Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Room 029 State Capitol, Denver, CO 80203-1784
Phone: (303) 866-3521 • Fax: (303) 866-3855
lcs.ga@state.co.us • leg.colorado.gov/lcs

Memorandum

September 21, 2018
This is not a legal opinion.

TO: Interested Persons

FROM: Greg Sobetski, Senior Economist, 303-866-4105
Chris Creighton, Fiscal Analyst, 303-866-5834

SUBJECT: Property Tax Relief Programs for Senior Citizens

Summary

This memorandum provides information on five types of programs that provide property tax and/or rental cost relief to seniors. These include:

- property tax exemptions;
- property tax credits, and income tax credits that reimburse housing costs;
- "circuit breaker" programs that provide targeted housing cost relief to low-income seniors;
- property tax freezes; and
- property tax deferrals.

Contents

This memorandum summarizes differences across states for each program type. It also provides information on three property tax relief programs available to Colorado senior homeowners: the Senior Homestead Exemption; the Property Tax/Rent/Heat Credit Rebate; and the Senior Property Tax Deferral Program. For all program types, this memorandum explains whether such a program could be created or changed in statute, or whether such a policy would require a constitutional change. The five types of programs are compared in a summary table in Appendix A on page 16.

This memorandum focuses on property tax relief programs, which tend to target seniors who own homes. Information on circuit breaker programs that provide assistance to seniors who rent their homes is also included. However, the full universe of programs that could provide financial assistance to all seniors, and not only homeowners, is broad and beyond the scope of this memorandum. For example, policymakers wishing to provide financial benefits to all seniors could do this by way of income tax expenditures, health care programs, or by pursuing any of an extensive collection of other public policies.

This memorandum relies on information from the Significant Features of the Property Tax database, which aggregates property tax policy information from across the United States.[1] The database is maintained by the Lincoln Institute of Land Policy and the George Washington Institute of Public Policy.

Property Tax Exemptions

Property tax exemptions, also called homestead exemptions, are a common means of providing direct property tax relief to senior homeowners. As of 2016, these programs were available to senior residents in 21 states.[2] A property tax exemption reduces the value of the property that is subject to taxation, or exempts the property from taxation altogether. This section provides comparisons of exemption amounts and eligibility criteria across the states that offer property tax exemptions to senior homeowners.

Amount exempted. Property tax exemptions may be applied in absolute dollar amounts or as a percentage of a home's value. Colorado's senior homestead exemption, which exempts 50 percent of the first $200,000 of a home's actual value, is a hybrid of these two types.

- ***Share of value.*** Of the 21 states that offered property tax exemptions for seniors in 2016, five states,[3] including Colorado, exempted a percentage of a home's value from taxation. Among these states, Alabama and Georgia exempt the entire value of senior homeowners' primary residences from their state property taxes while allowing smaller exemptions calculated in absolute dollar amounts from property taxes levied by local governments and school districts.[4] Indiana allows an exemption equal to 50 percent of a property's assessed value up to a cap of $12,480.[5] North Carolina allows an exemption equal to 50 percent of a property's entire assessed value, and no less than $25,000.[6]

- ***Absolute dollar amount.*** States that offer exemptions according to absolute dollar amounts vary according to whether these exemptions are applied to a property's market value or assessed value. These exemptions range from market values of $25,000 in Ohio[7] to at least $150,000 in Alaska.[8] However, without considering the mechanics of each state's property tax system, including valuation, assessment rates, and mill levies, it is difficult to evaluate or compare the monetary benefit they provide to senior homeowners.

