HB12-1287

Colorado Legislative Council Staff Fiscal Note

STATE and LOCAL FISCAL IMPACT

Note: This fiscal note is provided pursuant under Joint Rule 22 (b) (2) and reflects strike-below Amendment L.002.

Drafting Number:	LLS 12-0137	**Date:**	February 16, 2012
Prime Sponsor(s):	Rep. Pabon	**Bill Status:**	House Finance
		Fiscal Analyst:	Harry Zeid (303-866-4753)

TITLE: CONCERNING THE AMOUNT OF THE ACTUAL VALUE OF RESIDENTIAL REAL PROPERTY THAT QUALIFIES FOR THE SENIOR PROPERTY TAX EXEMPTION TO BE EXEMPTED FROM PROPERTY TAXATION FOR ANY PROPERTY TAX YEAR COMMENCING ON OR AFTER JANUARY 1, 2012.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014
State Revenue		
State Expenditures General Fund: Senior Property Tax Exemption - reduction Dept. of Local Affairs administrative costs	 ($16.5 million) 22,524	 ($18.1 million) 9,084
FTE Position Change	0.2 FTE	0.2 FTE
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2012-2013: See State Appropriations section.		
Local Government Impact: See Local Government Impact section.		

Summary of Legislation

With strike-below amendment L.002, House Bill 12-1287 caps the total cost to the state for the senior property tax exemption to 1.02 percent of General Fund revenue beginning in property tax year 2012. Under current law, 50 percent of the first $200,000 (threshold amount) of a residential property's market value is exempt from the property tax. Under the bill, the Property Tax Administrator is required to calculate a threshold amount lower than $200,000 for each property tax year such that the total amount spent on the exemption is equal to the cap.

The bill does not affect the disabled veterans property tax exemption.

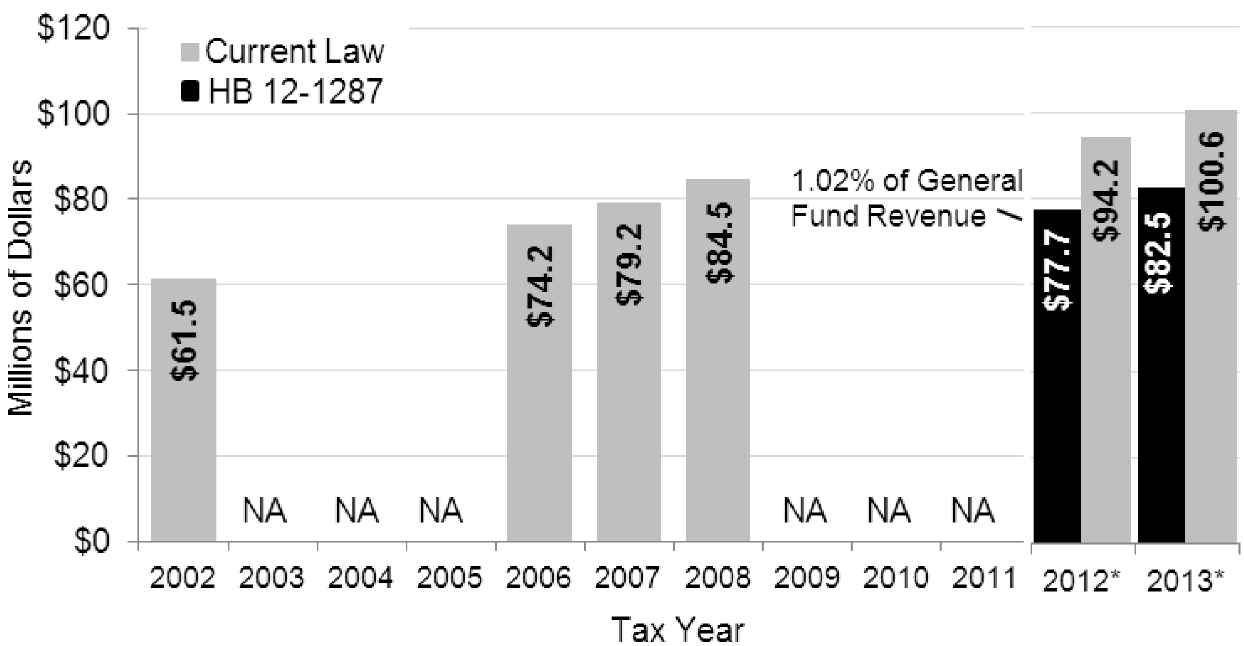
Background

Voters approved adding the senior property tax exemption (also known as the homestead exemption) to the state constitution in November 2000. Under current law, 50 percent of the first $200,000 of a residential property's market value is exempt from the property tax. Homeowners must be age 65 or over and have lived in the same primary residence for the immediately prior 10 years to be eligible. A senior's surviving spouse may retain the exemption in the circumstance of a death.

