

**FINAL
FISCAL NOTE**

Drafting Number: LLS 12-0344
Prime Sponsor(s): Rep. Kefalas
 Sen. Johnston

Date: July 25, 2012
Bill Status: Postponed Indefinitely
Fiscal Analyst: Alex Schatz (303-866-4375)

TITLE: CONCERNING THE REAL PROPERTY EXPENSE ASSISTANCE GRANTS FOR LOW-INCOME SENIORS AND DISABLED INDIVIDUALS, AND, IN CONNECTION THEREWITH, MODIFYING GRANT AMOUNTS AND INCREASING MAXIMUM INCOME LIMITS FOR GRANT QUALIFICATION.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014	FY 2014-2015
State Revenue			
State Expenditures General Fund		\$15.0 million to \$19.1 million	\$143,745
FTE Position Change			
Effective Date: The bill was postponed indefinitely by the House Finance Committee on March 14, 2012. The bill affects filings with the Department of Revenue for tax year 2013, commencing with filings received January 1, 2014.*			
Appropriation Summary for FY 2012-2013: None required.			
Local Government Impact: None.			

* Amendment L.001, passed by the House Finance Committee immediately prior to the vote to postpone indefinitely, would adjust the effect of the bill to filings for tax year 2012; analysis for this amendment is not incorporated into this final fiscal note.

Summary of Legislation

This bill expands the Department of Revenue's Property Tax/Rent/Heat Rebate (PTC) program, on a one-time basis, for tax year 2013. Income eligibility requirements are modified to provide property tax and heat and fuel assistance grants for eligible filers with incomes up to \$28,000 for an individual and \$32,000 for a husband and wife filing jointly. For eligible individuals with incomes over \$10,040 and eligible joint filers with incomes over \$13,932, the bill provides a \$300 maximum rebate for both property tax/rent assistance and heat and fuel assistance. Table 1 summarizes rebates under current law and as provided under this bill.

Background

The PTC rebate is also known as the Old Age Heat and Fuel and Property Tax Assistance Grant, as the program is denoted in the Long Bill. The PTC rebate program was instituted in 1972, to reimburse a portion of the property tax or rent expenses paid by low-income Colorado residents

age 65 and over (and surviving spouses age 58 and over). The General Assembly added a rebate for heat and fuel expenses in 1980, and low-income disabled individuals became eligible for the program in 1987.

Table 1. PTC Program Eligibility for Tax Year 2013							
Current Law				House Bill 12-1253			
Individual Filer Income*	Joint Filer Income*	Maximum Prop. Tax or Rent Grant	Maximum Heat Grant	Individual Filer Income	Joint Filer Income	Maximum Prop. Tax or Rent Grant	Maximum Heat Grant
\$6,814	\$11,016	\$600	\$192	\$6,313	\$10,205	\$600	\$192
7,814	12,016	500	160	7,313	11,205	500	160
8,814	13,016	400	128	8,313	12,205	400	128
9,814	14,016	300	96	9,313	13,205	300	96
10,814	15,016	200	64	<i>Flat-Rate Rebate</i>			
11,814	16,016	100	32	10,040	13,932	227	73
12,814	17,016	0	0	28,000	32,000	227	73
				28,001	32,001	0	0

* Tax year 2013 income qualifications shown for current law are based on LCS forecast inflation adjustments applied to tax year 2011 indexed income limits established by the Department of Revenue. See the Technical Note below for a discussion of potential fiscal impact related to the inflation adjustment.

Under current law, applicants are eligible for the PTC rebate if they are:

- at least 65 years of age, or at least 58 years of age and the surviving spouse of a married couple, or disabled for the entire year;
- a resident of Colorado for the entire year the PTC rebate is claimed;
- lawfully present in the United States;
- not claimed as a dependent on another person's tax return;
- have total income less than the inflation-adjusted limit (i.e., \$12,313 for individuals or \$16,205 for husband and wife in tax year 2011); and
- paid property taxes, rent, or heating expenses in the subject tax year.