[1] http://datatoolkits.lincolninst.edu/subcenters/significant-features-property-tax/Report_Residential_Property_Tax_Relief_Programs.aspx
[2] Alabama, Alaska, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Illinois, Indiana, Massachusetts, Mississippi, New Hampshire, New York, North Carolina, Ohio, South Carolina, Texas, Virginia, Washington, and West Virginia.
[3] Alabama, Colorado, Georgia, Indiana, and North Carolina.
[4] Ala. Code § 40-9-19; Ga. Code Ann. § 48-5-48.3.
[5] Ind. Code § 6-1.1-12-9 (b).
[6] N.C. Gen. Stat. § 105-277.1.
[7] Ohio Rev. Code § 323.152 (A)(1)(c).
[8] Alaska Stat. § 29.45.030 (e).

- ***Changes in the value of benefits over time.*** Property tax exemptions provide a financial benefit to senior homeowners by reducing the amount of taxes they owe. As the value of real estate increases, a percentage exemption will provide a more persistent benefit over time than an absolute dollar amount benefit, assuming that the absolute dollar amount is not adjusted for changes in property values or inflation. However, if the percentage exemption does not exempt the entire property value from taxation, the property tax burden on senior homeowners will still increase as home values appreciate.

Eligibility requirements. Eligibility requirements differ significantly across states, and include income or wealth, residency, and age requirements as described below.

- ***Income requirements.*** Of the 21 states allowing property tax exemptions for senior citizens in 2016, 13 states[9] imposed an income requirement for at least a portion of the exemption. The other eight states, including Colorado,[10] do not impose income requirements. The income caps imposed vary significantly by state. For example, Delaware allows a property tax exemption for seniors whose income is less than $3,000, or $6,000 for married couples.[11] At the high end of the spectrum, eligibility for a school district property tax exemption is restricted to New York seniors with incomes under $86,000.[12] Ohio's income cap was added to its senior property tax exemption in 2013, and seniors who had qualified prior to this date are exempt from the cap.[13] Virginia allows income constraints to be set at the local level, with local governments bearing the impacts of reduced property tax revenue resulting from the local exemption.[14]

- ***Wealth requirements.*** Wealth requirements, based on the value of a homeowner's property, were identified in three states. In Massachusetts and New Hampshire, a homeowner is eligible for a property tax exemption only if the value of his or her real and personal property falls below a certain threshold. The threshold excludes the value of the home itself and is $17,000 in Massachusetts ($20,000 if married),[15] and determined by local governments in New Hampshire.[16] Indiana's property tax exemption is only available for homes with an assessed value of less than $182,430.[17]

- ***Residency requirements and portability.*** Most states, including Colorado, allow property tax exemptions only for a senior's primary residence. Seven states[18] impose additional residency requirements, whereby seniors only qualify for all or a portion of the property tax exemption if they have resided in the state or in their home for a defined period of time. Colorado's ten-year residency requirement[19] is the strictest among states that offered a property tax exemption to

[9] Alabama, Delaware, Florida, Georgia, Hawaii, Indiana, Massachusetts, New Hampshire, New York, North Carolina, Ohio, Virginia, and Washington.
[10] Alaska, Colorado, Connecticut, Illinois, Mississippi, South Carolina, Texas, and West Virginia.
[11] Del. Code tit. 9, § 8132 (a).
[12] N.Y. R.P.T. Law § 425.
[13] Ohio Rev. Code § 323.152 (A)(2); see also Ohio House Bill 59 (2013).
[14] Va. Code Ann. § 58.1-3210.
[15] Mass. Gen. Laws ch. 59, § 5-41.
[16] N.H. Rev. Stat. Ann. § 72: 39-b (II).
[17] Ind. Code § 6-1.1-12-9 (a)(5).
[18] Colorado, Delaware, Indiana, Massachusetts, New Hampshire, New York, and West Virginia.
[19] Colo. Const. art. X, § 3.5 (1)(a).

seniors in 2016. The next-strictest requirement is in Massachusetts, which allows a $4,000 exemption to seniors who have resided in the state for at least five years.[20]

In some states, seniors who move are able to apply the property tax exemption to their new home. Residency provisions in other states, including Colorado, require that seniors live in their new home for a certain period of time before they become eligible for the exemption again.

