


Colorado Legislative Council Staff Fiscal Note
STATE
FISCAL IMPACT

Drafting Number: LLS 11-0273
Prime Sponsor(s): Rep. Kefalas

Date: February 21, 2011
Bill Status: House Finance
Fiscal Analyst: Kate Watkins (303-866-6289)

TITLE: CONCERNING THE REAL PROPERTY TAX EXPENSE ASSISTANCE GRANT FOR LOW-INCOME SENIORS AND DISABLED INDIVIDUALS, AND, IN CONNECTION THEREWITH, INCREASING BOTH THE AMOUNT OF THE GRANT AND THE MAXIMUM INCOME LIMIT FOR GRANT QUALIFICATION.

Fiscal Impact Summary	FY 2011-2012	FY 2012-2013
State Revenue		
State Transfers or Diversions Diversion from the General Fund to the Property Tax/Rent/Heat Rebate Program	(Up to \$5.1 million)	(Up to \$10.2 Million)
State Expenditures General Fund	\$29,600	Up to \$193,126
FTE Position Change		Up to 2.9 FTE
Effective Date: August 10, 2011, if the General Assembly adjourns on May 11, 2011, as scheduled, and no referendum petition is filed.		
Appropriation Summary for FY 2011-2012: \$29,600 General Fund appropriation.		
Local Government Impact: None.		

Summary of Legislation

This bill increases income eligibility requirements for receiving the real property tax expense assistance grant for low-income seniors and disabled individuals beginning January 1, 2012. It also increases the size of the grant amounts and the income rang of taxpayers who qualify for assistance. Table 1 illustrates the changes in income eligibility for the grant for tax year 2012 as a result of the bill.

Background. The Property Tax/Rent/Heat Rebate Program is administered by the Department of Revenue and was first implemented in 1972 for low-income Colorado residents age 65 and over and surviving spouses age 58 and over. Individuals who have property tax, rent, or heating expenses during the year may be eligible to claim a rebate of up to \$600 for property taxes and \$192 for heat or fuel expenses under the program. According to the Department of Revenue, 21,080 recipients received a total of \$6.3 million in property tax assistance grants in 2009.

To be eligible, an applicant must be disabled or 65 years or older (58 and older for surviving spouses) and may not be claimed as a dependent on any other individual's federal income tax return. Additionally, applicants must meet certain income eligibility requirements. Based on projections for tax year 2012, these requirements are a maximum income of \$12,377 for individual filers and \$16,310 for joint filers. Income eligibility requirements are increased by inflation each year.

The income eligibility requirements under current law for the property tax and heat assistance grants are the same. House Bill 11-1086 changes the income eligibility requirements for only the property tax assistance grant.

Table 1. Property Tax Assistance Grant Income Eligibility for Tax Year 2012					
Current Law			House Bill 11-1086		
Individual Filers*	Joint Filers*	Maximum Grant Amount	Individual Filers*	Joint Filers*	Maximum Grant Amount
\$6,377	\$10,310	\$600	\$8,000	\$15,000	\$700
7,377	11,310	500	9,000	16,000	650
8,377	12,310	400	10,000	17,000	600
9,377	13,310	300	11,000	18,000	550
10,377	14,310	200	12,000	19,000	500
11,377	15,310	100	13,000	20,000	450
12,377	16,310	0	14,000	21,000	400
			15,000	22,000	350
			16,000	23,000	300
			17,000	24,000	250
			18,000	25,000	200
			19,000	26,000	150
			20,000	27,000	100
			21,000	28,000	50
			22,000	29,000	0

**Income qualifications are increased by inflation each year, while the maximum grant amount remains constant.*

State Transfers or Diversions

This bill will increase total property tax assistance grants paid by up to \$5.1 million (half-year impact) in FY 2011-12, and by up to \$10.2 million each fiscal year thereafter as a result of the increase in grant recipients and grant amounts resulting from the bill. Funds used to pay these grants would have otherwise been transferred to the General Fund.

This bill increases the maximum qualifying income eligibility for the grant from an estimated \$12,377 to \$22,000 for individual filers and from \$16,310 to \$29,000 for joint filers. Based on population and income data from the U.S. Census Bureau, more than 22,000 additional grant applicants are expected to receive the grant in 2012 as a result of these changes. This will double the number of grant recipients.