The State Constitution authorizes the General Assembly to adjust the value of the exemption for tax years 2003 and beyond. To address budget shortfalls, the General Assembly reduced the benefit of the exemption to zero in tax years 2003, 2004, 2005 and in 2009, 2010, and 2011. Thus, the exemption was not available in these years.

The state reimburses counties from the General Fund for the reduction in property taxes. In 2008, when 163,619 seniors claimed the exemption, local governments were reimbursed $84.5 million from the General Fund. Based on the December 2011 Legislative Council Staff forecast, 184,000 seniors are expected to claim the exemption in tax year 2012 and local governments are expected to be reimbursed $94.2 million from the General Fund under current law. Figure 1 shows a history and forecast of the impact of the senior property tax exemption under current law and under House Bill 12-1287.

Figure 1. The Senior Property Tax Exemption Reimbursements from the General Fund to Counties



*Source: Division of Property Taxation. * Legislative Council Staff forecast.*
NA = The exemption was not available in this tax year.

State Expenditures

State General Fund expenditures will decrease $16.5 million in FY 2012-13 and $18.1 million in FY 2013-14, while Department of Local Affairs administrative expenses will increase $22,525 and 0.2 FTE in FY 2012-13, and $9,084 and 0.2 FTE annually beginning in FY 2013-14.

Department of the Treasury. The Department of the Treasury will require $16.5 million and $18.1 million less in FY 2012-13 and FY 2013-14, respectively, to reimburse counties for the senior property tax exemption. The senior property tax exemption will be capped at 1.02 percent of General Fund revenue, estimated at $77.7 million in FY 2012-13 and $82.5 million in FY 2013-14.

Taxpayer impact. The threshold required to enforce the cap is estimated to be $153,000 in property tax year 2012 and $151,800 in property tax year 2013. Taxpayers owning homes worth $153,000 or less will be unaffected by the bill. Taxpayers owning homes worth $153,000 or more will receive less under the bill than under current law.

For example, qualified owners of homes worth $200,000 or more would receive an exemption equal to 50 percent of the first $200,000 of their home's value, or $583. Under the bill, these homes would receive a 50 percent exemption on the first $153,000 of their home's value in 2012, or $446 ($137 less than under current law). These estimates assume the statewide average mill levy for property tax year 2010 of 73.22 mills.

Thresholds required to enforce the cap were estimated using data from the Division of Property Taxation from property tax year 2007.

Department of Local Affairs, Division of Property Taxation. The Division of Property Taxation will incur costs of $22,524 General Fund and 0.2 FTE in FY 2012-13 and $9,084 General Fund and 0.2 FTE each year thereafter. The calculation of the percentage of the value of all participating homes eligible for the exemption will require 0.2 FTE and $9,084 in personal services each year. One-time information technology costs of $13,440 in FY 2012-13 are required to update the property tax database.

Table 1. Division of Property Taxation
General Fund Expenditures Under HB 12-1287

Cost Components	FY 2012-13	FY 2013-14
Personal Services	9,084	9,084
FTE	0.2	0.2
Information Technology	13,440	
TOTAL	**$22,524**	**$9,084**

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 2.

Table 2. Expenditures Not Included Under HB 12-1287*

Cost Components	FY 2012-13	FY 2013-14
Employee Insurance (Health, Life, Dental, and Short-term Disability)	$945	$945
Supplemental Employee Retirement Payments	$484	$558
TOTAL	**$1,429**	**$1,503**

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

Local Government Impact

Local government revenue will not be affected because the state reimburses counties for reduced property tax revenue. County assessors may incur additional costs to revise their senior property tax exemption databases, provide information to the Division of Property Taxation for the calculation required in the bill, and provide information to taxpayers about the changes in the bill. Computer vendors generally do not charge assessors for programming revisions when the changes are a result of current legislation.

State Appropriations

The Department of the Treasury requires a decreased appropriation of $16.5 million from the General Fund in FY 2012-13.

The Department of Local Affairs, Division of Property Taxation requires an appropriation of $22,524 and 0.2 FTE from the General Fund in FY 2012-13. Of this amount, the Office of Information Technology requires an appropriation of $13,440 in reappropriated funds.

Departments Contacted

Department of Local Affairs Legislative Council Staff Treasury