SCR13-001

Colorado Legislative Council Staff Fiscal Note

STATE and LOCAL CONDITIONAL FISCAL IMPACT

Drafting Number:	LLS 13-0417	**Date:**	March 11, 2013
Prime Sponsor(s):	Sen. Crowder	**Bill Status:**	Senate SVMA
		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 GRANTED TO A QUALIFYING DISABLED VETERAN TO A SURVIVING SPOUSE OF SUCH A VETERAN WHO HAS LIMITED FINANCIAL MEANS FOR UP TO THREE YEARS FOLLOWING THE DEATH OF THE VETERAN.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015	FY 2015-2016
State Revenue General Fund			<$1,000
State Expenditures General Fund			up to $5,320
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 submits a referred measure to the 2014 state ballot, proposing to expand the current Homestead Exemption from property taxation to the surviving spouse of a qualified disabled veteran for up to three years after the death of the veteran. A surviving spouse may claim the exemption if he or she has not remarried and meets income qualifications for a United State Veterans Affairs (USVA) survivors pension. If approved, the concurrent resolution results in an amendment to the Colorado constitution that applies to each property tax year beginning on or after January 1, 2015.

Background

By approval in a statewide vote in 2006, Referendum E expanded the availability of Homestead Exemption to qualified disabled veterans. For qualifying taxpayers, the Homestead Exemption makes 50 percent of the first $200,000 in value of the taxpayer's residence exempt from property taxation. The state treasury reimburses local governments annually in April for property tax losses due to the exemption.

Under current law, the owner-occupant of a property qualifying for the disabled veteran homestead exemption must be the disabled veteran. A disabled veteran qualifies for the homestead exemption by submitting an application to the Department of Military and Veterans Affairs (DMVA) in the first property tax year for which the veteran is claiming the exemption. Less than one full-time member of the DMVA staff manages the list of eligible disabled veterans. Currently, a total of 4,493 disabled veterans are qualified by the DMVA for the homestead exemption. Of the number qualified by the DMVA, 3,601 were granted the disabled veteran exemption in tax year 2012. The average exemption currently taken by qualified disabled veterans is $532.

Based on studies of the disabled veteran population indicating an annual mortality rate of less than 5 percent, the fiscal note assumes that a maximum of 674 (3 * 5 percent of 4,493) surviving spouses will be eligible for the expanded exemption in any year. However, most surviving spouses are eligible for other veterans benefits or have other sources of income that exceed the income limitations of the expanded exemption. In addition, surviving spouses with very limited income generally live in subsidized housing and do not qualify for any property tax relief under the Homestead Exemption. For this analysis, the total number of surviving spouses claiming the expanded disabled veteran exemption is assumed to be 10 or fewer per year.

Any impacts of the proposed expansion are conditional upon approval of a referendum by the state's voters and continued funding for the Homestead Exemption.

State Revenue

The concurrent resolution has a minimal effect on state revenue, increasing General Fund revenue by less than $1,000 in FY 2015-16 and subsequent fiscal years.

The Colorado Department of Revenue (CDOR) will collect a minimal amount of additional incomes taxes, for deposit into the General Fund, as a result of the bill. 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, surviving spouses of disabled individuals are eligible to receive a grant for the amount of that spouse's property tax liability. Grants are paid from income tax proceeds prior to deposit in the General Fund.

To the extent that the bill results in extension of property tax relief for surviving spouses, it will reduce the size of PTC grant applications, reducing the amount of income tax collections diverted to fund the PTC program. Based on current PTC grants for the surviving spouses that are potentially the beneficiary of a veterans' pension, the resulting increase in General Fund revenue is anticipated to be substantially less than $1,000 per year, starting in FY 2015-16.

State Expenditures

Beginning in FY 2015-16, the concurrent resolution results in a minimal increase to the workload of several state agencies and an estimated $5,320 increase in state expenditures. The increase in costs for state government is described by agency below.

State Treasury. Each year, the State Treasurer receives reports from each county treasurer calculating the amount to be reimbursed to local governments. Based on an expanded population of 10 or fewer surviving spouses and the average exemption of $532, the treasurer will increase reimbursements from the General Fund by up to $5,320 in April 2016 and each subsequent year in April.

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 surviving spouse expansion of the disabled veteran Homestead 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 Homestead Exemption claims, to ensure that taxpayers do not make multiple or duplicate claims. The PTA may deny exemption and hear appeals of such denials. Based on a minimal increase in caseload under the concurrent resolution, the increase in workload for the PTA is negligible.

Department of Military and Veterans Affairs. The bill results in a minimal increase to the workload of the DMVA. This analysis assumes that the eligibility of surviving spouses for the Homestead Exemption is reviewed by the DMVA, as the same agency that tracks eligibility of current disabled veterans and also tracks USVA income criteria. Based on the current number of qualified disabled veterans, and assuming that fewer than 10 percent of spouses may survive the death of a qualified disabled veteran in any year, the increase in DMVA workload is minimal and will not require new appropriations.

Election Expenditure Impacts (For Informational Purposes Only)

The bill 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. By increasing eligibility for the Homestead Exemption, each county assessor must maintain 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 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 state treasury reimbursement.

Departments Contacted

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