



Legislative Council Staff
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Fiscal Note

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Prime Sponsors:

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Bill Topic: **SENIOR HOUSING INCOME TAX CREDIT**

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

For tax year 2024 only, the bill reinstates a refundable income tax credit for senior taxpayers with incomes up to \$75,000 for single filers and \$150,000 for joint filers who have not claimed a homestead property tax exemption. The bill decreases state revenue and state expenditures in FY 2023-24 and FY 2024-25.

Appropriation Summary: For FY 2024-25, the bill requires an appropriation of \$113,407 to the Department of Revenue.

Fiscal Note Status: The fiscal note reflects the bill draft requested by the Legislative Oversight Committee Concerning Tax Policy.

Table 1
State Fiscal Impacts Under Bill 10

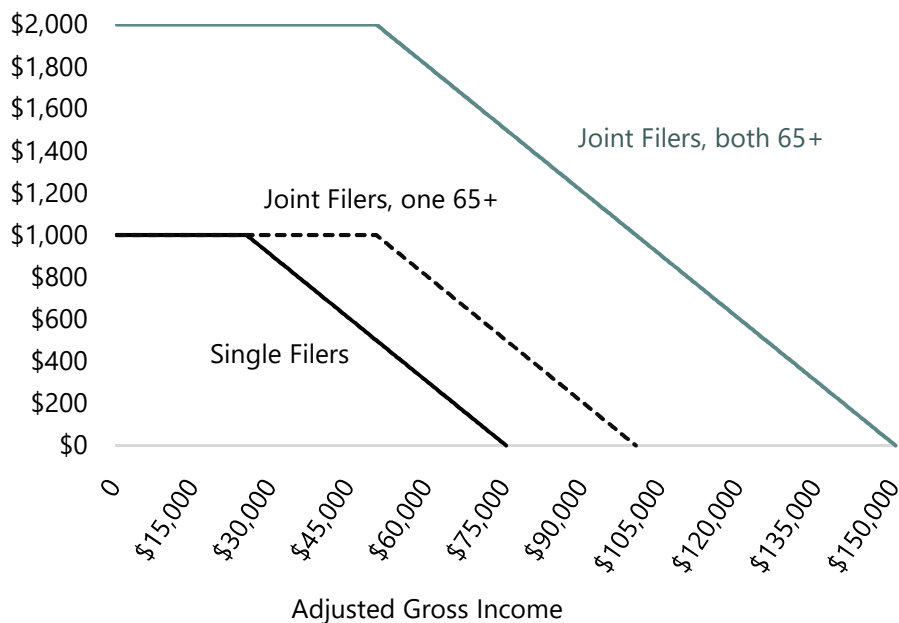
		Current Year FY 2023-24	Budget Year FY 2024-25	Out Year FY 2025-26
Revenue	General Fund	(\$71,500,000)	(\$71,500,000)	-
Expenditures	General Fund	-	(\$154,547)	-
Transfers		-	-	-
Other Budget Impacts	TABOR Refund	(\$71,500,000)	(\$71,500,000)	-

Summary of Legislation

For income tax year 2024, the bill creates a means-tested, refundable income tax credit available to Colorado taxpayers who are at least 65 years old as of the end of the tax year, whose adjusted gross income falls below a cap, and who have not claimed a homestead property tax exemption for the 2024 property tax year. The amount of the credit depends on income and taxpayer filing status. For single filers with income up to \$25,000, the maximum credit amount is \$1,000. For joint filers in which one person is aged 65 or over with income up to \$50,000, the maximum credit amount is \$1,000. For joint filers in which both people are aged 65 or over with income up to \$50,000, the maximum credit amount is \$2,000. For every \$500 of income above the specified income threshold for each type of taxpayer, the credit is reduced by \$10. The amount by which the credit exceeds a taxpayer's income tax liability is refunded to the taxpayer. Regardless of income, a taxpayer who also qualifies for the property tax, rent, heat rebate during 2024 is eligible to receive the maximum credit.

Figure 1 shows credit values expected for tax year 2024 by taxpayer adjusted gross income. For example, the credit for a senior single filer, joint filers with one senior, and joint filers with two seniors, each with income of \$50,000, would be \$500, \$1,000, and \$2,000, respectively. The credit falls to \$0 for single filers with incomes of \$75,000 or above, for joint filers with one senior with incomes of \$100,000 or above, and for joint filers with two seniors with incomes of \$150,000 or above.

Figure 1
2024 Credit Amounts Under Bill 10



Background

2022 senior housing income tax credit. House Bill 22-1205 created a refundable, means-tested income tax credit for taxpayers aged 65 and over as of the end of the tax year, whose adjusted gross income falls below a cap, and who have not claimed a homestead property tax exemption for the 2022 property tax year. The credit is not available for most taxpayers with incomes of \$75,000 and above. Regardless of income, a taxpayer who also qualifies for the property tax, rent, heat rebate during 2022 is eligible to receive the maximum credit. Through October 10, 2023, preliminary data indicate that 89,574 credits totaling \$70.0 million have been claimed for the 2022 tax year.

Senior PTC rebates. Under current law, Colorado residents who are at least 65 years old are eligible for a property tax and rent assistance rebate grant and a heat and fuel expenses rebate grant, commonly known as PTC rebates, if their income falls below a certain threshold. Income is measured as total income from all sources and is not the same as a taxpayer's adjusted gross income. To be eligible to claim a rebate in 2023, the maximum income for individuals in 2022 is \$16,925 and for married couples is \$22,858. The 2022 income level at which the maximum rebate amount begins to decrease is \$9,100 for individuals and \$14,711 for married couples. Rebates and income thresholds are adjusted annually for inflation. The amount of the 2023 rebates for property tax or rent and heat combined ranges from \$351 to \$1,043.

