



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 25-1111: EXPAND HOMESTEAD EXEMPTIONS

Prime Sponsors:

Rep. DeGraaf

Fiscal Analyst:

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

Summary Information

Overview. The bill increases the value of the homestead property tax exemption for most qualifying households including qualifying seniors, veterans with a disability, or Gold Star surviving spouses starting with property tax year 2025.

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

- State Expenditures
- 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	\$0	\$0	\$0
State Expenditures	\$0	\$0	up to \$306 million
Transferred Funds	\$0	\$0	\$0
Change in TABOR Refunds ¹	\$0	\$0	\$0
Change in State FTE	0.0 FTE	0.0 FTE	0.0 FTE

¹ See Table 2 for more detail.

Summary of Legislation

Beginning with the 2025 property tax year (PTY), the bill expands the value of the homestead exemption for most qualifying properties by increasing the amount of actual value it can be applied to. The exemption under the bill is changed from 50 percent of the first \$200,000 of actual value of a qualifying property, to the lesser of 50 percent of the actual value or 50 percent of the estimated state median home value.

In addition to the expansion of the allowable exemption amount, for each reassessment cycle, the bill requires Legislative Council Staff to calculate and provide the Division of Property Taxation with the estimated state median home value based on data from the U.S. Census Bureau and Federal Housing Finance Agency. If the median home value declines, the estimated state median home value for the previous reassessment cycle is used.

Lastly, the bill makes conforming statutory changes related to House Concurrent Resolution 25-1001 concerning senior homestead exemption portability, that would take effect if HCR 25-1001 is approved by voters at the November 2026 election.

Background

Homestead Exemption

The homestead exemption is available for owner-occupied primary residences for qualifying seniors, veterans with certain service-connected disabilities, surviving spouses of veterans with a disability who previously qualified for the exemptions, 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. For seniors, the homeowner is eligible to claim the exemption if they are 65 years old as of January 1 of the tax year, occupied the home as a primary residence for at least 10 years, and submit an exemption application with the county assessor.

The Colorado Constitution allows the General Assembly to adjust the amount of actual value (currently \$200,000) to which the exemption applies. The amount has previously been lowered to \$0 following recessions, but has never been increased to a level above \$200,000.

Senior Homestead Exemption Portability

Under current law in the Colorado Constitution, senior homeowners that qualify for the senior homestead exemption but move, are not eligible for the homestead exemption until they have lived in their home as a primary residence for 10 years. HCR 25-1001, if approved by voters at the November 2026 General Election, changes the constitution to allow these homeowners to once again qualify for the senior homestead exemption for their new primary residence.

Local Government Reimbursements

The state is required to reimburse local governments for the property tax revenue reduction attributable to homestead exemptions. These reimbursements are made as expenditures from the state General Fund via the Department of Treasury.

TABOR Refund Mechanisms

Reimbursements to local governments for homestead property tax exemptions are the first of three TABOR refund mechanisms under current law. A TABOR surplus collected in one fiscal year is set aside to fund these reimbursements in the following fiscal year.

Assumptions

The fiscal note estimates are based on data for existing properties qualifying for the homestead exemption through the Division of Property Taxation for PTY 2023. Estimates assume an estimated state median home value of \$566,000 for PTY 2025 based on the median home value as reported in the U.S. Census Bureau's 2023 American Community Survey, and changes in the Federal Housing Finance Agency's seasonally adjusted Quarterly Purchase-Only House Price Index for Colorado through the third quarter of 2024. Homestead exemptions under current law are based on the December 2024 Legislative Council Staff forecast.

For property tax year 2025, the bill is estimated to increase the value of the average homestead exemption from \$540 to \$1,317. For PTY 2026, the average value of the homestead exemption is estimated to increase from \$563 to \$1,369. For PTY 2027, homestead exemptions and average exemption value was grown based on year-over-year growth from 2025 to 2026. Average median home value was increased by 7 percent.

State Expenditures

State Workload

Workload in the Division of Property Taxation 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 Legislative Council Staff will increase to calculate the estimated state median home value. The increased workload can be accomplished within existing appropriations.

Local Reimbursements

Increasing the value of the homestead exemption for most homeowners under the bill will increase the amount refunded for reduced property taxes paid through reimbursements to local governments. In years when the state refunds sufficient revenue collected in excess of the TABOR limit, the bill does not require General Fund expenditures that would otherwise be

available for the General Fund budget. However, in years when the state does not refund a TABOR surplus, the bill requires General Fund expenditures in the amount of the reimbursements. In FY 2025-26 and FY 2026-27, local reimbursements are projected to be paid with TABOR surplus revenue and are not expected to impact expenditures available for the General Fund budget, as noted in the TABOR Refunds section. As a forecast of TABOR revenue is not available beyond FY 2026-27, General Fund expenditures for reimbursements in FY 2027-28 could total up to \$306 million, as shown in Table 1.

Beginning with FY 2027-28, the bill will conditionally increase the value of senior homestead exemption portability in HCR 25-1001. However, the conditional impacts related to senior homestead portability are not included in the fiscal note.

TABOR Refunds

The bill has no impact on the amount required to be refunded under TABOR in FY 2025-26 and FY 2026-27; however, it increases the amount refunded via homestead exemptions and reduces the amount refunded through the six-tier sales tax refund mechanism. In FY 2025-26, the amount refunded via homestead exemptions is estimated to increase by \$247.5 million, up from \$172.2 million to \$419.7 million, as shown in Table 2. In FY 2026-27, refunds for homestead exemptions are estimated to increase by \$264.9 million, up from \$184.9 million to \$449.8 million. A forecast of TABOR revenue is not available beyond FY 2026-27.

In years with sufficient surplus revenue, an increase in the amount refunded via homestead exemptions will in turn decrease the amount required to be refunded by the six-tier sales tax refund mechanism. Beginning with FY 2027-28, the bill will conditionally increase the value of senior homestead exemption portability in HCR 25-1001. However, the conditional impacts related to senior homestead portability are not included in the fiscal note.

Table 2
Change in TABOR Refunds¹

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
Refund Property Tax	\$247.5 million	\$264.9 million	not estimated
Refund Six-Tier Sales and Use Tax	-\$247.5 million	-\$264.9 million	not estimated
Net Change in TABOR Refunds	\$0	\$0	not estimated

¹ The bill conditionally changes TABOR refunds beginning in FY 2027-28 by larger amounts if voters approve a measure creating senior homestead exemption portability as noted in the bill. A forecast of TABOR revenue is not available beyond FY 2026-27.

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, as shown in Table 2. 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

Workload for county assessors may increase to administer more exemptions under the resolution.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed, except that conforming statutory changes for senior homestead exemption portability only take effect upon official declaration by the Governor that HCR 25-1001 was passed by voters at the November 2026 general election.

State and Local Government Contacts

Counties	Property Tax Division - Local Affairs
County Assessors	Revenue
Information Technology	Secretary Of State
Legislative Council Staff	Treasury
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](#).