- ***Age requirements.*** This analysis concerns only property tax benefits offered specifically to senior homeowners, though many states, including Colorado, offer property tax relief programs to homeowners who meet other criteria independent of age. Among the states with property tax exemption programs for seniors, 18 states, including Colorado, made programs available to homeowners aged 65 and older. Some Hawaii residents are eligible at 60;[21] Washington residents are eligible at 61;[22] and Massachusetts residents are eligible at 70.[23]

- ***Non-homeowners.*** Seniors who do not own their homes do not directly benefit from property tax exemptions.

Budget impacts for governments. Government impacts vary from state to state depending on the taxing authority and the government entity that bears the loss in property tax revenue. Colorado has no state property tax, so Colorado's senior homestead exemption reduces tax payments to local governments. However, the constitution requires that the state reimburse local governments for the property tax loss, so the ultimate budgetary impact of Colorado's program is borne by the state.[24] Other states incur state and/or local revenue loss according to their own circumstances.

Constitutional vs. statutory requirements. Provisions related to senior property tax exemptions appear in the constitutions of 5 of the 21 states identified. In Virginia and Washington, constitutional language is permissive, allowing the state legislature to create a senior property tax exemption at its discretion.[25] In Colorado, Texas, and West Virginia, the state constitution dictates the availability of specific senior property tax exemptions.[26]

Application in Colorado. Colorado's senior homestead exemption is available to seniors aged 65 and above, or surviving spouses, who have resided in their home for at least ten years, and applies to 50 percent of a home's market value up to $200,000. The constitution allows the General Assembly to adjust the $200,000 limit in order to increase or decrease the benefit available to senior homeowners. Adding or removing eligibility requirements – e.g., imposing an income ceiling or reducing the residency requirement – likely requires a constitutional change. Similarly, Article X, Section 3 (1)(a) of the Colorado Constitution, which requires uniform taxation of residential properties, likely precludes the creation of a new property tax exemption without a constitutional amendment.

[20] Mass. Gen. Laws ch. 59, § 5-41.
[21] Hawaii's property tax exemption is not administered at the state level, but exemptions that apply at age 60 have been enacted at the county level for the islands of Hawaii and Kauai.
[22] Wash. Rev. Code § 84-36-381 (3)(a)(i).
[23] Mass. Gen. Laws ch. 59, § 5-41.
[24] Colo. Const. art. X, § 3.5 (3).
[25] Va. Const. art. X, § 6 (b); Wash. Const. art. VII, § 10.
[26] Colo. Const. art. X, § 3.5; Tex. Const. art. VIII, § 1-b (c); W. Va. Const. art. X, § 1b (C).

Tax Credits

Tax credits are dollar-for-dollar reductions in the amount of tax owed. As of 2016, these programs were available to senior homeowners in 11 states[27] and the District of Columbia. Depending on the state, tax credits may be applied directly against a homeowner's property tax bill, such that the amount of tax due is reduced. Alternatively, tax credits may be made available on a homeowner's income tax form, such that the homeowner receives an income tax benefit based on his or her property tax liability. Allowing senior homeowners to claim an income tax credit for a portion of the property tax they paid can be an effective way of shifting the budget burden of the property tax relief program from local governments to the state government, provided that the state imposes an income tax.

Tax credits by type. The following paragraphs provide information on four types of property tax credits: dollar-for-dollar credits, local option credits, credits that operate like exemptions, and credits that operate like freezes.

