

Declared Wildfire Disaster Rebuild Sales and Use Tax Refund



OFFICE OF THE STATE AUDITOR
C O L O R A D O

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Tax Type:	Sales and use
Expenditure Type:	Exemption (administered solely as a Refund)
Statutory Citation:	Section 39-26-734, C.R.S.
Year Enacted:	2023
Repeal/Expiration Date:	July 1, 2028
Revenue Impact:	Could not determine

Purpose given in statute or enacting legislation? Yes

The Declared Wildfire Disaster Rebuild Sales and Use Tax Refund (Wildfire Rebuild Refund) allows a homeowner repairing or rebuilding their home that was damaged or destroyed in a declared wildfire disaster from 2020 to 2022 to claim a refund of sales and use taxes in an amount equal to 4 percent of the total estimated construction and building materials cost of the rebuilt home. The homeowner must certify that they were the owner of the residential structure at the time it was damaged or destroyed and that the repair or replacement cost for each residential structure exceeds the coverage under any homeowner’s insurance policy associated with the residential structure.

According to statute, the purpose of the refund is “to provide financial relief to Coloradans recovering and rebuilding from declared wildfire disasters.” Statute provides that the Office of the State Auditor should measure the effectiveness of the refund “based on the number of wildfire exemption certificates issued..., the number and amount of all refund claims allowed..., and an estimate by the state auditor of the proportion of homeowners affected by declared wildfire disasters who benefitted from the [refund] in the rebuilding or repairing of their homes” [Section 39-26-734(1)(c), C.R.S.].

We found:

- **Local governments issued about 600 Wildfire Rebuild Certificates for nearly \$10 million in estimated refunds related to the four state wildfire disasters that occurred in 2020 through 2022.** About 37 percent of owners of affected homes that were destroyed have been issued Wildfire Rebuild Exemption Certificates from local governments and therefore have potentially benefitted from the Wildfire Rebuild Refund. Utilization was highest among homeowners who lost homes in the Marshall Fire. Homeowners have until June 30, 2028 to submit a claim for the Wildfire Rebuild Refund, so the usage rate and revenue impact could continue to increase if more homeowners file a claim for the refund.

- **The requirement that the homeowner be underinsured on the destroyed home may have prevented or delayed usage for homeowners who were uncertain if they were underinsured.** Homeowners who waited until they knew their insurance payouts and rebuilding costs were finalized to determine if they met the underinsurance criteria went a long period of time between when their home was permitted to be rebuilt and receiving the Wildfire Rebuild Refund.
- **Administrative issues may have delayed refunds for some eligible homeowners.** Specifically, it appears that some local governments input the incorrect amount of the estimated building and construction materials cost on the certificates issued to homeowners. There were also administrative difficulties in jurisdictions where there is not a local use tax on building and construction materials because the homeowner had to input the building and construction costs, and they sometimes included costs that are not eligible for the refund. In both of these cases, the Department needed to correspond with the local government and/or homeowner in order to determine the correct amount, which added to the administrative burden on the Department to administer the refund and delayed the homeowner receiving their refund.

Policy Considerations

We found several issues with the Wildfire Rebuild Refund that likely reduced its use among eligible homeowners and delayed many refunds. If the General Assembly establishes a similar tax refund again in the future, it could consider:

- Using a different method to determine the refund amount that is simpler to administer. For example, providing a refund that is a set amount (e.g., based on average home size and estimated average cost per square foot to rebuild), using the assessed value of the destroyed home to determine the refund amount, or using another basis—such as property taxes—to determine the amount of assistance.
- Eliminating or simplifying the requirement for the homeowner to be underinsured to remove uncertainty on whether a homeowner can qualify for the refund.
- Removing the requirement that recipients owned the property at the time the home was destroyed to allow homeowners who could not afford to rebuild to still receive the benefit of the refund.

Declared Wildfire Disaster Rebuild Sales and Use Tax Refund

Background

The Declared Wildfire Disaster Rebuild Sales and Use Tax Refund (Wildfire Rebuild Refund) [Section 39-26-734, C.R.S.] provides a sales and use tax refund to qualified homeowners rebuilding a qualified residential structure in Colorado. A qualified residential structure is a residential structure that was damaged or destroyed by a wildfire that was declared a disaster by the Governor in Calendar Year 2020, 2021, or 2022. A qualified homeowner is a homeowner that is rebuilding or repairing a qualified residence they owned at the time of the disaster; if the property is sold after the disaster but before the residence is rebuilt, the new owner is not eligible for the refund. A refund is only allowed if the homeowner certifies that the replacement cost of the qualified residential structure exceeds the homeowner's coverage under any insurance policy associated with the structure.

The Wildfire Rebuild Refund allows homeowners to claim a refund of state and certain local sales and use taxes that have been or will be paid to repair or rebuild a qualified residential structure. Specifically, the homeowner can claim a refund on 4 percent of the estimated cost of construction and building materials used to repair or rebuild, which is equal to the Colorado sales and use tax of 2.9 percent plus the 1.0 percent Regional Transportation District (RTD) and 0.1 percent Scientific and Cultural Facilities District (SCFD) local sales and use taxes that are collected by the State. The refund percentage is the same regardless of whether the homes are within or outside of these local tax districts. Qualified homeowners are eligible to apply for and receive the Wildfire Rebuild Refund once a permit to rebuild or repair a qualified residence has been issued; the repair to a residence or rebuilding of the residence does not need to be completed at the time the homeowner applies for and/or receives the refund. This tax expenditure is administered solely as a refund and is not applied to building or construction materials at the point of sale.

There were 16 declared wildfire disasters that occurred in Colorado from 2020 to 2022.

Our office consulted with assessors in the counties where these declared wildfire disasters occurred and determined that four declared wildfire disasters resulted in the damage or destruction of homes that would be eligible for the refund. Exhibit 1 shows the year, name, and location of the 16 declared wildfire disasters and shows which wildfires destroyed private residences in Colorado and which did not.

Exhibit 1

16 Declared Wildfire Disasters Occurred in 2020, 2021, and 2022

More than 1,600 homes in total were destroyed in the following four fires:

Year	Name	County
2020	Calwood	Boulder
2020	East Troublesome	Grand and Larimer
2020	Cameron Peak	Larimer
2021	Marshall	Boulder

There were 12 declared wildfire disasters between 2020 and 2022 that did not result in the destruction of any privately owned homes in Colorado. Those include:

Year	Name	County
2020	Lefthand	Boulder
2020	Grizzly Creek and Red Canyon	Garfield and Eagle
2020	Mullen	Jackson
2020	Elephant Butte	Jefferson
2020	Lewstone	Larimer
2020	East Fork	Las Animas
2020	Pine Gulch	Garfield and Mesa
2021	Muddy Slide	Routt
2022	Bent's Fort and Fort Lyons	Bent and Otero
2022	Menkhaven	Conejos
2022	Ute Pass	La Plata
2022	High Park	Teller

Source: Office of the State Auditor analysis of Department of Revenue Application for Wildfire Rebuild Exemption Certificate form instructions (DR 0992); Governor's Executive Orders issued disaster declarations in 2020, 2021, and 2022; and information from county assessors.

