



Legislative
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**FINAL
FISCAL NOTE**

Drafting Number: LLS 18-1255
Prime Sponsors: Sen. Gardner
Rep. Carver

Date: June 11, 2018
Bill Status: Postponed Indefinitely
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Bill Topic: SENIOR PROPERTY TAX EXEMPTION MEDICAL NECESSITY

**Summary of
Fiscal Impact:**

- State Revenue
- State Expenditure
- State Transfer
- TABOR Refund
- Local Government
- Statutory Public Entity

This bill allows senior citizens to transfer the senior homestead exemption if a doctor certifies that the owner moved for health reasons. This will increase the number of properties that qualify for the exemption and the state expenditure to local governments by \$945,000 in FY 2019-20, \$1,913,000 in FY 2020-21, and \$2,904,000 in FY 2021-22. Future expenditures will increase as more properties become eligible for the exemption after senior citizens move into new homes due to health or altitude conditions.

**Appropriation
Summary:** No appropriation is needed.

**Fiscal Note
Status:** This fiscal note reflects the reengrossed bill. This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

**Table 1
State Fiscal Impacts Under SB 18-273**

		FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Revenue		-	-	-	-
Expenditures	General Fund	-	\$945,000	\$1,913,000	\$2,904,000
Transfers		-	-	-	-
TABOR Refund		-	-	-	-

Summary of Legislation

This bill allows a senior citizen to maintain their eligibility for the senior homestead exemption if a doctor certifies that the owner moved for health reasons. The bill requires seniors to provide the county assessor a physician's certification on a form designed by the Division of Property Taxation (DPT). The senior homestead exemption would only apply to one residential property in the state.

Background

Voters approved an amendment to the Colorado Constitution in 2000 establishing the senior homestead exemption. To qualify for the exemption, seniors must be 65 years or older and have owned their home and used it as a primary residence for at least 10 years. The property maintains the senior homestead exemption until the county assessor is notified that conditions have changed and the property no longer qualifies.

The senior homestead exemption exempts 50 percent of the first \$200,000 in actual value from the qualifying residential property. The state reimburses local governments for foregone property taxes due to the senior homestead exemption. According to the state treasurer, in 2016 the senior homestead exemption reduced property taxes by an average of \$579 on the average qualifying property.

State Expenditures

This bill will increase state expenditures to local governments by \$945,000 in FY 2019-20, \$1,913,000 in FY 2020-21, \$2,904,000 in FY 2021-22, and increasing amounts as more properties receive the exemption after senior citizens move into new homes due to health conditions.

Senior Homestead Exemption. Based on data from the Colorado Association of Realtors, the National Association of Realtors, and the Colorado state demographer's office it is assumed that each year 1,577 seniors will sell their homes because health conditions make it difficult to stay in their current home and be able to transfer the senior homestead exemption to another property. Growth rates incorporated in the March 2018 Legislative Council Staff forecast were applied to the actual average 2016 exemption value to estimate the value of the senior homestead exemption in 2019 through 2021. Table 2 shows the number of additional properties eligible for the senior homestead exemption, the estimated average value of the exemption to the taxpayer, and the total additional value of the senior homestead exemption due to the bill.

Property taxes are due in the second half of the fiscal year. For example, property taxes for 2019 are paid in the first half of 2020 which is in FY 2019-20. The senior homestead exemption is automatically appropriated out of the General Fund to local governments.

Table 2
Additional Senior Homestead Exemptions and Expenditures under SB 18-273

Fiscal Year	FY 2019-20	FY 2020-21	FY 2021-22
<i>Property Tax Year</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>
Number of Additional Exemptions	1,577	3,153	4,730
Average Exemption Value	\$599	\$607	\$614
Additional Senior Homestead Transfers	\$945,000	\$1,913,000	\$2,904,000

Department of Local Affairs. The DPT within the Department of Local Affairs is responsible for providing information and forms to county assessors to administer property taxes. This bill will require DPT to update manuals and forms to correctly administer the changes in the senior homestead exemption. This can be accomplished with existing resources.

Local Government Impact

Senior Homestead Exemption. Allowing the senior homestead exemption to be portable if a senior citizen moves due to mobility or altitude issues will reduce property taxes by an estimated \$945,000 in FY 2019-20, \$1,913,000 in FY 2020-21, and \$2,904,000 in FY 2021-22. This local revenue will be reimbursed by the state so there will be no net budget impact to local districts that levy property taxes.

County Assessors. County Assessors will need to process additional applications for the senior homestead exemption. They will rely on the rules and forms provided by DPT to administer the senior homestead exemption. These changes can be accomplished within existing resources.

Effective Date

The bill was postponed indefinitely by the House State, Veterans, and Military Affairs Committee on May 8, 2018.

State Appropriations

No appropriation is needed.

State and Local Government Contacts

County Assessors

Property Tax Division - Local Affairs