According to the Department of Revenue, 24,206 recipients received a total of \$7.4 million in property tax, rent, and heat assistance grants in 2011, with an average grant of \$305.

Under current law, income eligibility requirements are adjusted for inflation each year. For tax year 2011 the maximum income for individual filers is \$12,313 and for joint filers the income limit will be \$16,205. Based on the current Legislative Council Staff revenue forecast, these income levels will increase under current law to \$12,814 for individuals and \$17,016 for joint filers in tax year 2013.

Rebates paid by the PTC program are shown in the annual Long Bill as a General Fund expenditure. By law, the Long Bill shows this expenditure for informational purposes only. Grants are continuously appropriated from certain General Fund revenue held in the statutory income tax refund reserve. Personal services to support the PTC program are appropriated through other lines in the Department of Revenue budget, particularly the Taxpayer Service Division in the Taxation Business Group, and the fiscal note assumes that expenditures for personal services, operating costs, and capital outlay to support this bill are subject to annual appropriation by the General Assembly.

For FY 2012-13, the Department of Revenue's base budget request reported an anticipated \$7,400,000 for PTC rebates under current law. The Governor's November 1, 2011, transmittal of the budget to the General Assembly referenced an additional \$9.5 million intended to expand the PTC rebate. On January 3, 2012, the Governor submitted to the General Assembly proposed amendments to the FY 2012-13 budget, including an additional \$8.0 million for the PTC rebate, to bring the total additional funding in the PTC program to \$17.5 million above the base request associated with current law. The law change contained within this bill will implement the proposed expansion of the PTC rebate in FY 2013-14 rather than FY 2012-13.

State Expenditures

This bill increases state government expenditures by \$19,143,310 in FY 2013-14, and by \$143,745 in FY 2014-15. As described below, the Department of Revenue and the Governor's Office of Information Technology (OIT) are responsible for implementing the bill. State expenditures to implement the bill are summarized in Table 2.

Table 2. General Fund Expenditures Required for House Bill 12-1253			
Expenditure	FY 2012-13	FY 2013-14	FY 2014-15
Department of Revenue			
PTC Assistance Grants**		Up to \$18,608,000	
Administrative Costs			
Forms and Printing		\$8,995	\$3,111
Postage		77,984	34,784
Data Entry		42,795	4,755
Imaging		13,134	1,459
Contract Personal Services *		\$362,802	\$99,636
Office of Information Technology			
One-Time Programming Costs		\$29,600	
Total Expenses		Up to \$19,143,310	\$143,745

* Temporary staff is hired on a contract basis and does not require the appropriation of FTE as departmental personal services.

** This estimate assumes the maximum expected rebate. PTC assistance grants may be as low as \$14.5 million in FY 2013-14.

Department of Revenue—Property Tax/Rent/Heat (PTC) rebates for tax year 2013. The Department of Revenue is responsible for paying PTC rebates to eligible filers (applicants) based on the formula established in statute. This bill modifies the operation of the current statute for tax year 2013 by raising income eligibility and establishing a flat-rate grant (combining property tax/rent and heat assistance) of \$300 for filers in the expanded income eligibility range.

The increase in grant expenditures is primarily a function of the population and participation rate of eligible filers in the expanded income range. Based on income tax information compiled by the department, as well as population and income data obtained from the U.S. Census Bureau, the bill increases the population of participants in the PTC program by up to new 60,000 filers for tax year 2013. Based on a participation rate of 60 percent for individual filers, there will be approximately 48,500 new PTC assistance grants for individuals. Assistance to joint filers will increase by approximately 12,500 grants based on a projected participation rate of 25 percent for eligible filers in this population.

The bill also increases grants (to the flat-rate level) for currently eligible filers with incomes above \$10,040 for individual filers and above \$13,392 for joint filers. Approximately 16,000 filers currently eligible for PTC grants will receive, on average, an additional \$150 in the 2013 tax year due to the flat-rate grant. The flat-rate grant will be received by approximately 11,600 individual filers with incomes between \$10,040 and \$12,313 and 4,400 joint filers with incomes between \$13,392 and \$16,205.