According to the Colorado Division of Fire Prevention and Control within the Department of Public Safety, Colorado recorded the three largest fires in state history in terms of acres burned in 2020. The Cameron Peak fire began in August and burned for nearly 4 months. It became the largest wildfire ever recorded in Colorado, burning more than 208,000 acres. The East Troublesome fire began in October and quickly grew to become the second largest fire, burning almost 194,000 acres. The Pine Gulch fire was the third largest in state history, consuming about 139,000 acres; however, as shown in Exhibit 1, it did not destroy any homes. The Marshall Fire in 2021 was the most destructive wildfire in state history in terms of residences destroyed—burning about 1,100 homes and causing damage to thousands more—with an initial estimate of \$513 million in residential property damage that was later updated to about \$1 billion in residential property damage.

The Wildfire Rebuild Refund was created in 2023 by House Bill 23-1240. Qualified homeowners could start the application process for the Wildfire Rebuild Refund beginning in fall 2023. Their first step required is to submit an Application for Wildfire Rebuild Exemption Certificate (form DR 0992) to the local government that issued their building permit. The technical note provides additional detail about the information the homeowner is required to provide on this form.

Technical Note: There are seven sections of the Application for Wildfire Rebuild Exemption Certificate form that the homeowner needs to complete.

Section 1 asks the homeowner for identifying information, including their name, Social Security number (SSN) or individual taxpayer identification number (ITIN), mailing address, phone number, and email (optional). The form asks the applicant to only list one name.

Section 2 asks for contact information on the primary contractor hired to rebuild or repair the residence.

Section 3 asks for building permit information for the residences being repaired or rebuilt, including the building permit number. There is space for the applicant to list three addresses or building permits.

Section 4 asks the homeowner to select which of the 16 eligible declared wildfires damaged or destroyed their residence.

Section 5 requires the homeowner to certify that they were the owner of the residential structure at the time it was damaged or destroyed by the wildfire and that they are either rebuilding or repairing the structure.

Section 6 requires the homeowner to certify that the repair or replacement costs of home(s) listed in section 3 exceeds the homeowners coverage under any insurance policy associated with the above-listed structures.

In **Section 7**, the homeowner, or person acting as their power of attorney, signs and dates the form.

After receiving an Application for Wildfire Rebuild Exemption Certificate from a homeowner, the local government verifies whether the homeowner's information is correct and, if so, completes a Wildfire Rebuild Exemption Certificate (form DR 0993). The local government official must provide additional information on the Wildfire Rebuild Exemption Certificate, including permit information and the estimated cost of construction, when available. The technical note provides additional detail about the information the local government official and the homeowner are required to provide on this form. The local government then issues the Wildfire Rebuild Exemption Certificate to the homeowner.

Technical Note: Upon receipt of a completed Application for Wildfire Rebuild Exemption Certificate, the local government reviews the application and, if approved, completes sections 1 through 5 of the Wildfire Rebuild Exemption Certificate (DR 0993).

In **Section 1**, the local government official lists their contact information.

Section 2 asks the local government official to enter the name, SSN or ITIN (truncated to the last four digits is allowed), mailing address, email address (this is optional), and phone number of the qualified homeowner from the DR 0992 application.

Section 3 asks for the contractor's name and contact information.

Section 4 requires the local government official to provide the address, building permit number, and estimated construction and building materials cost. The local government often has the estimated construction and building materials cost because it is generally the amount that the local government uses to collect estimated use tax when issuing the building permit. If the local government makes an estimate for the purpose of collecting a use tax, this estimated amount is used in Section 4. If the local government does not make an estimate of the total project cost or valuation for purposes of collecting an estimated use tax (e.g., if the local government does not have a local use tax), the local government official is instructed to enter N/A. In those cases, as discussion later in this technical note, the homeowner is required to fill in this amount, typically based on the construction contract or the final invoice from the contractor.

In **Section 5** the local government official signs to certify that the local government issued the building permit, affirms the residential structure is qualified as defined in statute, the homeowner is the same homeowner as at the time of the fire, and that the estimated construction and building materials cost, if listed, was used by the local government to collect use tax in connection with the issuance of the building permit.

The homeowner is required to complete Section 6 of the certificate prior to submitting it to the Department of Revenue.

In **Section 6**, the homeowner enters their name, full SSN or ITIN, the total estimated construction and building materials cost from Section 4 or calculate that cost themselves if the local government entered "N/A" (in this case the homeowner is also required to include a copy of the construction contract or final invoice showing total costs of construction), then multiply the total costs by 4 percent to calculate the total refund.

The homeowner then submits the Wildfire Rebuild Exemption Certificate and any required documentation to the Department of Revenue (Department), and Department staff indicated that the Department typically issues a refund to the homeowner in the form of a check within a month of receiving the certificate. The Wildfire Rebuild Exemption Certificate can be submitted to the Department through June 30, 2028.

We did not identify any other states that offer a sales or use tax refund for homeowners rebuilding after a disaster like Colorado's refund. However, we identified two states with sales tax refunds and one with a credit that help provide financial relief to residents recovering from federally declared major disasters. Louisiana allows residents who lost property due to a disaster to claim a refund of state sales taxes paid on property losses not reimbursed by insurance or the federal government; however, it is limited to property that is movable, such as furniture and appliances. Tennessee offers claimants receiving federal disaster assistance from the Federal Emergency Management Agency (FEMA) a refund for sales tax paid on purchases of major appliances, residential furniture, and residential building supplies used for the restoration, repair, replacement, or rebuilding of the individual's primary residence. Tennessee limits its refund to a maximum of \$2,500 per residence. Oklahoma also offers residents whose homes were destroyed in a Presidential Declared Major Disaster to claim a refundable income tax credit equal to the difference between property taxes after the home was rebuilt and before the disaster occurred. If the homeowner increased the size of their home during rebuilding, they must prorate their credit based on the square footage of the destroyed home. Taxpayers may claim the credit for 5 years, but the credit amount is decreased by 20 percent each year.

