



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number: LLS 21-0525
Prime Sponsors: Rep. Sandridge

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Bill Status: House SCMVA
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Bill Topic: **MODIFY PROPERTY TAX EXEMPTION FOR VETERANS WITH A DISABILITY**

Summary of Fiscal Impact:

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

This bill increases the homestead exemption for veterans with a disability from 50 percent of the first \$200,000 in home value to 50 percent of the first \$300,000 in home value beginning for the 2021 tax year. It increases state expenditures for reimbursement to local governments for this exemption on an ongoing basis.

Appropriation Summary: No appropriation required. See State Appropriations section.

Fiscal Note Status: This fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under HB 21-1079

		Budget Year FY 2021-22	Out Year FY 2022-23
Revenue		-	-
Expenditures	General Fund	\$2.2 million	\$2.5 million
Transfers		-	-
TABOR Refund		-	-

Summary of Legislation

This bill increases the maximum homestead exemption for veterans with a disability from 50 percent of the first \$200,000 in home value to 50 percent of the first \$300,000 in home value starting with the 2021 tax year. It also updates statutes to replace several instances of “disabled veteran” to “veteran with a disability.”

This bill does not refer a measure to voters. However, if a constitutional amendment is approved at the 2022 General Election to allow the exemption to veterans who are rated at least 50 percent permanently disabled by the U.S. Department of Veterans Affairs, the bill conditionally amends statute to make conforming changes.

Background

Under current law, the homestead exemption reduces the actual value of a qualifying home for property taxation by 50 percent of the first \$200,000 of the home’s actual value. For example, a home with an actual value of \$150,000 is taxed as if it were worth \$75,000, and a home with an actual value of \$500,000 is taxed as if it were worth \$400,000 using the maximum exemption.

Local government reimbursements. The state is required to reimbursement 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.

Disabled veteran homestead exemption. A veteran with a disability is eligible to claim the disabled veterans homestead exemption if he or she is rated 100 percent permanently disabled by the U.S. Department of Veterans Affairs, and owned and occupied the property as their primary residence on January 1st of the year in which they apply for the exemption.

TABOR refund mechanisms. Reimbursements to local governments for the 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.

State Expenditures

The bill increases Department of the Treasury expenditures from the General Fund for the homestead exemption by \$2.2 million in FY 2021-22, and \$2.5 million in FY 2022-23. In future years, expenditures will grow with the eligible population.

Department of the Treasury. Estimates are based on data from the Division of Property Taxation in the Department of Local Affairs on properties that qualified for the homestead exemption in tax year 2019. These data were adjusted for forecast home price appreciation, and the property tax benefit was recalculated using the maximum amount proposed in the bill. Table 2 shows the increased homestead exemption, the forecast for current law reimbursements, and the net impact of the bill.

Table 2
Change in Homestead Exemptions Under HB 21-1079

	Budget Year FY 2021-22	Out Year FY 2022-23
Expanded Homestead Exemption	\$7,461,659	\$8,409,290
Current Law	\$5,221,331	\$5,889,106
Net Change	\$2,240,328	\$2,520,184

The statutory change allowing the exemption to veterans with a disability rated at least 50 percent permanently disabled is evaluated as having no fiscal impact, as it would take effect as a conforming amendment only if a constitutional amendment independent of this bill appears on the 2022 ballot and is approved.

Department of Local Affairs. Workload in the Division of Property Taxation will increase to update procedures, conduct training, and respond to inquiries from taxpayers. The workload increase is minimal and can be accomplished within existing appropriations.

Department of Military and Veterans Affairs. Workload in the Department of Military and Veterans Affairs may increase if the bill results in a large increase in the number of applications for the exemption. The increase is expected to be minimal; any required change in appropriations will be handled through the annual budget process.

TABOR refunds. In future years when the state refunds a TABOR surplus, the bill will increase the amount of revenue that may be refunded via property tax exemptions for veterans with disabilities, and decreases the amount of revenue to be refunded via sales tax rebates paid using the state income tax form. Under current law and the December 2020 LCS forecast, the state is not expected to issue TABOR refunds through at least FY 2023-24. The bill does not change expectations concerning refunds to taxpayers.

Local Government

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 by the amounts 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.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed, except that the provision updating statute in the case of a 2022 constitutional amendment takes effect upon proclamation of the governor if a constitutional amendment appears on the ballot and is approved by voters.

State Appropriations

The bill does not require an appropriation; however, for informational purposes, the General Fund budget line for property tax exemptions in the Department of Treasury should be increased by \$2,240,328 in FY 2021-22.

State and Local Government Contacts

Counties
Information Technology
Military Affairs
Property Tax Division - Local Affairs

County Assessors
Local Affairs
Personnel
Revenue