



Legislative Council Staff

Research Note

Version:

Date: 7/25/2016

Bill Number

House Bill 16-1175

Sponsors

*Representatives Primavera and Nordberg
Senators Jahn and Neville T.*

Short Title

Property Tax Exemption Administration

Research Analyst

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Status

This research note reflects the final version of the bill, which was signed by the Governor on June 10, 2016.

Summary

The bill, recommended by the Legislative Audit Committee, requires the sharing of information among state and local government agencies to help identify applicants who do not meet the legal requirements for the Senior and Disabled Veteran Homestead Exemption. Specifically, the bill requires:

- the Division of Property Taxation (DPT) within the Department of Local Affairs (DOLA) to provide a report to the Department of Revenue (DOR) of homeowners that have claimed a property tax exemption. The DOR is required to provide a report to the DOLA to identify applicants that may not qualify for the exemption based on the applicant's tax information;
- the DPT to provide a list of individuals receiving a senior or disabled veteran homestead exemption to the Department of Public Health and Environment (CDPHE). The CDPHE will identify individuals claiming an exemption who have died in the past year, and provide that report to the DOLA; and
- DOLA to notify county assessors of homeowners who do not meet all the legal requirements to receive the exemptions. The State Treasurer shall not reimburse counties for exemptions that do not meet all of the legal requirements. Future reimbursements to counties can be adjusted for over or under-payments from the State

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Treasurer.

The deadlines for administering the senior and disabled veteran property tax exemptions are aligned with the new requirements in the bill.

Background

Senior homestead exemption. In 2000, voters approved a constitutional property tax exemption for seniors, commonly called the senior homestead exemption. The senior homestead property tax exemption is available to taxpayers in Colorado over the age of 65 who have owned and lived in their current residence for the immediately prior 10 years. A taxpayer forfeits the exemption if and when they move to a different residence, even if that residence is in the state of Colorado. Under the exemption, 50 percent of up to \$200,000 of a residential property's market value is exempt from the property tax. In the circumstance of a death, a senior's surviving spouse may retain the exemption. The constitution authorizes the General Assembly to adjust the \$200,000 threshold for the market value of a home eligible for the exemption.

Exemption for disabled veterans. In November 2006, voters extended the constitutional property tax exemption to disabled veterans living in Colorado. Like the senior homestead exemption, the disabled veteran exemption is equal to 50 percent of the first \$200,000 of the value of the home. To qualify for the exemption, applicants must be rated permanently disabled by the U.S. Department of Veterans Affairs and must have owned and occupied the property as their primary residence on January 1st of the year in which they are applying for the exemption.

Budgeting considerations. The state is constitutionally required to reimburse counties for the reduction in property tax revenue resulting from the exemption. In FY 2014-15, the state reimbursed counties \$116.9 million for the senior and disabled veteran property tax exemption.

Senior and disabled veteran property tax exemption performance audit. The Office of the State Auditor (OSA) performed a performance audit on the administration of the senior and disabled veteran property tax exemptions for property tax year 2013. They used information from the DOR and CDPHE to verify that applicants were eligible for the exemption and identified \$57,800 in non-qualifying exemptions. The OSA also found \$25.3 million for which they were unable to determine the eligibility of applicants.

Some of the exemptions likely qualify, despite OSA's inability to verify the eligibility of the applicant. In some cases, the primary applicant had died but an additional occupant of the home was listed on the application. This is likely the surviving spouse who would qualify for the exemption with additional application material. Many applicants did not file an individual income tax return in 2013. However, many senior citizens are not required to file an income tax return. If a taxpayer has less than \$11,500 in income (\$21,000 for joint filers) they are not required to file a return.

House Action

House Finance Committee (February 18, 2016). At the hearing, a representative from DOLA testified in support of the bill. A representative from the Colorado County Treasurers' Association testified against the bill and for an amendment. The committee referred the bill to the House Appropriations Committee.

House Appropriations Committee (April 22, 2016). The committee adopted amendment J.001 and referred the bill to the House Committee of the Whole. The amendment adds an appropriations clause to the bill.

House second reading (April 22, 2016). The House adopted the House Appropriations Committee report and amendment L.002. Amendment L.002 clarifies reporting and communication requirements between DOLA and county assessors.

House third reading (April 25, 2016). The House passed the bill on third reading with no amendments.

Senate Action

Senate Finance Committee (May 3, 2016). The committee referred the bill to the Senate Appropriations Committee.

Senate Appropriations Committee (May 5, 2016). The committee referred the bill to the Senate Committee of the Whole with the recommendation that it be placed on the consent calendar.

Senate second reading (May 5, 2016). The Senate passed the bill on second reading with no amendments.

Senate third reading (May 6, 2016). The Senate passed the bill on third reading with no amendments.