Statute provides that the purpose of the Wildfire Rebuild Refund is “to provide financial relief to Coloradans recovering and rebuilding from declared wildfire disasters” [Section 39-26-734(1)(b), C.R.S.]. This refund was established with the passage of House Bill 23-1240 in 2023 with the intent of helping underinsured homeowners rebuild their homes. The State experienced a record Taxpayer's Bill of Rights (TABOR) surplus exceeding \$3.7 billion in Fiscal Year 2022 and the surplus exceeded \$3.6 billion in Fiscal Year 2023. In light of the historically large surpluses, which would be even larger due to the “windfall” to the State from the unexpected sales and use tax revenues generated as over 1,000 homes were rebuilt, legislators thought this was a chance to provide more targeted financial assistance to underinsured homeowners who lost their homes in wildfires. According to testimony in support of the bill, the State had a choice between either collecting the added revenues, which could have resulted in a few extra dollars to refund checks all taxpayers received that year (which were \$800 for individuals and \$1,600 for joint filers), or refunding these added sales and use tax dollars to homeowners whose rebuilding costs exceeded their insurance payouts. The Fiscal Note for this bill estimated TABOR refunds in Fiscal Year 2024 would be reduced by \$4.1 to \$8.4 million and reduced between \$3.0 to \$5.7 million in Fiscal Year 2025.

Statute provides three performance measures for determining the effectiveness of the refund. Specifically, statute states, “the state auditor shall measure the effectiveness of the [refund]... based on the number of wildfire exemption certificates issued..., the number and amount of all refund claims allowed..., and an estimate by the state auditor of the proportion of homeowners affected by declared wildfire disasters who benefitted from the [refund] in the rebuilding or repairing of their homes” [Section 39-26-734(1)(c), C.R.S.].

Evaluation Results

Based on our review of available data, it appears that about 600 Wildfire Rebuild Exemption Certificates were issued by local governments between September 2023 and March 2026, covering about 37 percent of the homes destroyed in the declared wildfire disasters that occurred in 2020, 2021, and 2022.

Based on information local governments submitted to the Department, we found that 608 rebuilt homes that were destroyed in one of the 2020, 2021, or 2022 wildfires and subsequently rebuilt benefitted from the Wildfire Rebuild Refund. The number of certificates (598) was slightly different than the number of homes rebuilt that benefitted from the refund because some homeowners were issued certificates more than once, some homeowners received amended certificates for the same property, and in some cases multiple homes were listed on the same certificate.

Exhibit 2 shows the distribution of the 608 homes whose owners benefitted from the refund as well as the number of homes destroyed in declared disasters for each jurisdiction.

Exhibit 2

Number of Homes Rebuilt That Received a Wildfire Exemption Certificate Compared to the Total Homes Destroyed in Declared Disasters

Declared Disaster Fire	Local Government Issuing Building Permit	Number of Homes Rebuilt That Received a Wildfire Exemption Certificate (DR 0993)	Total Homes Destroyed	Percentage of Homes Destroyed That Benefitted from the Refund
Cameron Peak	Larimer	14	184	8%
East Troublesome	Grand	61	370	16%
Calwood	Boulder	0	20	0%
Marshall	Boulder	56	157	36%
Marshall	Superior	162	378	43%
Marshall	Louisville	315	550	57%
4 Fires Combined	Various	608	1,659	37%

Source: Office of the State Auditor analysis of local government data, county assessors reports and assessments, correspondence with county assessors, and reports submitted to the State Treasurer for homes destroyed by natural disasters seeking property tax relief under House Bill 14-1001.

As shown in Exhibit 2, overall, about 37 percent of the homeowners whose homes were completely destroyed benefitted from the refund. There are a few caveats to our analysis.

First, statute instructs us to make an estimate “of the proportion of homeowners affected by declared wildfire disasters who benefitted from the [refund] in the rebuilding or repairing of their homes.” This language suggests that the estimate should be based on the number of homeowners who received a refund. As discussed later in this report, the Department was not able to provide us

with data on how many homeowners claimed the refund. Therefore, we based our estimate on the number of homeowners who were issued a Wildfire Rebuild Exemption Certificate from a local government, but we do not know whether everyone who was issued an exemption certificate filed their refund claim with the Department and received the refund.

Second, we were not able to find comprehensive and reliable data on the number of residential structures that sustained damage but were not completely destroyed in any of the wildfires eligible for this refund. The Boulder County air quality coordinator, Bill Hayes, said “We don’t have an accurate count of the number of homes that suffered smoke damage...but there are between 13,000 and 14,000 homes in the burn area that were not destroyed...I think it’s safe to say that a large majority of those [homes] suffered a degree of smoke damage ranging from mild to severe.” The winds that fueled the fires also spread toxic smoke that damaged homes (e.g., damaged insulation that needed to be replaced, and homes needing deep cleanings to remove volatile organic compounds, or VOCs). The City of Louisville issued over 1,400 permits to replace insulation in smoke-damaged homes. We could not identify any estimates of the number of homes damaged in the other eligible wildfire disasters. Therefore, our estimate of the proportion of homeowners affected by declared wildfire disasters who benefitted from the refund (as shown in Exhibit 2) only considers homes that were entirely destroyed. It is possible that some additional homes were damaged and were potentially eligible for the refund; however, based on our review of the refund amounts individual homeowners were eligible to take, it appears that almost all claims for the refund were for homes that were completely destroyed and claims for repairs on damaged homes were uncommon. It is possible that insurance was more likely to fully cover this damage, in which case the homeowner would not be eligible for the refund. In addition, some homeowners might have relied on other programs to repair damaged homes. The Boulder Community Foundation Disaster Assistance Fund provided grants for smoke and ash damaged properties that directly paid a third-party provider for repairs, so it is likely that some homeowners used this grant program instead of insurance to cover these repairs. It is also possible that homeowners who had damage were less likely to be aware of the refund or did not think it was worth the time to take the administrative steps necessary to claim it since the amount of the refund might only be a few hundred dollars or less. However, we were ultimately not able to determine why more homeowners did not claim the refund for damage.

Third, although there were 1,659 homes that were fully destroyed in the four fires, because of the statutory eligibility requirements that (1) the home be permitted to be rebuilt, (2) the homeowner that is rebuilding or repairing the home must be the same homeowner that owned the property at the time of the wildfire, and (3) the replacement cost to rebuild the home must exceed the homeowner’s insurance coverage, not all of the 1,659 homes destroyed were eligible for the Wildfire Rebuild Refund at the time of our evaluation. We were unable to determine the precise number of homes out of the 1,659 that were destroyed that are ineligible for the refund because of these requirements; however, many of the homes destroyed would not meet one or more of the three criteria to apply for the refund, as discussed below. This means that usage among the eligible homeowners is likely higher than 37 percent.

