds – Six-Tier Mechanism	-	($34.1 million)	($43.3 million)
	Net TABOR Refund Change	**-**	**$0**	**$0**

Summary of Legislation

For the 2025 and 2026 property tax years, the bill reduces the assessed value, or taxable value, of owner-occupied senior primary residences for those who have previously qualified for the existing senior homestead exemption but who are currently ineligible. Under the bill, assessed value is reduced by subtracting 50 percent of the first $200,000 from the actual value of the property before the assessment rate is applied. The subtraction is limited to the lesser of $100,000 or the amount that reduces a property's assessed value to $1,000. The bill:

- creates a new subclass of residential property called qualified-senior primary residence real property;
- establishes a process for owner-occupiers to apply to county assessors for the new subclassification;
- sets the assessment rate for the new subclassification at 7.15 percent, consistent with the residential assessment rate under current law;
- requires county assessors to report the properties within each county that qualify for the new subclassification to the Division of Property Taxation by September 10 each year; and
- requires the state to reimburse local governments for the lost revenue under the measure and establishes these reimbursements as a state TABOR refund mechanism in years in which the state refunds a TABOR surplus.

Background

Homestead exemption. 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, or up to $100,000.

Local government reimbursements. The state is required to reimburse local governments for the revenue reduction attributable to the homestead exemption. Reimbursements are made from the state General Fund via the Department of the Treasury.

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

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 the last 10 years.

Comparable Crime Analysis

Legislative Council Staff is required to include certain information in the fiscal note for any bill that creates a new crime, changes the classification of an existing crime, or creates a new factual basis for an existing crime. The following section outlines crimes that are comparable to the offense in this bill and discusses assumptions on future rates of criminal convictions resulting from the bill.

Prior conviction data. The bill creates the new factual basis for perjury by prohibiting giving false information on an application for a property to be classified as qualified-senior primary residence real property or attempting to claim more than one property as qualified-senior primary residence real property for the same property tax year, a class 2 misdemeanor. To form an estimate of the prevalence of this new crime, the fiscal note analyzed the existing offense of false swearing. From FY 2020-21 to FY 2023-24, 3 individuals have been convicted and sentenced for this existing offense. Of the persons convicted, 1 was male and 2 were female. Demographically, 2 were white and 1 was Hispanic. Based on the low number of sentences for the comparable crime, the bill is not expected to have a tangible impact on criminal justice-related expenditures or revenue at the state or local levels, these potential impacts are not discussed further in this fiscal note. Visit leg.colorado.gov/fiscalnotes for more information about criminal justice costs in fiscal notes.

Assumptions

Based on data from the U.S. Census Bureau American Community Survey on senior homeowners in Colorado and the March 2024 Legislative Council Staff forecast for homestead exemptions, the fiscal note estimates that about 56,000 seniors who qualified for the homestead exemption from 2020 to 2025 but moved at least once during that period will qualify for the qualified-senior primary residence real property class designation in property tax year 2025.

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 receive the new property class designation in property tax year 2026 due to home sales by seniors who are expected to have previously qualified for the senior homestead exemption, sold their home in that year, and repurchased one in Colorado. The number of qualifying households is expected to increase through FY 2030-31.

The average property tax benefit is an estimated $609 beginning in property tax year 2025, and is an estimated $615 for property tax year 2026.

State Expenditures

The bill increases state expenditures by $157,064 in FY 2025-26 and $61,618 in FY 2026-27, paid from the General Fund. Expenditures are shown in Table 2 and detailed below.

Table 2
Expenditures Under SB 24-111

	FY 2024-25	FY 2025-26	FY 2026-27
Department of Local Affairs			
Personal Services	-	$19,004	$25,338
Computer Programming Contractor	-	$132,828	$29,304
Centrally Appropriated Costs[1]	-	$5,232	$6,976
Total	**-**	**$157,064**	**$61,618**
Total FTE	**-**	**0.3 FTE**	**0.4 FTE**

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

Department of Local Affairs. General Fund expenditures in the Department of Local Affairs Division of Property Taxation are expected to increase in FY 2025-26 and subsequent years.

- **Staffing.** The bill requires 0.4 FTE to process and validate applications for qualified-senior primary residence properties. Costs for FY 2025-26 are prorated to reflect the assumed September 1, 2025, start date. Beyond the additional staff requirements, division workload will increase to review and update procedures, forms, manuals, and to provide technical assistance to local governments.

- **Computer Programming Contractor.** The bill requires development of a software system to track residential property that is taxed as primary residence property. These costs will occur in the Office of Information Technology (OIT), paid using reappropriated funds from DOLA. Ongoing costs for system maintenance are expected in later years as shown in Table 2.

Reimbursements to local governments. In years when the state refunds revenue collected in excess of the TABOR limit, the property tax valuation reduction in the bill is accounted as a TABOR refund mechanism and does not require General Fund expenditures. In years when the state does not refund a TABOR surplus, the bill requires General Fund expenditures in the amount of the reimbursement.

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.

Other Budget Impacts

TABOR refund mechanisms. The bill does not change the amount required to be refunded under TABOR but will shift the amount refunded through various refund mechanisms. The bill would require an estimated $34.1 million in FY 2025-26 and $43.3 million in FY 2026-27 that would otherwise be refunded via the six-tier sales tax refund mechanism to instead be refunded via property tax reductions, paid via reimbursements to local governments for their losses. A forecast of TABOR revenue is not available beyond FY 2025-26.

If 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.

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 bill 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.

Local Government

Local revenue. 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 amounts 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.

Local expenditures. The bill increases expenditures for county treasurers and assessors to implement the new property classification into existing software, to process applications, and reimburse local governments. The bill may also require additional county assessor staff.

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	Information Technology
Local Affairs	Military Affairs	Property Tax Division
Public Health and Environment	Treasury	

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.