- ***Dollar-for-dollar credits.*** Three states offer tax credits that reduce a senior homeowner's property tax liability on a dollar-for-dollar basis. New Jersey's credit is the most straightforward, equal to $250 for senior homeowners with incomes less than $10,000.[28] Massachusetts allows the more valuable of a $175 credit or $2,000 exemption to senior homeowners whose assets fall below its wealth limit.[29] Mississippi offers credits from $6 to $300 in 50 brackets according to the assessed value of the property in question following a table in statute.[30]

- ***Local option credits.*** Illinois and Maryland allow municipal governments to provide property tax credits to senior homeowners.[31] Maryland also extends this authorization to county governments, and allows both counties and municipalities to provide property tax credits to property lessors who rent housing to senior lessees.[32]

- ***Credits that operate like exemptions.*** Four states[33] and the District of Columbia offer tax credits that operate like property tax exemptions. The credits offered by these jurisdictions are equal to the amount of property tax paid on a portion of a home's value, effectively exempting that portion of the home from taxation. Two states offer credits equal to the tax paid by low-income homeowners on a specific amount of a home's market value: $27,000 in Tennessee and $20,000 in excess of the amount of the property tax exemption in West Virginia.[34] Delaware, Kansas, and the District of Columbia allow credits equal to the property tax paid on a percentage of the property, ranging from 50 percent of school district taxes paid, up to $500, in Delaware[35] to 75 percent for Kansas homeowners with income less than 120 percent of the federal poverty level.[36]

[27] Delaware, Kansas, Illinois, Indiana, Maryland, Massachusetts, Mississippi, New Jersey, Tennessee, Texas, and West Virginia.
[28] N.J. Rev. Stat. § 54: 4-8.41.
[29] Mass. Gen. Laws. Ch 59, § 5-17.
[30] Miss. Code Ann. § 27-33-75.
[31] 65 Ill. Comp. Stat. § 75/1; Md. Code, Tax – Property § 9-245.
[32] Md. Code, Tax – Property § 9-219.
[33] Delaware, Kansas, Tennessee, and West Virginia.
[34] Tenn. Code Ann. § 67-5-702; W. Va. Code § 11-21-21.
[35] Del. Code tit. 14, § 1917 (c)(1)(b).
[36] Kan. Stat. Ann. § 79-32,263.

- ***Credits that operate like freezes.*** Three states[37] offer tax credits that control growth in a homeowner's property tax liability, similar to a property tax freeze. For senior homeowners who meet New Jersey's income and residency requirements, and for school district taxes owed by all Texas senior homeowners, state tax credits reduce tax liability such that the amount a senior owes each year does not increase as the value of the senior's home appreciates.[38] The senior tax credit in Indiana operates to limit growth in a senior homeowner's property tax liability to no more than 2 percent per year, with caps on an eligible senior's income ($30,000, or $40,000 if married) and home value ($160,000).[39]

- ***Changes in the value of benefits over time.*** Tax credits provide a financial benefit to seniors by reducing the amount of property or income taxes they owe. As the value of real estate increases, a credit that operates like a property tax freeze will most effectively control rising property taxes. Credits that refund the amount of tax paid on a percentage of the property will provide a more persistent benefit over time than an absolute dollar amount credit, unless the absolute dollar amount is adjusted for changes in property values.

Eligibility requirements. Eligibility requirements differ significantly across states.

- ***Residency requirements and portability.*** In some states, seniors who move are able to access a tax credit immediately after moving. Residency provisions in other states, like New Jersey, require that seniors live in their new home for a certain period of time before they become eligible for the credit again. Credits that operate like freezes are designed to control the growth in property taxes owed on a particular residence, and do not provide a benefit to seniors who move to a new home.

- ***Non-homeowners.*** Tax credits for homeowners who pay property tax do not directly benefit non-homeowners. Maryland provides a credit to lessors who rent homes to seniors, which may incent landlords to seek senior tenants or reduce rents offered to them.

Budget impacts for governments. Tax credits reduce the amount of tax revenue that a government would otherwise collect. Credits that directly reduce property taxes may reduce county, municipal, school district, special district, or state revenue. Credits that appear on income tax forms generally reduce state revenue.

The ongoing budgetary impact of a tax credit for senior homeowners depends on the specifics of the policy. All credits will grow in size as more seniors qualify, but growth in the budget impact may be slower in states that offer a fixed dollar credit and larger in states that offer a percentage credit or a credit that operates like a property tax freeze.