We identified several factors that may have limited usage in the refund.

- **In many cases, properties were sold prior to the home being rebuilt.** As discussed, the refund is limited to the same property owners who owned the property at the time of the qualifying wildfire; therefore, properties that are sold prior to rebuilding are not eligible. The percentage of homeowners who sold their lots is indeterminate and varies by location. For example, we could not identify a source of information to determine the number of homeowners who sold after the Cameron Peak fire in Larimer County or the East Troublesome fire in Grand County. A Boulder County official said nearly 200 homeowners sold their lots after the Marshall Fire. One municipality impacted by the Marshall Fire provided our office with a list of homes that were sold and rebuilt by a different owner that showed 17 percent of homes were ineligible for its local use tax refund since they were sold to a different owner. There are a number of reasons a homeowner might choose to sell their lot rather than rebuild, but homeowners who are significantly underinsured are less likely to be able to afford to rebuild their homes and may choose to sell to pay off existing mortgages on the property and to minimize their losses.
- **In some cases, destroyed homes have not yet been permitted to rebuild.** For example, 125 homes in Larimer County had not been rebuilt or permitted to be rebuilt as of early 2026. If these homes were underinsured, have not been sold, and are permitted to rebuild between now and early 2028, the owners can submit a Wildfire Rebuild Exemption certificate to the Department. This could increase the share of homeowners who benefitted from this expenditure before it expires on June 30, 2028.
- **A small share of the homes that were destroyed were fully insured.** As discussed, the Wildfire Rebuild Refund is only allowed to homeowners who certified that the cost to rebuild their home exceeded the insurance proceeds from any insurance policy for the destroyed home. Those homeowners whose insurance proceeds fully covered the cost to rebuild could not receive a refund. A Colorado Division of Insurance study analyzed the insurance policies of 951 of the 1,084 homes destroyed in the Marshall Fire and found that 76 homes, or 8 percent of the policies analyzed, had guaranteed replacement coverage and stated “underinsurance is not a problem for these homes.” According to a survey from United Policy Holders conducted 2 years after the Marshall Fire, “15% of survey respondents reported they have enough insurance to cover the cost of replacing or rebuilding their home.” In another survey from United Policy Holders about the 2020 Colorado wildfires, “28% of survey respondents reported they [had] enough insurance to cover the cost of repairing, replacing or rebuilding their homes.”
- **The requirement that homes be underinsured may limit participation of homeowners who are uncertain if they are underinsured.** It is possible that the requirement that a homeowner certify that they were underinsured drove down usage of the refund among the eligible homeowners or has delayed them in applying for it since they may not know at the time the rebuild is permitted whether their insurance will cover the cost to rebuild the destroyed home. There are a couple of potential issues with the underinsurance requirement. First, some homeowners may not have known at the time they received their building permits whether

insurance would cover the full replacement cost of their destroyed home. According to a United Policy Holders Survey done 1 year after the 2020 fires, “8% of survey respondents reported they do not know yet if they are underinsured.” According to a similar survey from United Policy Holders done 2 years after the Marshall Fire, “7% of survey respondents reported they do not know yet if they are underinsured.” Additionally, homeowners are unlikely to rebuild an exact replica of the destroyed home, so most homeowners would not know the cost to replace it. As mentioned in the technical note above, the homeowner is required to certify that the repair or replacement costs of the residential structure exceeds the coverage under any homeowners insurance policy. Some homeowners could be unwilling to certify that the replacement cost exceeded their insurance coverage, without knowing the replacement cost or the final amount of insurance coverage.

Since it can be difficult for homeowners to determine that they are underinsured when applying for their building permit, it is possible that some eligible homeowners delayed applying for the refund or chose not to apply because they were uncertain if they qualified. Coverage Neglect in Homeowners Insurance, a research paper prepared by J. Anthony Cookson and Emily A. Gallagher at the University of Colorado Boulder and Philip Mulder at the University of Wisconsin Madison, included data on 989 policies linked to homes that were completely destroyed by the Marshall Fire and found that 74 percent of policyholders were underinsured. However, despite the likelihood of being underinsured, according to one local government official that we spoke with, some homeowners were hesitant to apply for the state refund because they had not settled with their insurance company yet and were not sure what their final insurance payout would be, so they were concerned they might have to repay the State later. Statute allows homeowners who are rebuilding to use the estimate of building and construction costs listed on the building permit, which suggests that legislators intended for homeowners to be able to receive the Wildfire Rebuild Refund earlier in the rebuilding process in order to receive financial relief sooner. However, the total proceeds from insurance policies are often unknown to the homeowner until their home is complete, a process that can stretch a few years. Similarly, the final cost to rebuild is often unknown until the builder sends its final invoice and the final payment could be higher than the estimated construction costs when the house was permitted. This uncertainty could cause some homeowners to delay applying for the refund or to not apply at all.

Homeowners who lost homes during the Marshall fire were significantly more likely to claim the refund than homeowners in other areas due to several factors. As shown in Exhibit 2, the percentage of homeowners who benefited from the refund is highest for homeowners whose homes were destroyed by the Marshall Fire. There are several reasons why homeowners impacted by the Marshall Fire may have higher usage rates of the Wildfire Rebuild Refund than the other three disasters in which homes were destroyed. These include:

- **Less Time Delay.** The Calwood, East Troublesome, and Cameron Peak fires occurred about 3 years before the refund became available, so it is likely the sizable time lag between the disaster and the availability of the refund decreased its utilization for property owners impacted by these 2020 fires. In contrast, the Marshall Fire occurred about a year and a half before the creation of

the refund. The time delay matters because when a homeowner's primary residence is destroyed, their insurance company typically provides for additional living expenses (ALE) while the homeowner is rebuilding and includes temporary housing. However, this coverage typically only lasts for 1 or 2 years, and after a homeowner's ALE coverage is exhausted, the homeowner must pay the cost of their temporary housing out of pocket (in addition to continuing to pay the mortgage on the destroyed home). This situation leads many homeowners to sell their lots.

