



*Colorado Legislative Council Staff*  
**STATE and LOCAL**  
**REVISED FISCAL IMPACT**  
(replaces fiscal impact dated April 28, 2006)

**Drafting Number:** LLS 06-0582  
**Prime Sponsor(s):** Sen. Evans  
 Rep. Gallegos

**Date:** May 2, 2006  
**Bill Status:** Consideration of Amendments  
**Fiscal Analyst:** Josh Harwood (303-866-4796)

**TITLE:** SUBMITTING TO THE REGISTERED ELECTORS OF THE STATE OF COLORADO AN AMENDMENT TO SECTION 3.5 OF ARTICLE X OF THE CONSTITUTION OF THE STATE OF COLORADO, CONCERNING THE EXTENSION OF THE EXISTING PROPERTY TAX EXEMPTION FOR QUALIFYING SENIORS TO ANY UNITED STATES MILITARY VETERAN WHO IS ONE HUNDRED PERCENT PERMANENTLY DISABLED DUE TO A SERVICE-CONNECTED DISABILITY, AND, IN CONNECTION THEREWITH, EXCLUDING PAYMENTS MADE TO COMPENSATE LOCAL GOVERNMENTAL ENTITIES FOR PROPERTY TAX REVENUES LOST AS A RESULT OF THE EXTENSION OF THE EXEMPTION FROM STATE FISCAL YEAR SPENDING.

Fiscal Impact Summary	FY 2006/07	FY 2007/08
<b>State Revenues</b> General Fund		
<b>State Expenditures</b> General Fund Cash Funds - HUTF Transfer through SB 97-1		up to \$1,040,000 (up to \$1,040,000)
<b>FTE Position Change</b>	0.0 FTE	0.0 FTE
<b>Effective Date:</b> Upon voter approval at the November 2006 general election. Applies to property tax years beginning January 1, 2007.		
<b>Appropriation Summary for FY 2006/07:</b> None Required.		
<b>Local Government Impact:</b> There would be minimal administrative cost increases associated with additional mailings and application processing.		

*This revised fiscal note reflects an amendment made in the House Appropriations Committee.*

**Summary of Legislation**

The resolution, if approved by voters in the November 2006 general election, will allow for the senior homestead exemption to be extended to veterans who are 100 percent permanently disabled due to a service-connected disability. The exemption would apply to half of the first \$200,000 in market value for a given qualifying homeowner.

The amended resolution would allow the state, in years when there is surplus revenue, to retain additional revenue up to the amount necessary to pay for the entire cost of the exemption. The

cost is estimated to be \$64.6 million for FY 2006-07. However, under current law, there will be no surplus until at least FY 2010-11.

**Background.** The original homestead legislation submitted a question to the registered electors of the State of Colorado at the general election in November 2000 to amend the State Constitution. Specifically, the resolution required that for property tax years commencing on or after January 1, 2002, 50 percent of the first \$200,000 of actual value of residential real property would be exempt from property taxation for property owners who meet the following criteria:

- the owner-occupier is 65 years of age or older, and has owned and occupied the residence as his or her primary residence for the ten years immediately preceding the assessment date; or
- the property is the primary residence of the spouse or surviving spouse of a qualified owner-occupier.

For property tax years commencing on or after January 1, 2003, the resolution authorized the General Assembly to raise or lower the exemption. During the 2003 session, the General Assembly lowered the amount of value exempted to zero for the 2003, 2004, and 2005 property tax years, effectively suspending the exemption for three years. The exemption is scheduled to return for the 2006 property tax year.

The General Assembly would compensate local governments for the net amount of property tax revenue lost as a result of the property tax homestead exemption. This “backfill” would constitute a voter-approved revenue change and would not be included in state or local government fiscal year spending, and would not be subject to any statutory limitation on General Fund appropriations.

## **State Revenues and Expenditures**

The senior homestead exemption is administered by the Department of Treasury. The department reimburses counties for the property tax loss associated with the exemption. Based on figures provided by the federal Veterans Administration and the Department of Military and Veterans Affairs, staff estimates that extending the exemption to disabled veterans would result in an additional 2,237 program participants. The average exemption for the 2007 property tax year is estimated to be \$466. Assuming all eligible homeowners apply for the exemption, this would result in a \$1,040,000 increase in funds necessary to reimburse counties for the exemption in FY 2007-08.

For those income taxpayers that itemize deductions, the decreased level of property taxes paid would result in a decreased deduction on their income taxes. The result would be a minimal increase in state revenues. Though a figure has not been estimated due to data limitations, staff expects that this number would be less than \$40,000.

For years in which the state has surplus revenue, the state would be allowed to retain the amount of surplus revenue necessary to pay for the exemption. Though such a situation will not occur in the near future, the possibility of surplus revenue exists beginning in FY 2010-11. If such

a situation occurs, because the exemption was already being under current law, additional revenue would flow to appropriations, the Senate Bill 97-1 diversion to the HUTF, or the General Fund Excess Reserve.

Based on the March 2006 Legislative Council Staff revenue forecast, there is enough revenue to fund a partial diversion to the Highway Users Tax Fund (HUTF) under the provisions of Senate Bill 97-1 beginning in FY 2006-07. The Senior Homestead Exemption Program is funded outside the 6 percent appropriations growth limit. Therefore, the increased expenditure needed to fund the bill would serve to reduce moneys available for transfer to the HUTF by the amount of expenditures needed to fund the increased program.

### **Local Government Impact**

Local governments could see minimal cost increases associated with mailings and the processing of additional exemption applicants. They would be reimbursed for any additional property tax revenue loss associated with an increase in the number of exemptions awarded.

### **Election Expenditure Impacts (For Informational Purposes Only)**

The bill refers a measure to the voters at the November 2006 general election. This measure will be published in newspapers and an analysis of the measure will be included in the Blue Book mailed to all registered voter households prior to the election. Under current law, costs for these functions will be paid through a General Fund line item in the Long Appropriations Bill. The estimated costs for the 2006 Blue Book are outlined in Table 1.

<b>Table 1. Estimated Costs of Producing the 2006 Blue Book and Distributing to All Registered Voter Households</b>	
Printing	\$275,000
Postage	\$325,000
Translation	\$20,000
Newspaper Publication (English & Spanish)	\$600,000
<b>Total Expenses (for an estimated 12 issues)</b>	<b>\$1,220,000</b>
<b>Average Expense Per Issue</b>	<b>\$101,667</b>

### **State Appropriations**

The fiscal note implies that no additional appropriation is necessary for FY 2006-07 to implement the bill. However, an estimated \$1,040,000 General Fund appropriation would be required to fund the expanded exemption beginning in FY 2007-08.

### **Departments Contacted**

Local Affairs

Military & Veterans Affairs

Treasury