Application in Colorado. Article X, Section 3 (1)(a) of the Colorado Constitution, which requires uniform taxation of residential property, likely precludes the creation of a direct property tax credit without a constitutional change. The General Assembly is empowered to create a state income tax credit that is sensitive to the amount of property tax paid by senior homeowners to local governments. If such a program were created, the General Assembly could choose to impose age, income, or

[37]Indiana, New Jersey, and Texas.
[38]N.J. Rev. Stat. § 54: 4-8.69 (2); Tex. Tax Code § 11.26.
[39]Ind. Code § 6-1.1-20.6-7.5.

residency constraints at its discretion, and could impose a cap on the total amount of tax credits allowed. Administrative costs would likely be higher than for other tax credits, as the Department of Revenue would need to verify property tax information with the appropriate county assessor or treasurer.

Circuit Breaker Programs

As of 2016, 28 states[40] and the District of Columbia offered senior property tax relief programs that are inversely related to a homeowner's income, and available only to homeowners whose incomes fall below a certain threshold. This type of program is commonly called a "circuit breaker" because eligibility for the program switches off at a certain level of income.

This section provides information on circuit breaker program characteristics, including income ceilings, benefit caps, benefit types, and assistance to property renters. It also provides information on Colorado's Property Tax/Rent/Heat Credit Rebate (PTC Rebate) program, which is a circuit breaker property tax relief program available to Colorado seniors.

Eligibility requirements and benefit structure. Circuit breaker programs are structured differently across the states that offer them.

- ***Residency requirements and portability.*** Most circuit breaker programs are available to senior homeowners and/or renters regardless of the amount of time for which they have resided in their homes. North Carolina's circuit breaker program, which is available only to seniors who have resided in their home for five years, is an exception.[41] Colorado's PTC Rebate program is available to seniors who have resided in their homes for the full year.

- ***Non-homeowners.*** Relative to other forms of property tax relief, circuit breaker programs are more frequently available to seniors who rent their homes. Nineteen states[42] and the District of Columbia offered circuit breaker programs to both senior homeowners and senior renters in 2016. Renter benefits are often structured based on the assumption that a percentage of rent paid is spent by the landlord on property tax. For example, Wisconsin's circuit breaker property tax credit statute defines "rent constituting property taxes accrued" to equal 25 percent of rent paid, or 20 percent if heating costs are included in the rent.[43] Wisconsin computes its property tax relief benefit as a percentage of this amount.

- ***Income ceilings.*** In all states, the value of circuit breaker programs is greatest for eligible recipients with the lowest incomes and diminishes as incomes rise. States establish income ceilings above which taxpayers are no longer eligible to access benefits. The level at which the income ceiling is set is the most important determinant of the program's size and budget impact, as states with high

[40] Arizona, California, Colorado, Connecticut, Idaho, Iowa, Kansas, Maine, Maryland, Massachusetts, Michigan, Missouri, Montana, Nebraska, Nevada, New Jersey, New Mexico, North Carolina, North Dakota, Oklahoma, Pennsylvania, Rhode Island, South Dakota, Utah, Washington, West Virginia, Wisconsin, and Wyoming.
[41] N.C. Gen. Stat. § 105-277.1B (d)(2).
[42] Arizona, California, Colorado, Iowa, Maine, Maryland, Massachusetts, Michigan, Missouri, Montana, Nevada, New Mexico, North Dakota, Pennsylvania, Rhode Island, Utah, West Virginia, Wisconsin, and Wyoming.
[43] Wis. Stat. § 71.52 (8).

ceilings will allow benefits to a greater population than states with low ceilings. Income ceilings vary widely, from $5,000 in West Virginia[44] to $200,000 in New Jersey.[45]

- ***Benefit caps.*** Most states cap the annual amount of property tax relief provided to an individual taxpayer via their circuit breaker program. Annual cap amounts vary widely across states, from $93.75 in West Virginia[46] to $2,000 in New Jersey.[47] Colorado's benefit is capped at $700.[48]

- ***Benefit types.*** Four types of property tax relief provided through state circuit breaker programs are described in the following paragraphs. Regardless of the benefit type, benefits may be provided to taxpayers as a direct reduction in the amount of property tax due, as an income tax credit or other direct cash transfer on an income tax form, or via some other transfer mechanism.