- **Location with a High Demand for Residential Building Sites and Growing Population.** According to a 2015 report in the *International Journal of Wildland Fire*, historically, by 5 years after a wildfire occurs, typically only about 25 percent of residents whose homes were destroyed have rebuilt their homes. However, according to the report, "high demand for residential building sites to house a growing population provides incentive for rebuilding and for new development." The growing population of the Denver Metro area (of which Superior, Louisville, and unincorporated Boulder County are a part) along with highly in-demand and high-value residential building sites are a couple of reasons why the Marshall Fire had high rebuilding rates as well as the highest usage of Wildfire Rebuild Refunds.
- **More Occupied Homes.** Homes destroyed in the Marshall Fire were more likely to be owner-occupied or renter-occupied compared to the homes burned in other declared wildfire disasters, which may have also contributed to higher rebuilding rates. According to the 2020 Census, 94 to 96 percent of homes in Superior, Louisville, and Unincorporated Boulder County were occupied at the time of the decennial census about 1.5 years before the Marshall Fire. In contrast, the Larimer County sheriff's department reported that 42 of the 184 homes that were destroyed in the Cameron Peak Fire were primary homes. Primary homes accounted for 184 of the 370 homes destroyed in the East Troublesome Fire (note that we were unable to determine an accurate rebuild rate for the East Troublesome Fire because Grand County permitting data was incomplete and only included permits issued as of January 2024). As discussed, insurance typically covers up to 2 years of temporary living expenses as homeowners rebuild their homes, providing a sense of urgency for primary homeowners to rebuild and move into their home before this benefit expires. Conversely, owners of second-homes and cabins do not face a similar time constraint and might delay rebuilding, especially if underinsurance leaves them with insufficient funds.
- **Multiple Local Government, Nonprofit, and Utility Programs Available to Help Marshall Fire Homeowners Rebuild.** There were also many additional programs and local government refunds and rebates that were available to homeowners affected by the Marshall Fire that helped to provide financial relief to these homeowners and made them more likely to rebuild. For example, a property owner in Boulder County rebuilding after the Marshall Fire potentially could have received more than \$100,000 in financial relief from programs that were not offered to homeowners whose properties were destroyed in other declared disasters. The financial relief from debris removal, local government permit fee reductions and use tax rebates, FEMA grants and Small Business Administration loans, community foundation grants, utility rebates, and rebates from the Colorado Energy Office (all of which are discussed in more detail below) likely contributed to the higher rates of rebuilding after the Marshall Fire.

- **Local Government Sales and Use Tax and Permit Rebates.** Boulder County, the Town of Superior, and the City of Louisville each established sales and use tax refunds or rebates in 2022 for homeowners impacted by the fire. One rebate could be applied for while the homeowner was applying for their building permits and, according to a stakeholder we interviewed, refunds were provided to homeowners in as little as one week after the application was submitted.

The Town of Superior provided residents with a 47 percent discount on its building permit fees and allowed residents to claim a refund for local sales and use tax beginning on February 28, 2022. The Town of Superior's recovery website indicates that as of March 2026, it had refunded more than \$3.21 million to 273 residents who applied for its rebate and permit fee reduction, which is about \$11,750 for each resident.

In September 2022, Boulder County instituted a use tax refund for homeowners rebuilding; the county gave homeowners 3 years from the date of the fire to claim the refund and later extended the deadline to January 31, 2025 for those whose homes were damaged or destroyed in the Marshall Fire and who had obtained an approved building permit. The refund was limited to \$3,500 in 2022, but the refund cap was increased to \$4,200 in 2023 through 2025. When this refund closed, the county reported it had provided 676 homeowners with a total of \$2.14 million in refunds. Boulder County's use tax was 0.985 percent in 2022 and increased to 1.185 percent in 2023. By applying a limit of \$3,500 to the refund in 2022, the county effectively only allowed \$355,300 of estimated construction costs to qualify for the refund. The 2023 to 2025 cap of \$4,200 effectively limited the county's use tax refund to the first \$354,400 of total construction costs.

The City of Louisville established its use tax refund on October 3, 2022; this refund was available for Louisville property owners who owned a property with a home that was destroyed or sustained significant structural fire damage as a result of the Marshall Fire. The program is also available to property owners in Superior, Louisville, and unincorporated Boulder County who owned a property with a home that was destroyed and purchased a different lot in Louisville with a home that was destroyed. This refund program had two distinct differences from the state's refund: (1) a qualified homeowner was not required to rebuild in the same location to claim the refund, and (2) certain homeowners who rebuilt significantly larger homes under a more lenient energy-efficiency standard received a reduced rebate of city use taxes. The City of Louisville provided our office with a list of all properties that were provided use tax rebates from the municipality. This data showed Louisville provided rebates to roughly 440 homeowners through January 2026 and the rebates totaled over \$6.57 million.

Collectively, the use tax rebates provided by Boulder County, Superior, and Louisville provided nearly \$12 million in financial relief to more than 675 property owners. By contrast, the Wildfire Rebuild Refund provided an estimated \$8.3 million in financial relief to 533 property owners in Boulder County. It is worth noting that the amount of use tax refunded to Boulder County residents would have been larger if not for the cap. More than 300 homes

that were given exemption certificates by local governments in Boulder County had an estimated construction cost exceeding \$355,000. Several houses rebuilt in Boulder County had estimated construction costs over \$1 million. A hypothetical homeowner building a home in 2023 with a \$1 million estimated construction cost would pay \$11,850 in Boulder County use taxes and \$40,000 in state and state-collected local sales and use taxes. While the \$4,200 cap on the county refund would limit the homeowner to recovering 35 percent of county use taxes paid, since the Wildfire Rebuild Refund is not limited, the homeowner could recover 100 percent of the \$40,000 paid in state and certain state-collected local sales and use taxes.

Boulder County also reduced fees on permits for tearing down the house and then rebuilding. Boulder County charged residents a \$100 flat fee for their demolition permits after the Calwood and Marshall Fires. Additionally, Boulder County reduced the permit fee on home rebuilds by \$4,400 for the primary residence and by 25 percent on permits for detached garages. Boulder County also helped lead a Private Property Debris Removal (PPDR) program; 566 property owners in the county opted into this program to get all the burned debris off their lots at no cost to the property owner. This program cost \$35 million and was 90 percent FEMA-funded, with the State and local governments each covering 5 percent. This program cleared the debris from all lots in 4 months. If the cost of debris removal was not covered by the PPDR, the homeowner would pay the cost out of the insurance payout, which reduced the amount of insurance proceeds that could be used to rebuild the house. By contrast, residents in Larimer County did not have a publicly-funded and coordinated effort to remove debris from private property and had volunteers help clear debris, while Grand County opted out of a FEMA led debris removal program and coordinated with volunteers to clear lots, leaving some homeowners still clearing debris years after the Cameron Peak and East Troublesome Fires. Clearing all debris and mitigating ash and other damage to the soil is a precondition for rebuilding.

