HB 25-1139

Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 25-1139: INCOME TAX CREDIT FOR ELIGIBLE VETERANS

Prime Sponsors:
Rep. Keltie

Fiscal Analyst:
David Hansen, 303-866-2633
david.hansen@coleg.gov

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Fiscal note status: The fiscal note reflects the introduced bill.

Summary Information

Overview. The bill creates a refundable state income tax credit for veterans with a disability, equal to a percentage of the property tax paid on the veteran's primary residence.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Expenditures
- State Revenue
- TABOR Refunds
- Local Government

Appropriations. No appropriation is required.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
State Revenue	-$94.8 million	-$191.6 million	-$204.5 million
State Expenditures	$0	$684,775	$400,901
Transferred Funds	$0	$0	$0
Change in TABOR Refunds	-$94.8 million	-$191.6 million	Not Estimated
Change in State FTE	0.0 FTE	7.6 FTE	5.0 FTE

[1] Fund sources for these impacts are shown in the tables below.

Table 1A
State Revenue

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
General Fund	-$94.8 million	-$191.6 million	-$204.5 million
Cash Funds	$0	$0	$0
Total Revenue	**-$94.8 million**	**-$191.6 million**	**-$204.5 million**

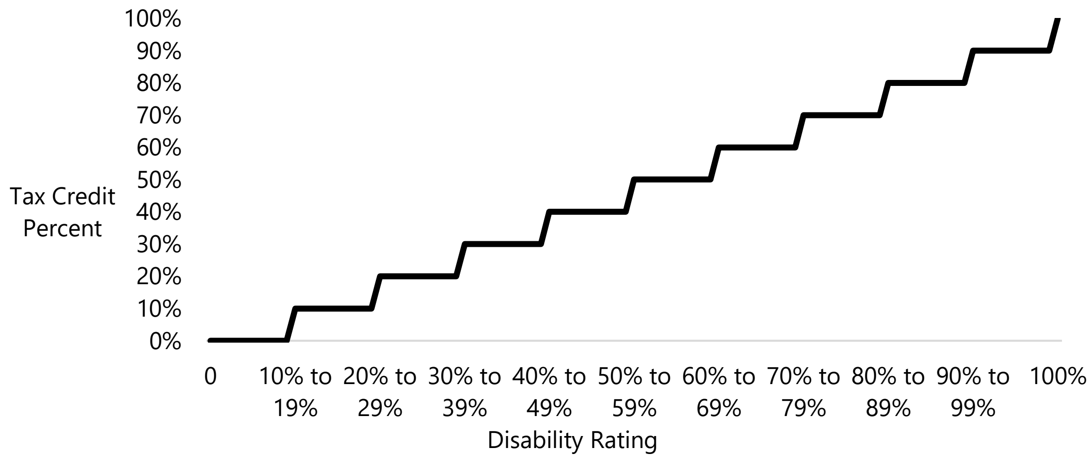
Table 1B
State Expenditures

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
General Fund	$0	$550,145	$311,937
Cash Funds	$0	$0	$0
Federal Funds	$0	$0	$0
Centrally Appropriated	$0	$134,630	$88,964
Total Expenditures	**$0**	**$684,775**	**$400,901**
Total FTE	**0.0 FTE**	**7.6 FTE**	**5.0 FTE**

Summary of Legislation

Beginning with the 2026 tax year, the bill allows eligible veterans with at least a 10 percent disability rating, and their surviving spouses or legal dependents, to claim a refundable tax credit based on the amount of property tax the veteran pays. The value of the credit increases with each 10 percentage points increase in the veteran's disability rating. Figure 1 shows the amount of property tax that can be claimed as a credit for each decile of disability rating.

Figure 1
Tax Credit Percent of Property Tax by Disability Rating



Assumptions

Based on data from the Department of Military and Veterans Affairs, there were about 134,000 veterans with a disability rating of at least 10 percent in Colorado in 2023, as shown in Table 2.

Table 2
Veterans by Disability Rating, 2023

Disability Rating	Veterans
10% to 19%	19,019
20% to 29%	8,413
30% to 39%	8,156
40% to 49%	8,765
50% to 59%	7,234
60% to 69%	11,082
70% to 79%	11,726
80% to 89%	13,678
90% to 99%	13,944
100%	32,221
Total	**134,238**

Source: Colorado Department of Military and Veterans Affairs.

The estimates assume this population will increase about 3.9 percent each year based on the increase in the disabled veteran population from 2015 to 2023 and that the distribution of veterans among disability rating remains constant. According to data from the U.S. Census Bureau, veterans with a disability rating of at least 10 percent have a homeownership rate of about 79 percent. Assuming about 80 percent of eligible veterans utilize the tax credit, an estimated 95,000 veterans will claim the credit for tax year 2026, 98,700 in tax year 2027, and 102,500 in tax year 2028.

