



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number: LLS 24B-0022
Prime Sponsors: Rep. DeGraaf

Date: August 25, 2024
Bill Status: House Finance
Fiscal Analyst: Elizabeth Ramey | 303-866-3522
elizabeth.ramey@coleg.gov

Bill Topic: **EXPAND PROPERTY TAX EXEMPTIONS**

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

The bill increases homestead exemptions for qualifying seniors, veterans with a disability, and Gold Star surviving spouses starting in property tax year 2025. The bill increases 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 will increase General Fund expenditures.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced bill. This analysis is preliminary and may be updated following further review and any additional information received.

Table 1
State Fiscal Impacts Under HB 24-1006

| | | Budget Year FY 2025-26 | Out Year FY 2026-27 |
|-----------------------------|--------------------------------|---|--------------------------------------|
| Revenue | | - | - |
| Expenditures | | - | - |
| Other Budget Impacts | Homestead Exemptions | \$76.6 million | \$86.6 million |
| | Other Refund Mechanisms | -\$76.6 million | -\$86.6 million |
| | Net TABOR Refund Change | \$0 | \$0 |

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 25 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 to the Property Tax Administrator 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 a future concurrent resolution amending the Colorado Constitution to allow a senior who has previously qualified for the homestead property tax exemption for 2016 or later years to claim the exemption for the current residence regardless of how long the senior has owned and lived in that residence. The statutory changes take effect if a concurrent resolution is passed by the General Assembly and approved by voters at the 2026 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 not previously 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

Senate Bill 24-233. In 2024, [SB 24-233](#) was passed by the General Assembly in 2024 and signed by the Governor. It sets assessment rates for 2024 and future property tax years. The bill becomes law only if voters do not approve a measure at the 2024 general election that lowers assessment rates. Fiscal impacts are presented relative to current law, which is assumed to include SB 24- 233.

Homestead exemptions. 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 June 2024 Legislative Council Staff forecast for homestead exemptions. Adjustments assume current law and do not account for any conditional impact from a future concurrent resolution as described above. For property tax year 2025, the bill is expected to increase the value of the average homestead exemption from \$551 to \$794.

State Expenditures

Workload in the Division of Property Taxation (DPT) in the Department of Local Affairs 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.

In addition, DPT will require increased staff as well as computer programming performed by the Office of Information Technology to update the homestead exemption portal. These modifications depend in part on the passage of a future concurrent resolution and the associated costs have not been estimated.

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 \$76.6 million, from \$174.0 million to \$250.6 million. For FY 2026-27, it increases the amount refunded via homestead exemptions by \$86.6 million, from \$183.3 million to \$269.9 million. Based on the size of the projected TABOR refunds paid in FY 2025-26 and FY 2026-27, this will in turn decrease the amount required to be refunded by other TABOR refund mechanisms.

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 other refund mechanisms. 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

On net, the bill will not change net revenue to any local government. It decreases property tax revenue to local governments, offset by 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 a future concurrent resolution is approved at the 2026 General Election, the bill's changes to Section 39-3-203(1)(a) and (6)(a), C.R.S., take effect upon proclamation of the Governor.

State and Local Government Contacts

| | | |
|---------------|---------------------------------------|----------------|
| Counties | County Assessors | LCS Economists |
| Local Affairs | Property Tax Division - Local Affairs | |

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](#).