- **Nonprofit Grants.** The Boulder Community Foundation raised more than \$44 million dollars from donations and interest that were distributed to those impacted by the Marshall Fire and helped them to meet immediate costs as well as to access additional funding that could be used towards the rebuilding of the house. According to a 2024 Boulder County Wildfire Fund report, more than \$17 million of the funds raised went to a rebuild fund; 638 properties received assistance from the rebuild fund with an average award of \$23,500. By contrast, the Grand Foundation raised and distributed about \$2.44 million and provided \$1.76 million to 283 homeowners impacted by the East Troublesome Fire, which is about \$6,200 per household, and the Larimer County Long-Term recovery group raised \$1.68 million in donations and distributed \$1.15 million, with about \$250,000 going to property recovery for homeowners impacted by the Cameron Peak Fire.
- **Energy Incentives.** Xcel Energy and the Colorado Energy Office (CEO) offered incentives to Marshall Fire homeowners rebuilding to higher energy efficiency standards. Xcel's incentives ranged from \$7,500 to \$37,500 for those rebuilding and allowed an incentive to those who purchased a lot after the fire in an amount between \$1,250 and \$15,000. Xcel's

program provided a rebate check to customers. The program opened to customers in March 2022 and is available to homes permitted by June 30, 2025 and completed by December 31, 2026. As of November 2025, 540 customers had taken advantage of this rebate program and had received over \$6 million from the program. The CEO provided more than \$1.8 million to 183 households from the CEO Electrification Rebate program launch date in March 2022 to November 2025; this program ran through April 2026. A research paper from the Urban Institute published in December 2025 reported that 70 percent of all homes rebuilt after the Marshall fire were rebuilt to energy codes exceeding the 2018 International Energy Conservation Code (IECC). A study commissioned by the City of Louisville “found that the cost of building to the higher energy codes [above 2018 standards] would be roughly \$6,000 to \$22,000 per home, before incentives.” It also said “a homeowner rebuilding to the Passive House standard could earn a total of \$57,500 in incentives.” The Passive House standard is the highest level of energy efficiency rebate offered. Eight homeowners rebuilt to the Passive House standard.

- **Xcel Payouts.** Xcel Energy also settled a civil lawsuit before it went to trial in September 2025 for \$640 million. According to a Colorado Public Radio news article on the settlement, the terms of the settlement are confidential and the utility admitted no wrongdoing. More than 2,000 Coloradans stood to benefit from this settlement, including around 600 minors and children. Homeowners benefitting from this settlement could be more likely to rebuild, even if underinsured.

Based on the Wildfire Rebuild Exemption Certificates issued by the local governments, we estimate that the amount of all refunds could be around \$10 million total if everyone who was issued a certificate claimed the refund. The Department was unable to provide us with data showing the total amount of Wildfire Rebuild Refunds that were issued, so we were unable to determine whether homeowners who were issued exemption certificates ultimately claimed the refund, the amount they received, and the revenue impact to the State. Specifically, Department data for refunds issued for 2021 was not publicly releasable due to taxpayer confidentiality requirements. In addition, Department staff told us that data for 2022 could not be provided because that is not a year it publishes data for in its other reports, such as the Tax Profile and Expenditure Report, and the Department generally does not have resources to provide data beyond what it already captures and extracts from tax forms for its own reports. Finally, at the time of our evaluation, refund data for 2023 was unavailable due to Department time and resource constraints. Department staff indicated that the 2023 data will be available in January 2027. Notably, when the Department reports on claims and the revenue impact for the Wildfire Rebuild Refund, it reports them based on the permit date; in cases when it does not have the permit date, it uses the date that the Wildfire Rebuild Exemption Certificate was issued. For example, for a home that was permitted and rebuilt in 2021 and had a Wildfire Rebuild Refund issued for that home in 2023, that refund would be included in the Department’s 2021 data.

Exhibit 3 shows our estimate for the total potential refunds issued to homeowners for the Wildfire Rebuild Refund, which provides the approximate revenue impact to the State for all years the refund is available.

Exhibit 3

Estimated Total State Revenue Impact of the Wildfire Rebuild Refund, Presented by Declared Wildfire Disaster

Declared Disaster Fire	Local Government Issuing Building Permit and Certificate	Number of Homes Benefiting from the Refund	Estimated Construction Costs	Sales or Use Tax Refunded (0.04 x Estimated Construction Costs)	Average Refund per Homeowner
Cameron Peak	Larimer County	14	\$2,226,929	\$89,077	\$6,363
East Troublesome	Grand County	61	\$35,016,860 ¹	\$1,400,674	\$24,573 ²
Calwood	Boulder County	0	\$0	\$0	\$0
Marshall	Boulder County	56	\$31,764,511	\$1,270,580	\$22,689
Marshall	Superior	162	\$44,752,050	\$1,790,082	\$11,050
Marshall	Louisville	315	\$131,474,637	\$5,258,985	\$16,695
4 Fires Combined	Various	608	\$245,234,987	\$9,809,399	\$16,241²

Source: Office of the State Auditor analysis of Wildfire Rebuild Exemption Certificates (DR 0993) provided to our office by local governments, examination of certificates in GenTax, and Grand County assessor’s website for properties issued a Wildfire Rebuild Exemption Certificate.

¹ Since Grand County does not charge a use tax and reported “N/A” on the estimated construction and building cost totals on the certificates issued and reporting spreadsheets, the total construction costs for homeowners rebuilding and the refunds they were approved to receive could not be precisely determined. We were able to identify 5 homeowner accounts in GenTax and used the amount of the refund issued to those homeowners and then divided this amount by 4 percent to calculate the estimated total construction and building costs on which the refund was based. For another 52 properties, we found the 2025 assessed value of the property on the assessor’s website and multiplied that amount by 40 percent (which was the average construction and building materials cost as a percentage of assessed value for the homes we had data on) to estimate the approximate total cost of construction and building materials that were subject to the refund. We were unable to find the address or assessed value for 4 homeowners who claimed the refund; these homes were excluded from the cost estimate. Using this method, total construction costs were estimated at \$35.02 million and the total amount refunded to homeowners totaled about \$1.4 million, but the actual amount of refunds provided to Grand County homeowners could differ slightly from that estimate. Additionally, some homes were still in the process of being rebuilt and the assessed value of these homes is not reflective of the actual value of the house once it is rebuilt.

² As discussed in footnote 1 immediately above, we were unable to find the address or assessed value for 4 of the 61 homeowners who were issued exemption certificates. Therefore, the average refund per homeowner for Grand County was based on the 57 we were able to find data for, and the overall average was calculated based on 604 rather than 608.

