HCR13-1001

Colorado Legislative Council Staff Fiscal Note

STATE and LOCAL CONDITIONAL FISCAL IMPACT

Pursuant to Joint Rule 22 (b)(2), this fiscal note has been prepared based on strike-below Amendment L.001, to be offered in the House Finance Committee.

Drafting Number:	LLS 13-0445	**Date:**	April 24, 2013
Prime Sponsor(s):	Rep. Scott Sen. Tochtrop	**Bill Status:**	House Finance
		Fiscal Analyst:	Alex Schatz (303-866-4375)

TITLE: SUBMITTING TO THE REGISTERED ELECTORS OF THE STATE OF COLORADO AN AMENDMENT TO THE COLORADO CONSTITUTION CONCERNING THE EXTENSION OF THE PROPERTY TAX EXEMPTION FOR QUALIFYING SENIORS TO AN INDIVIDUAL WHO HAS NOT OWNED AND OCCUPIED HIS OR HER RESIDENCE FOR TEN YEARS IF A MEDICALLY VERIFIABLE MOBILITY IMPAIRMENT OR OTHER AILMENT REQUIRED THE INDIVIDUAL TO CHANGE RESIDENCES.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015	FY 2015-2016
State Revenue			
State Diversions General Fund			Minimal decrease. See State Diversions section.
State Expenditures General Fund			$550,000
FTE Position Change			
Effective Date: Upon voter approval at the 2014 general election. If approved, it applies to property tax years commencing on or after January 1, 2015.			
Appropriation Summary for FY 2013-2014: None required.			
Local Government Impact: See Local Government Impact section.			

Summary of Legislation

This concurrent resolution, ***as amended by strike-below Amendment L.001***, submits a referred measure to the 2014 state ballot to amend the Colorado Constitution and allow residential property owners who have qualified for the senior property tax exemption to maintain the exemption if the owner moves to a new residence because of a medically verified ailment. If approved, the concurrent resolution will apply to each property tax year beginning on or after January 1, 2015, with associated effects when taxes are due in the first half of 2016.

Background

The Senior Homestead Exemption. The senior property tax exemption is also known as the senior homestead exemption. Under current law, to qualify for the exemption, homeowners must be at least 65 years old and have owned and lived in the qualifying home as a primary residence for the 10 years immediately preceding the tax year. If the owner dies, a senior's surviving spouse may retain the exemption. The exemption may only be applied to the first $200,000 of the taxable value of a home.

According to information obtained from the Division of Property Taxation (DPT) in the Department of Local Affairs (DOLA), the average taxable value of homes receiving the exemption in 2012 was $166,103 and the average exemption was $538. The state is constitutionally required to reimburse counties for the reduction in property tax revenue resulting from the exemption. In 2012, the exemption was claimed by 180,812 qualifying seniors and local governments were reimbursed $97.3 million from the General Fund.

Demographic trends affecting seniors. According to studies conducted by the Pew Research Center, 79 percent of households headed by persons age 65 or older own the residence in which they live, compared with 65 percent of the general population. The majority of retired persons and persons approaching retirement age report a preference for living in a home they own throughout their retirement. Current trends in home renovations, senior services, and community planning support the concept of "aging in place."

The PTC rebate. As an alternative or supplement to the senior property tax exemption for low-income individuals, the CDOR administers the Property Tax/Rent/Heat Rebate (PTC) program (also known as an Old Age Heat and Fuel and Property Tax Assistance Grant). Under the PTC program, low-income seniors are eligible to receive a grant for the amount of their household's property tax or rent liability. Grants are paid from income tax proceeds prior to deposit in the General Fund.

Conditional fiscal impact. Any impacts of the proposed modification to the senior property tax exemption are conditional upon approval of a referendum by the state's voters and continued funding for the exemption. At its discretion, the General Assembly may eliminate the senior homestead exemption or reduce its value by passing legislation.