Senior homestead exemption. The senior homestead exemption reduces the actual value of a qualifying home for property taxation by 50 percent, up to a maximum of \$100,000. To qualify for the senior homestead exemption, a taxpayer must be at least 65 years old as of January 1 of the tax year and must have occupied his or her home as a primary residence for at least 10 years. 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. Reimbursements to local governments for the property tax exemptions are the first of three TABOR refund mechanisms under current law. Applications for a senior homestead exemption must be made before July 15th of the property tax year, and once approved, seniors need not apply again unless ownership or occupancy changes.

Assumptions

Population. Based on State Demography Office estimates of the number of senior households, preliminary DOR data on the senior housing tax credits claimed in tax year 2022 as well as on the senior taxpayer population by filer type, the Legislative Council Staff September 2023 inflation and homestead exemption forecasts, the fiscal note assumes a population of 130,000 taxpayers claiming the income tax credit for tax year 2024. Of this population, 56,000 are assumed to be single filers with incomes below \$75,000, 66,000 are assumed to be joint filers with incomes below \$150,000, and 8,000 are assumed to be recipients of PTC rebates. As DOR data on joint-filing seniors includes those in which the primary filer and/or spouse is 65 years or older, the fiscal note assumes that all joint filers are in households with two senior members.

Credit amounts. For tax year 2024, the bill is expected to allow \$1,000 credits to at least 29,000 taxpayers, reducing state income tax revenue by \$29.7 million. The bill is expected to allow \$2,000 credits to up to 27,000 taxpayers, reducing state income tax revenue by \$53.3 million. The bill is expected to allow partial credits worth between \$10 and \$1,990 to 74,000 taxpayers and reducing state income tax revenue by \$60.0 million, for a total revenue impact of \$143.0 million in tax year 2024. This impact is accrued across FY 2023-24 and FY 2024-25.

State Revenue

The bill is expected to decrease state General Fund revenue by \$71.5 million in FY 2023-24 and \$71.5 million in FY 2024-25. The estimates represent half-year impacts for tax year 2024 on an accrual accounting basis. The bill reduces individual income tax revenue, which is subject to TABOR.

State Expenditures

On net, the bill decreases General Fund expenditures by \$154,547 in FY 2024-25. These costs represent the net impact of the reduction in homestead exemption reimbursements to local governments and administrative expenses in the DOR to reinstate the tax credit. Expenditures are shown in Table 2 and detailed below.

**Table 2
 Expenditures Under Bill 10**

	FY 2024-25	FY 2025-26
Department of the Treasury		
Homestead Exemption Reimbursements	(\$267,954)	-
Treasury Subtotal	(\$267,954)	\$0
Department of Revenue		
Computer Programming and Testing	\$106,651	-
Document Management	\$6,756	-
DOR Subtotal	\$113,407	\$0
Total	(\$154,547)	\$0

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

Senior homestead exemptions. In FY 2024-25, the bill reduces expenditures to reimburse local governments for their property tax loss attributable to the senior homestead exemption for property tax year 2024 by \$267,954, assuming an estimated average exemption amount of \$593 and 4,500 new senior homestead exemptions in 2024. The fiscal note assumes that a small proportion of seniors newly eligible for the senior homestead exemption will instead claim the income tax credit under the bill, with minimal numbers of those already claiming the senior homestead exemption switching to the income tax credit under the bill. Payments to local governments from the decreased exemption will be made by the State Treasurer, and, based on the September 2023 LCS Economic and Revenue forecast, it is assumed that these decreased expenditures will increase the amount of money set aside for TABOR refunds through other mechanisms in FY 2024-25.

Department of Revenue. The DOR requires expenditures to implement the reinstated tax credit and to process and review returns claiming the tax credit as follows:

- **Computer programming and testing.** For FY 2024-25 only, the DOR will have on-time costs of \$106,651 for computer programming and testing. Programming costs are estimated at \$46,350 representing 200 hours of contract programming at a rate of \$231.75 per hour. Costs for user acceptance testing to ensure that programming changes are functioning properly are estimated at \$60,301, representing 1,135 hours for the Systems Support Office at \$35 per hour and 643 hours of user acceptance testing at a rate of \$32 per hour.
- **Tax form changes.** For FY 2024-25 only, the bill requires \$6,756 in expenditures to implement tax form changes and document management. These expenditures will take place in the Department of Personnel and Administration using reappropriated funds from the DOR.

Department of Local Affairs. Workload in the department's Division of Property Taxation (DPT) will increase to update procedures, forms, and manuals, and to adjust training materials and answer questions from taxpayers. Workload in DPT will also increase to provide the reports required by the bill. This workload increase is expected to be accomplished within existing appropriations.

Other Budget Impacts

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 2023 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2025-26. 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.

In addition, the bill will also decrease the portion of TABOR refunds paid in FY 2024-25 using the homestead exemption mechanism, which is the first of the two mechanisms used under current law to issue refunds. Based on the size of the projected TABOR refund to be issued in FY 2024-25, from the FY 2023-24 surplus revenue, this will increase the proportion 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.

Local Government

Local government revenue is not expected to change on net; however, local government revenue from property taxes will increase, while revenue from state disbursements will decrease. By default, both sources of revenue are subject to local government TABOR limits. For jurisdictions where voters have exempted one of these sources of revenue, but not the other, local obligations for TABOR refunds may increase or decrease.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2024-25, the bill requires a General Fund appropriation of \$113,407 to the Department of Revenue, of which \$6,756 is reappropriated to the Department of Personnel and Administration.

State and Local Government Contacts

Information Technology
Revenue

Local Affairs
Property Tax Division

Personnel