In general, we used the estimated construction and building costs listed on the Wildfire Rebuild Exemption Certificates to make our estimates in Exhibit 3. However, as discussed later in this report, the estimated construction and building costs listed on some forms were incorrect were subsequently corrected by the Department. We searched for Wildfire Rebuild Exemption Certificates in GenTax, which is the Department's tax return processing and data storage system. When we found adjustments made in GenTax to a refund claim, we used the actual amount allowed rather than an estimate. However, due to time constraints and the limitations of searching in GenTax, we were not able to locate all refund claims in GenTax, so the revenue impact presented in Exhibit 3 should be considered an estimate rather than the actual revenue impact. Additionally, Grand County did not provide estimated construction and building costs on the Wildfire Rebuild Exemption Certificates because it does not collect a use tax. Therefore, we used a different method for estimating most of the refunds for Grand County, which is described in the footnotes to Exhibit 3.

Additionally, our estimated Wildfire Rebuild Refund revenue impact to the State may underestimate the actual revenue impact to the extent that additional Wildfire Rebuild Refund claims have been processed by the Department that were not included on the list of Wildfire Rebuild Exemption Certificates provided to us by local governments. Similarly, certain cost estimates that were adjusted higher in an amended application were not captured in our estimate and could lead to a higher total cost to the State; about 6 percent of claims were amended higher according to the Department. Conversely, to the extent that the Department rejected or reduced the amount of the refund requested, the estimated cost to the State could also be lower. Additionally, as previously mentioned, homeowners have until June 30, 2028 to submit a claim for the Wildfire Rebuild Refund, so the total revenue impact could continue to increase if more homeowners file a claim for the refund. It is possible that some homeowners who already rebuilt and later become aware of the refund will apply for it.

It is also worth noting that the Wildfire Rebuild Refund applies only to items used in the construction of the house that become a permanent part of the house once it is rebuilt, such as lumber, drywall, insulation, plumbing, flooring, and shingles. Homeowners who lost their homes in a Colorado fire also need to replace the contents that were lost in the fire, such as clothing, computers, televisions, books, works of art, furniture, window coverings, grills, outdoor furniture, fences, swing sets, tools, bicycles, and cars. A homeowner would spend tens of thousands or more likely hundreds of thousands of dollars to replace all the personal items they lost in a fire. The purchase of these items after a home is rebuilt has the potential to generate substantial sales tax revenue for state and local governments, which partially offsets the revenue impact of the Wildfire Rebuild Refund and is not accounted for in our estimate.

We identified administrative issues with the Wildfire Rebuild Refund that delayed financial relief for some filers and likely added to the administrative burden on the Department to administer this refund. Specifically, it appears that some local governments input the incorrect amount of the estimated construction and building materials cost on the Wildfire Rebuild Exemption Certificate issued to the homeowner, which resulted in them needing to reissue the form with the corrected amount or the Department needing to make adjustments to the refund amount,

which took additional time and, often, additional communication with the homeowner. As explained in the technical note in the Background section of this report, local government officials were instructed to include the estimated construction and building materials cost on the form. According to the form, “[t]his is generally the amount that the local government uses to collect estimated use tax when issuing the building permit. It is often a percentage of the contract price or project cost valuation. If the local government completing this form DR 0993 makes such an estimate for the purpose of collecting estimated use tax, enter that estimate...” We were able to match claims of the Wildfire Rebuild Refund with permits issued for rebuilds in one jurisdiction and found that 45 percent of the Wildfire Rebuild Exemption Certificates (DR 0993) issued by that jurisdiction had an estimated construction and building materials cost of 100 percent or more of the total project cost listed on the building permit, indicating that the local government had put the incorrect amount on the form. This is a problem because the 4 percent refund is calculated based on that amount. We looked up a targeted selection of these homeowners in GenTax to see if their refund matched 4 percent of the total estimated cost total and found that the Department corrected their requested refund amounts, usually reducing the refund amount by half. This created a substantial amount of work for the Department and could delay the time required to process a refund check by several months as the correct refund amount was calculated and approved by the Department. In more than one instance, the homeowner disagreed with the recalculated lower refund amount and protested the decision by the Department, further delaying their refund.

There were also administrative difficulties issuing Wildfire Rebuild Refunds to homeowners in jurisdictions where there is not a local use tax. The East Troublesome Fire destroyed homes in Grand County, which does not have a use tax and, therefore, per the form instructions, the local government official entered “N/A” on the form. We were able to find some of the refund claims filed by Grand County residents in GenTax and found many of them were initially denied by the Department since the homeowner did not provide a copy of their construction contract or the final invoice showing the total rebuilding cost. A number of refund requests for Grand County residents were also amended by the Department after they determined the homeowner did not properly calculate their eligible construction costs. This resulted in delays in homeowners receiving their refund and additional administrative burden on the Department. Department guidance states, “Using the permit estimate streamlines the refund application and allows homeowners to receive these funds earlier in the rebuilding process.” Since Grand County did not provide a permit cost estimate, some homeowners may have waited until they had completed construction and knew their final costs before submitting a refund application. Grand County was unique in that it was the only local government with more Exemption Certificates issued in 2024 than 2023 and was the only locality in the state to issue exemption certificates in 2026.

Finally, since the majority of the homeowners rebuilding from the fire were forced to relocate to temporary living quarters, it was imperative for each homeowner applying for the refund to list their current mailing address correctly. In some cases, the mailing address was not completed correctly or was not entered correctly into GenTax and the refund checks were returned to the Department as undeliverable. This resulted in additional work for the Department to contact the filer, correct their mailing address, and reissue or resend the check; this also added to the cost of postage to send the refund checks to qualified homeowners.

Policy Consideration

We found several issues with the Wildfire Rebuild Refund that likely reduced its use among eligible homeowners and contributed to homeowners receiving refunds months or years after the homeowner completed rebuilding, which lessened the relief the refund was intended to provide. As discussed, the Wildfire Rebuild Refund expires June 30, 2028 and only applies to wildfires with declared disaster emergencies issued by the Governor that occurred in 2020, 2021, and 2022. If the General Assembly chooses to implement a similar tax expenditure to provide disaster relief to homeowners rebuilding after suffering catastrophic losses in the future, it could consider the following changes to simplify how the refund amount and eligibility is determined to allow homeowners to receive more timely financial relief.