  – *Percentage of tax paid.* Nine states[49] use circuit breaker programs to reduce property tax due by some percentage, or to provide a rebate for a percentage of property tax paid. For example, Connecticut's circuit breaker program is available to seniors whose income is less than $35,300, or $43,000 if married, for 2017.[50] Depending on where qualifying homeowners fall within five income brackets, the state allows a benefit of between 10 percent (in the highest income bracket) and 50 percent (in the lowest income bracket) of property tax paid, up to a maximum of $1,000 for single homeowners and $1,250 for married homeowners.[51] Percentage benefits offered by states range from 5 percent of taxes paid by Kansas homeowners with incomes between $26,001 and $34,450[52] to 100 percent of property taxes paid by Iowa homeowners with incomes under $11,774.[53]

  – *Benefits for tax paid in excess of a percentage of income.* Eight states[54] and the District of Columbia use circuit breaker programs to reduce property tax to some percentage of a homeowner's income, or to provide a rebate for property tax paid in excess of such a percentage. For example, Montana provides a tax credit equal to the amount by which a homeowner's property tax liability exceeds a certain threshold, computed as a percentage of the taxpayer's household income.[55] For taxpayers with income less than $2,000, this threshold is zero, effectively eliminating the taxpayer's property tax liability. For taxpayers with income less than $3,000, this threshold is 0.6 percent of household income, effectively limiting property taxes owed to no more than $18. For taxpayers with income between $12,000 and $35,000, the threshold is 5 percent, effectively limiting property taxes to $1,750 for taxpayers earning

[44]W. Va. Code § 11-25-3 (a)(6).
[45]N.J. Rev. Stat. § 54: 4-8.59 (3)(b)(1).
[46]W. Va. Code § 11-25-3 (a)(1) and (b).
[47]N.J. Rev. Stat. § 54: 4-8.59 (3)(a).
[48]Section 39-31-101, C.R.S.
[49]California, Connecticut, Iowa, Kansas, Maine, New Jersey, South Dakota, West Virginia, and Wisconsin.
[50]Connecticut Homeowner Question & Answer Booklet (2018). https://www.ct.gov/opm/lib/opm/igp/patsullivan/owners_q&a_2018.pdf
[51]Conn. Gen. Stat. § 12-170bb.
[52]Kan. Stat. Ann. § 75-4508; Kansas Homestead or Property Tax Refund for Homeowners (2017), p. 3. https://www.ksrevenue.org/pdf/k-40hbook17.pdf
[53]Iowa Code § 425.23; Iowa Property Tax Credit Claim (2018). https://tax.iowa.gov/sites/files/idr/forms1/2018IowaPropertyTaxCreditClaim%2854001%29.pdf
[54]Maryland, Massachusetts, Michigan, Montana, New Mexico, North Carolina, Oklahoma, and Rhode Island.
[55]Mont. Code Ann. § 15-30-2340 (4).