This bill also increases the maximum amount of the grant from \$600 to \$700 per year. Under current law and based on inflation projections, to receive the maximum grant amount in 2012, an applicant must have an income below a threshold of \$6,377 for individual filers and \$10,310 for joint filers. This bill will increase the income thresholds to \$8,000 for individual filers and \$15,000 for joint filers for 2012. These thresholds will increase by inflation each year thereafter. Under current law, the maximum grant amount is reduced by 10 percent of an applicant's income above the threshold. This bill will reduce the maximum grant about by 5 percent of an applicant's income above the threshold. As a result, the average grant amount is expected to increase from \$300 to \$375 under this bill.

Currently, the department disseminates information about and applications for the Property Tax/Rent/Heat Rebate Program through the counties, the Low Income Energy Assistance Program (LEAP), mailing forms, news releases, and work with AARP and other low income tax preparation volunteer groups. Many newly eligible applicants are not expected to apply in the first several years when eligibility and the grant amount are affected by this bill, as they may not know about the program or that they are eligible. Therefore, the number of grant recipients and amount of grants paid may be lower in the first few years affected by this bill.

State Expenditures

This bill will reduce the amount of revenue available for expenditure from the General Fund. Additionally, as summarized in Table 2, the Department of Revenue and Office of Information Technology will incur additional expenses as a result of the bill.

Department of Revenue — up to \$193,126 and up to 2.9 FTE each year beginning FY 2012-13. This bill is expected to increase the number of grants by at least 22,000. As a result, the Department of Revenue will have increased administrative costs, including printing and postage, data entry and imaging for application forms and grant payments. Additionally, Property Tax/Rent/Heat Rebate Program filers tend to require more time and assistance than other filers. As a result, the department will require additional FTE to support regional service centers, call centers, and filer protests. Many newly eligible applicants are not expected to apply in the first few years when eligibility and the grant amount are affected by this bill, as they may not know about the program or that they are eligible. Therefore, department expenditures may be lower in the first few years affected by this bill.

Office of Information Technology — \$29,600 in FY 2011-12. The Office of Information Technology (OIT) will require 400 hours of computer programming and administrative costs associated with changing the amount and income qualifications for the credit and updating the grant application form. These one-time programming needs will require an appropriation of \$29,600 from the General Fund in FY 2011-12 to the Department of Revenue that will be reappropriated to the OIT.

Table 2. Expenditures Required for House Bill 11-1086			
Expenditure	FY 2011-12	FY 2012-13	FY 2013-14
Department of Revenue			
Administrative Costs			
Forms and Printing		\$4,072	\$4,072
Postage		21,626	21,626
Data Entry		19,506	19,506
Imaging		2,636	2,636
Personnel		\$145,286	\$145,286
<i>FTE</i>		2.9	2.9
Office of Information Technology*			
One-Time Programming Costs	\$29,600		
Total Expenses	\$29,600	Up to \$193,126	Up to \$193,126

**General Fund appropriation to the Department of Revenue that will be reappropriated to OIT.*

Department of Human Services — SSI MOE requirement. Over the last several years, the Property Tax/Rent/Heat Rebate Program has been used to meet the federal Supplemental Security Income (SSI) program maintenance of effort (MOE) requirement of a state contribution of \$27.0 million in state assistance to the aged, blind, and disabled. In 2010, the state provided about \$4.0 million in Property Tax/Rent/Heat Rebate Program funding towards the MOE. Because this bill will increase the state funding toward this program, the additional funding for this program could be used to make up a greater share of the MOE requirement. Thus, this bill increases the budgeting flexibility of the department.

Expenditures Not Included

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are summarized in Table 3.

Table 3. Expenditures Not Included Under House Bill 11-1086*		
Cost Components	FY 2011-12	FY 2012-13
Employee Insurance (Health, Life, Dental, and Short-term Disability)		\$20,294
Supplemental Employee Retirement Payments		7,601
TOTAL		\$27,895

**More information is available at: <http://colorado.gov/fiscalnotes>*

State Appropriations

For FY 2011-12, the Department of Revenue will require an appropriation from the General Fund of \$29,600, which will be reappropriated to the Office of Information Technology.

Departments Contacted

Revenue

Legislative Council Staff

Human Services