The General Assembly could consider a different method for determining the refund amounts that is less administratively burdensome on homeowners, local governments, and the Department, while providing financial relief in a timelier manner. Specifically:

- **The General Assembly could structure the refund as a set amount.** One option is to create an equal refund or credit for all homeowners. The amount could be a flat amount based on the revenue available, such as \$10,000 per rebuilt home, or determined using the average square footage of all the homes destroyed in the fire and the prevailing building costs at the time homes are being rebuilt. This structure would make determining the refund amount that homeowners receive less administratively complex and likely reduce the number of errors on the certification forms because local government and homeowners would not need to estimate or know the actual construction materials costs for the rebuilt home. However, the amounts received by homeowners would likely not precisely match the actual sales and use taxes they paid; some homeowners would likely get less than what they paid in sales and use taxes and others would get more. Additionally, it could be difficult to use this method for damaged—but not destroyed, homes—although the General Assembly could choose a lower amount for homes that were damaged. As discussed earlier in this report, based on the amounts listed on exemption certificates, it appears that very few homeowners used the Wildfire Rebuild Refund for damaged structures.
- **The General Assembly could use the value of the old home to determine the refund amount.** Instead of basing the refund on the cost to rebuild the home, which could be significantly more than the value of the home that was destroyed, the refund could be a percentage of the actual value of the destroyed property based on the most recent property tax assessment. Using the value of the old home instead of the construction costs of the new home would streamline the refund process for homes rebuilt in localities that do not charge a use tax on construction and would eliminate the need for the Department to review construction costs and issue amended refunds in cases where actual construction costs exceed the estimated costs used to calculate the refund. Additionally, by using the characteristics of the destroyed house to determine the refund amount, the revenue impact to the State could be limited since the refund would not apply to larger houses or energy efficient upgrades. For example, as discussed earlier in the policy considerations section in this report, our office was able to compare the square

footage of the old home and the newly permitted homes on nearly 120 homes in one municipality. We found that 93 percent of homes were rebuilt larger than the prior home, with nearly three-quarters of homes rebuilt 11 to 88 percent larger than the home it is replacing. The average size of these rebuilt homes was 23 percent larger than the home that was destroyed in the fire.

- **The General Assembly could use another basis, such as property taxes, to determine the amount of assistance.** Colorado has used property taxes as the basis for other taxpayer assistance programs in recent years. Colorado offered homeowners who lost their homes due to natural causes—including the fires in 2020 and 2021—assistance with their property taxes from 2013 to 2024 under the Colorado Property Tax Reimbursement Program, which was enacted by House Bill 14-1001. This bill was passed in response to natural disasters in 2013 and allowed county treasurers in the state to work with their county’s assessor to compile a list of destroyed properties and their prorated property tax due on the destroyed properties for submission to the State Treasurer’s Office. The State Treasurer would then reimburse the county treasurer an amount equal to the property taxes due on the destroyed properties. The Colorado Property Tax Reimbursement Program provided nearly \$4.39 million in financial relief to property owners impacted by the Calwood, East Troublesome, Cameron Peak, and Marshall Fires. However, unlike the Wildfire Rebuild Refund which provided relief only to qualified homeowners who rebuilt or were rebuilding, the relief from the property tax reimbursement program was available to all homeowners whose property was identified as destroyed by the county assessor.

The General Assembly could consider eliminating or simplifying the requirement for the homeowner to be underinsured. The requirement to certify they are underinsured prevented some homeowners from qualifying for the refund and may have discouraged some homeowners who were actually underinsured from applying for financial relief from the Wildfire Rebuild Refund because, in some cases, it may have been difficult to determine that they were underinsured. Eliminating the underinsurance requirement could make it possible for all affected homeowners to receive the refund. As mentioned earlier, a study found that only about 8 percent of all homeowners who had homes destroyed in the Marshall Fire had guaranteed replacement coverage; therefore, about 92 percent were likely underinsured to some degree. If the General Assembly still wanted to only allow potentially underinsured homeowners to receive the refund, it could limit it to homeowners who did not have guaranteed replacement coverage. Either approach would likely increase the cost of a similar tax expenditure in the future because it would increase the number of affected homeowners who are eligible; however, it would simplify the process to determine eligibility because homeowners would not need to estimate or know the cost to rebuild their home and how much they will receive from insurance in order to apply.

Homeowners appear to have been more likely to receive local government use tax refunds when the local government did not have an underinsurance requirement. For example, homeowners in the Town of Superior did not have to be underinsured to claim the town’s use tax rebate and it included its use tax rebate as part of a building permit form, effectively combining the permitting and refund process into one step. Superior issued 162 Wildfire Rebuild Exemption Certificates to residents, but 273 residents received the town’s use tax rebate, making the number of local use tax rebates issued

69 percent greater than the State use tax refunds. By contrast, the City of Louisville’s use tax rebate was only available to underinsured homeowners. Its program saw a 39 percent greater usage than the State’s use tax refund, with 438 homeowners benefiting from the city’s program versus 315 homeowners benefitting from the Wildfire Rebuild Refund through the end of 2025.

The General Assembly could consider removing the qualified homeowner requirement.

Limiting refund eligibility to homeowners who owned the property at the time it was destroyed prevented homeowners who sold their property from benefiting from the refund and lowered its utilization. Severely underinsured property owners are more likely to sell their destroyed property and purchase or rent another home. Coverage Neglect in Homeowners Insurance, a research paper prepared by J. Anthony Cookson and Emily A. Gallagher at the University of Colorado Boulder and Philip Mulder at the University of Wisconsin Madison, reported that “underinsurance reduces the number of rebuilding permits filed within one year of the fire by 25% and contributes to over half of the sales of destroyed properties within 18 months post-fire.” Of the 989 policies analyzed for the report, 36 percent were severely underinsured, which means that their insurance dwelling coverage limits were less than 75 percent of their home’s replacement cost. For these homeowners, rebuilding their home is less financially feasible. For example, these homeowners would need an additional \$250,000 above what they receive from insurance to rebuild a \$1 million home. Homeowners who were severely underinsured and could not afford to rebuild their homes were unable to receive financial relief from the refund despite the fact severe underinsurance left them among those most in need of relief. If the exemption were tied to the property instead of the homeowner, those who chose to sell and purchase another home could still realize some of the benefit of the exemption. For example, a developer might be incentivized to purchase a lot on which they could receive a refund for sales or use tax paid on building materials and would potentially pay a premium for the lot. Therefore, removing the qualified homeowner requirement could allow them to still receive some of the benefit of the refund. This approach would also reduce the administrative burden on local governments and the Department since they would no longer need to verify that the party rebuilding is the same homeowner as at the time of the disaster. However, removing this requirement would likely increase utilization and the cost of the expenditure.

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