In addition to the new participating filers, the increase in PTC expenditures is also a function of the amount of eligible property tax, rent, and heat expenses relative to the maximum available grant. In the expanded income range for tax year 2013, filers who have not paid at least \$227 in property tax or rent expenses and at least \$73 in heat expenses will not qualify for the maximum flat-rate PTC assistance grant of \$300. The Department of Revenue reports that grant recipients in the current PTC program utilize 84 percent of the total award available based on income but estimates that utilization of the flat-rate grant will be over 90 percent of the full award. This fiscal note concludes that actual property tax, rent, and heat expenses will, on average, limit grant awards in a manner consistent with historical data, within a range between 75 percent and 95 percent of the full award.

As discussed in the Technical Note below, the bill as introduced adopts 2011 inflation-adjusted income levels, with the effect of reducing potential rebates by an average of \$66 for individuals with incomes between \$6,313 and \$10,544 and joint filers with incomes between \$10,205 and \$14,746. This reduces the potential increase in tax year 2013 PTC rebates by an estimated \$792,000.

Based on the assumptions detailed above regarding the eligible population, participation rate, utilization, and inflation adjustments, the fiscal note concludes that state General Fund expenditures for PTC grants will increase by an amount between \$14.5 million and \$18.6 million for tax year 2013. Based on the department's accounting practices for PTC grants, this increase will accrue to FY 2013-14.

Department of Revenue—Administrative costs. A PTC grant application typically requires individualized attention from the Department of Revenue. The department will experience increased personal services costs to respond to PTC inquiries, process applications, including calculating rebates and verifying income and expenses, and investigating filer protests. Assuming each application requires an average of 15 minutes of individualized attention, the department will require \$358,200 for 15,000 hours of technical assistance at a temporary staffing cost of \$23.88 per hour. An additional 373 hours of data entry, mailing, and general administrative assistance is anticipated in FY 2013-14, at a rate of \$12.35 per hour, for a total of \$4,602 in administrative assistance. In FY 2014-15, temporary staff will continue to take inquiries and process claims, with 3,959 hours of technical assistance (\$94,548) and 412 hours of administrative assistance (\$5,088). Additionally, operational expenditures, as shown in Table 2, will increase in FY 2013-14 and FY 2014-15 for various administrative costs, including printing and postage, data entry and imaging for application forms and grant warrants.

Office of Information Technology. The OIT is responsible for modifications to the GenTax computer system, which calculates and tracks PTC rebates. GenTax tables, forms, and outputs related to the PTC rebate will require redesign, programming, and testing by the OIT. This will require 400 hours of services at OIT's hourly rate of \$74 per hour, for a total one-time cost of \$29,600 in FY 2013-14.

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 financial assistance to the aged, blind, and disabled. In 2011, the state provided about \$5.6 million in PTC funding towards the MOE, based on 13,463 SSI-eligible recipients of PTC rebates. This bill could increase the share of the MOE requirement contributed by PTC rebates, up to approximately \$16.6 million of the total MOE requirement. Thus, this bill increases the budgeting flexibility of the department, potentially reducing the MOE contribution required of other state programs benefitting the SSI-eligible population.

Technical Note

The introduced bill numerically identifies and adopts tax year 2011 inflation-adjusted income limits, namely \$6,313 for individual filers and \$10,205 for joint filers, as the highest income levels receiving the maximum rebate. Under current law, these income limits will be adjusted for inflation in 2012 and 2013. Based on the December 2011 Legislative Council Staff forecast, the maximum grant will be awarded to individuals with income levels of up to \$6,814 for individual filers and joint filers with incomes up to \$11,016.

In tax year 2013, compared to the income limits in this bill, current law awards the maximum PTC rebate to more filers and results in a larger rebate for all filers with incomes less than the flat-rate rebate level. Based on the assumed inflation rate, the bill effectively reduces rebates by approximately \$66 for affected filers. The fiscal note estimates that approximately 12,000 filers fall within the affected income range, with a potential net reduction in PTC grants of \$792,000.

Departments Contacted

Revenue
Human Services

Office of Information Technology
Office of State Planning and Budgeting