Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 25-1156: MAKE SENIOR HOME TAX VALUATION REDUCT PERMANENT

Prime Sponsors:
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Published for: House Finance
Drafting number: LLS 25-0317

Version: Initial Fiscal Note
Date: February 18, 2025

Fiscal note status: The fiscal note reflects the introduced bill.

Summary Information

Overview. The bill reduces property taxes beginning with property tax year 2027 by continuing the qualified-senior primary residence real property classification and the associated assessed value reductions created in Senate Bill 24-111 indefinitely.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Expenditures
- TABOR Refunds
- Local Government

Appropriations. No appropriation is required.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
State Revenue	$0	$0	$0
State Expenditures	$0	$0	up to $52.5 million
Transferred Funds	$0	$0	$0
Change in TABOR Refunds	$0	$0	not estimated
Change in State FTE	0.0 FTE	0.0 FTE	0.0 FTE

Summary of Legislation

The bill permanently extends assessed value reductions for qualified-senior primary residence real properties, which are a subclass of residential property. Under current law, the assessed value reductions for qualified-senior primary residences are only effective for the 2025 and 2026 property tax years (PTY). The assessed value reductions mirror the benefit for the senior homestead exemption by reducing assessed value by subtracting 50 percent of the first $200,000 of actual value, before the assessment rate is applied. The subtraction is limited to the lesser of $100,000 or the amount that reduces a property's assessed value to $1,000.

The amount by which the bill reduces local government property tax revenue is required to be reimbursed by the state. In years when the state refunds a TABOR surplus, the assessed value reductions are accounted as a state TABOR refund to property taxpayers, paid via the reimbursement to affected local governments.

Background

Senate Bill 24-111

Senate Bill 24-111 created the qualified-senior primary residence real property subclass for senior property owners who previously qualified for the existing senior homestead exemption on or after January 1, 2020. The bill also established a process for owner-occupiers to apply to county assessors for the new subclassification, set up reporting requirements, and required reimbursements for lost property tax revenue to local governments. For years in which the state has a TABOR surplus, the bill established local reimbursements as a state TABOR refund mechanism.

Homestead Exemption

The homestead exemption is a constitutional exemption available for owner-occupied primary residences of qualifying seniors, veterans with a service-connected disability, surviving spouses of veterans with a disability who previously qualified for the exemption, and Gold Star surviving spouses. Under current law, the homestead exemption applies to taxes that would be assessed on 50 percent of the first $200,000 of the home's value, or up to $100,000. A senior homeowner is eligible to claim the homestead exemption if they meet the following requirements:

- the homeowner is 65 years old as of January 1 of the tax year; and
- the homeowner has occupied the home as his or her primary residence for the last 10 years.

Local Government Reimbursements

The state is required to reimburse local governments for the revenue reduction attributable to the homestead exemption and qualified-senior primary residence real property classification under Senate Bill 24-111. Reimbursements are made from the state General Fund via the Department of Treasury.

TABOR Refund Mechanism

Reduced property tax under the homestead exemption, and qualified-senior primary residence real property classification for FY 2025-26 and FY 2026-27, is accounted as a TABOR refund mechanism under current law. A TABOR surplus collected in one fiscal year is set aside to fund reimbursements to local governments for the tax reduction in the following year.

Assumptions

Based on data from the Colorado State Demography Office on senior households in Colorado, demographic trends from the U.S. Census Bureau's American Community Survey, and the December 2024 Legislative Council Staff forecast for assessed values and homestead exemptions, the fiscal note estimates that about 94,000 seniors who qualified for the homestead from 2020 to 2026, but moved at least once during that period, will qualify for the qualified-senior primary residence real property class designation in PTY 2027.

The fiscal note assumes that about 81 percent of Colorado's projected 705,000 senior households will live in owner-occupied homes, and that about 258,000 senior owner-occupied households will not qualify for the existing senior homestead exemption. The fiscal note estimates about 36 percent of senior owner-occupied households not qualifying for the current exemption will qualify for the new class designation under the bill in PTY 2027. An estimated additional 14,500 households will receive the new property class designation each year through PTY 2029, equal to the number of seniors who are expected to have previously qualified for the senior homestead exemption, sold their home in that year, and repurchased one in Colorado.

The average expenditure per senior for the reduced residential valuation is estimated at $561 beginning in PTY 2027 assuming households requalifying for the exemption have the same geographic dispersion and home values as households qualifying for the existing senior homestead exemption. For the vast majority of properties, the benefit under the qualified-senior primary residence real property subclass is equivalent to the benefits received under the senior homestead exemption. However, for certain low value properties, the value of the property tax benefit for qualified-senior primary residence real property value reductions will be less than for an equivalent home qualifying for the senior homestead exemption.

State Expenditures

Local Government Reimbursements

The bill increases General Fund expenditures to reimburse local governments for reduced property tax revenue under the bill. In FY 2027-28, local reimbursements are expected to increase by $52.5 million. These reimbursements may be paid from the state TABOR refund obligation, as described in the TABOR Refunds section, or from revenue otherwise available for the General Fund budget. However, a forecast of TABOR revenue is not available beyond

FY 2026-27, so it is unknown whether reimbursements will be paid as TABOR refunds in affected years. Local reimbursements will grow as additional senior households qualify for the residential property classification under the bill in successive years, as described in the Assumptions section.

Department of Local Affairs

The bill minimally increases workload for the Division of Property Taxation in the Department of Local Affairs to update manuals and guidance related to the qualified-senior primary residence real property classification. The increased workload is similar to workload already required under Senate Bill 24-111, and can be accomplished within existing appropriations.

TABOR Refunds

The bill will have no impact on the amount required to be refunded under TABOR beginning in FY 2027-28; however, it may increase the amount refunded via property tax refunds by up to $52.5 million in FY 2027-28 if there is sufficient surplus revenue. However, a forecast of TABOR revenue is not available beyond FY 2026-27. In years with sufficient surplus revenue, an increase in the amount refunded via property tax refunds will in turn decrease the amount required to be refunded by the six-tier sales tax refund mechanism.

Local Government

Local Revenue

The bill has offsetting impacts on local government revenue beginning in FY 2027-28 that will not change net revenue to any jurisdiction. It decreases property tax revenue with offsetting increased state reimbursements to local governments. Under current law and with the extension under the bill, county treasurers are required to distribute the reimbursement to each local government as if the total property tax revenue lost had been regularly paid. The bill may affect local government TABOR refunds if local voters have exempted one of, but not both of, property tax revenue and revenue received from the state government.

Local Expenditures

The bill increases expenditures for county treasurers and assessors to implement the senior portability extension in the bill, with ongoing expenditures for application processing, and reimbursements to local governments.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State and Local Government Contacts

Counties	Local Affairs
County Assessors	Property Tax Division – Local Affairs
Information Technology	Treasury