Average home value for the fiscal note estimate reflects the average home value and tax rate for veterans receiving the homestead property tax exemption, increased based on the December 2024 Legislative Council Staff forecast for assessed values. Estimates are also adjusted for the estimated number of disabled veterans receiving the homestead exemption.

State Revenue

The bill is expected to decrease General Fund revenue by $94.8 million in FY 2025-26 (half-year impact), $191.6 million in FY 2026-27, $204.5 million in FY 2027-28, and larger amounts in later years assuming property value growth and use of the credit by surviving spouses and dependents. The bill reduces income tax revenue, which is subject to TABOR. The credit is expected to average between about $2,000 to $2,100 through the analysis period.

State Expenditures

The bill increases state expenditures in the Department of Revenue (DOR) by about $685,000 in FY 2026-27, $401,000 in FY 2027-28, and similar amount in later years. These costs, paid from the General Fund, are summarized in Table 3 and discussed below. The bill also minimally affects workload in the Department of Local Affairs, Division of Taxation, and the Department of Military and Veterans Affairs.

Table 3
State Expenditures
Department of Revenue

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
Personal Services	$0	$432,525	$288,761
Operating Expenses	$0	$9,728	$6,400
Capital Outlay Costs	$0	$66,700	$0
GenTax Programming	$0	$13,905	$0
ISD Programming Support	$0	$7,070	$0
User Acceptance Testing	$0	$3,232	$0
Office of Research and Analysis	$0	$8,778	$8,702
Document Management and Tax Form	$0	$8,207	$8,074
Centrally Appropriated Costs	$0	$134,630	$88,964
Total Costs	**$0**	**$684,775**	**$400,901**
Total FTE	**0.0 FTE**	**7.6 FTE**	**5.0 FTE**

Staff

In FY 2026-27, the bill requires 7.6 FTE in the DOR for tax examiners to review tax credit claims, staff call centers, and respond to protests, as shown in Table 3. Personnel costs are prorated for an October 2026 start date to prepare for filing returns in Spring 2027. A higher percentage of reviews are required in the first year of the tax credit. In FY 2027-28, personnel costs are expected to decrease along with required reviews, to 5.0 FTE, and similar amounts in later years.

The fiscal note assumes 10 percent of claims will be reviewed in the first year of the credit, and 5 percent in the second and later years. The fiscal note assumes complete information submitted by county assessors to the department. If information submitted by assessors to the department is incomplete, the percent of claims requiring review could be higher and costs may exceed the fiscal note estimates.

Computer Programming and Testing

For FY 2026-27 only, the tax credits in the bill will require the department to program, test, and update database fields in the GenTax software system. Costs include programming in Taxation Services estimated at $13,905, representing 60 hours of contract programming at a rate of $231.75 per hour. Costs estimated for associated user acceptance testing in Taxation Services assume 101 hours at $32 per hour, totaling $3,232. The cost of ISD programming support in the Executive Director’s Office includes 202 hours at $35 per hour for a total of $7,070.

Office of Research and Analysis

Expenditures in the Office of Research and Analysis in Taxation Services are required for tax code changes impacting ongoing data management and reporting.

Document Management and Tax Form Changes

Document management costs to make changes to paper tax forms and process paper returns are estimated at $8,207 in FY 2026-27 and $8,074 in FY 2027-28, and similar amounts in later years. Expenditures for form changes occur in the Department of Personnel and Administration using reappropriated DOR funds.

Department of Local Affairs, Division of Property Taxation

The bill requires the Division of Property Taxation in the Department of Local Affairs (DPT) to create an application for taxpayers applying to county assessors for tax credit certificates in consultation with the Department of Military and Veterans Affairs (DMVA). Development of the application will require minimal workload and can be accomplished within existing appropriations.

Department of Military and Veterans Affairs

The bill requires the DMVA to consult with DPT to develop an application for the bill's tax credit. Consultation for the application will require minimal workload and can be accomplished within existing appropriations.

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 may include employee insurance, supplemental employee retirement payments, leased space, and indirect cost assessments, are shown in the expenditure table above.

TABOR Refunds

The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the December 2024 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2026-27. Because TABOR refunds are paid from the General Fund, decreased General Fund revenue will lower the TABOR refund obligation, but result in no net change to the amount of General Fund otherwise available to spend or save.

Local Government

The bill increases workload and costs for county assessors' offices. Staff in these offices will be required to accept applications for the credit under the bill, verify applicant eligibility, and credit amounts. The bill may also require increased workload for county treasurers who bill and collect property taxes. County assessors are required to award tax credit certificates to eligible applicants, and submit information to the Department of Revenue to verify tax credit claims.

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

County Assessors	Personnel
Information Technology	Property Tax Division
Local Affairs	Revenue
Military Affairs	State Auditor