State Diversions

To the extent that the concurrent resolution results in an increase in the overall number of persons qualifying for the senior property tax exemption, income tax revenue diverted from the General Fund will decrease by a small amount. This will increase the amount of General Fund revenue available for other purposes. Seniors must already be qualified for the senior property tax exemption under this concurrent resolution, and PTC grants are limited to low-income seniors. Therefore, the fiscal note concludes that, under the amended concurrent resolution, a small number of seniors will maintain the senior property tax exemption after moving to a new residence, which will preclude them from qualifying for a new or enhanced PTC grant, reducing the amount of income tax collections diverted to fund the PTC program. As a result, the Colorado Department of Revenue will deposit a minimal amount of additional income taxes into the General Fund starting in FY 2015-16.

State Expenditures

Based on an increased number of qualified seniors claiming the senior property tax exemption, the concurrent resolution is estimated to increase state expenditures by an additional $550,000 in fiscal years when the exemption is fully funded. The concurrent resolution will also result in a minimal increase in workload for the DPT. These impacts are described below.

Assumptions. The fiscal note assumes that the retention of seniors who are currently disqualified from the exemption due to a medically-related change of residence will increase the overall number of seniors claiming the exemption. However, the net increase in the number of exemptions statewide is assumed to be 1,000—an increase of less than 1 percent—due to several factors that limit the population affected by the resolution, including:

- restricting the availability of the medical exemption to households already qualified for the senior homestead exemption;
- requiring evidence of a medical diagnosis that states the need to change a housing situation;
- the likelihood that many seniors have aged in place and, as a matter of preference, will continue to reside in their current property as long as practically feasible; and
- the likelihood that many seniors will move only when medical conditions require them to move to assisted living or another non-ownership housing arrangement that does not qualify for the senior property tax exemption.

Based on steady but modest appreciation in residential values statewide that will be captured in the next biennial assessment, the fiscal note also assumes a small increase in the average senior property tax exemption. However, for those seniors that do qualify for the medical exemption, it is likely that many will "downsize," moving to a residence with fewer levels and rooms, with fewer mobility issues, and lower assessed value. The typical property value and average exemption for seniors after a medically-precipitated move may be substantially lower than the average for all seniors qualified for the exemption.

Increased local reimbursement. Each year, the state treasurer receives reports from each county treasurer calculating the amount to be reimbursed to local governments as a result of the senior property tax exemption. Based on an expanded population of 1,000 and an assumed average exemption of $550, the treasurer will increase reimbursements from the General Fund by an estimated $550,000 in April 2016 and each subsequent year in April. No appropriation is required as this reimbursement is required by state statute and the state constitution.

Department of Local Affairs. The Division of Property Taxation (DPT) in the Department of Local Affairs will revise various forms, manuals, and publications to reflect the medically verifiable ailment expansion of the senior property tax exemption. This increase in workload is minimal and will be accomplished within the scope and budget of routine updates to such materials.

The Property Tax Administrator (PTA) in the DPT is responsible for reviewing exemption claims, to ensure that taxpayers do not make multiple or duplicate claims. The PTA may deny exemptions and hear appeals of such denials. Based on a less than 1 percent increase in exemption caseload under the concurrent resolution, the increase in workload for the PTA is minimal and will not required new appropriations.

Election Expenditure Impacts (For Informational Purposes Only)

The resolution refers a measure to the voters at the November 2014 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. Table 1 below identifies the anticipated costs for the 2014 Blue Book.

Table 1. Cost to Produce and Distribute the 2014 Blue Book to All Registered Voter Households	
Printing	$450,000
Postage	$450,000
Translation	$15,000
Newspaper Publication (English & Spanish)	$400,000
Total Cost (14 issues)	**$1,315,000**
Average Cost per Issue	**$109,583**

Local Government Impact

The concurrent resolution will result in a minimal increase to the workload of county assessors and treasurers in counties with affected properties. Affected county assessors must maintain a larger number of exemption records on additional properties and perform extra calculations to determine the tax liability of additional qualified individuals. Each county treasurer must account for additional exemptions in his or her annual report to the state treasurer and must distribute state reimbursement moneys to affected local governments in the county. This increase in workload is minimal relative to overall caseload for the senior homestead exemption and is assumed not to require additional resources.

New property tax exemptions result in reduced local government revenue from individual taxpayers. This reduction in local government revenue is offset by an equivalent increase in local government revenue from the reimbursement by the state.

Departments Contacted

Treasury	Health Care Policy and Financing	Revenue
Local Affairs	Property Taxation	Counties
Human Services	Legislative Council Staff	Municipalities
State		