$35,000. Thresholds of this type range from zero for Montana seniors with very low incomes to 10 percent for senior homeowners in Massachusetts.[56]

– *Flat benefits.* Eight states[57] use circuit breaker programs to provide property tax relief or reimbursements to seniors using flat dollar amounts depending on the senior homeowner's income. In these states, the amount of the benefit falls as the homeowner's income rises. For example, Idaho offers relief of $1,320 to taxpayers with incomes under $12,090, and a smaller benefit to senior homeowners with higher incomes. Idaho has 36 brackets in all with the smallest amount, $150, provided to taxpayers with incomes between $29,521 and $30,050 for 2018.[58]

– *Circuit breaker property tax exemptions.* Three states[59] use circuit breaker programs to offer property tax exemptions. These circuit breakers are similar to programs in other states but provide property tax relief via an exemption of a home's value, rather than a tax credit or rebate. For example, for 2018, Nebraska offers an exemption equal to 100 percent of the value of a senior homeowner's primary residence if his or her income falls below $28,200. The value of the exemption diminishes as income rises, and equals 10 percent of property value for seniors with incomes between $39,901 and $41,400. The exemption is not available for seniors with incomes over $41,400.[60]

- ***Changes in the value of benefits over time.*** Circuit breaker programs provide a financial benefit to senior homeowners with low incomes, but may provide a diminished benefit or no benefit to senior homeowners with high incomes. Precise benefits vary according to the state that authorizes the program. Some state circuit breaker programs, including Colorado's PTC Rebate program, are available only to seniors with very low incomes.

  Over time, the financial benefit of circuit breaker programs will diminish unless they are calculated as a percentage amount or adjusted for inflation. Additionally, programs whose eligibility requirements are not adjusted for inflation will be made available to fewer seniors as incomes rise over time.

Budget impacts for governments. Relative to other property tax relief programs, circuit breakers can control costs for governments by reducing the population that is eligible for a benefit, and by reducing benefits to higher income seniors within the eligible population. However, government revenue losses or expenses associated with circuit breaker programs are counter-cyclical, meaning that they mount during economic downturns when government budgets are tightest.

Over time, the impact of circuit breakers will grow more quickly if eligibility thresholds and benefit levels are inflation-adjusted, and will grow less quickly or potentially fall if these amounts are not inflation-adjusted.

[56] Mass. Gen. Laws ch. 62, §6 (k)(2).
[57] Arizona, Colorado, Idaho, Missouri, Nevada, Pennsylvania, Utah, and Wyoming.
[58] Idaho Code Ann. § 63-704; Idaho Property Tax Reduction Income Brackets (2018). https://tax.idaho.gov/pubs/EPB00168_10-02-2017.pdf
[59] Nebraska, North Dakota, and Washington.
[60] Neb. Rev. Stat. § 77-3507; Nebraska Homestead Exemption Information Guide (2018). http://www.revenue.nebraska.gov/info/96-299.pdf

Application in Colorado. Colorado's PTC Rebate program is a circuit breaker property tax relief program similar to those in other states. For 2017, the PTC Rebate is available to Colorado seniors with incomes of less than $13,608 ($18,343 married filing jointly), provided that they paid property tax, rent, or heating bills.[61] The maximum amount of the rebate is $700. This amount may be reduced for an individual senior according to the amount by which the senior's income exceeds an inflation-adjusted threshold equal to about half of the individual income ceiling.

In FY 2016-17, the Department of Revenue issued PTC Rebates to 44,343 low-income Coloradans, primarily senior homeowners and renters. Surviving spouses of qualifying seniors, and persons who are disabled for the entirety of the tax year, are also eligible. Rebates totaled $6.0 million and averaged $136 per recipient, paid from the state General Fund.[62]

Because this program is a statutory expenditure, the General Assembly has the authority to change it as it deems appropriate. The program was most recently expanded in Senate Bill 14-014, which increased the size of the maximum rebate from $600 to $700, added inflation adjustments for income thresholds, and implemented audit recommendations.

Property Tax Freezes

As of 2016, 11 states offered a property tax freeze to senior homeowners.[63] Homeowners who are eligible for these programs pay property tax as if the value of their home were frozen, or unchanged, at a certain point in time. "Freeze" programs provide benefits to homeowners as the market value of their homes appreciate because homeowners do not pay taxes associated with the increase in value. The following section provides information on property tax freeze characteristics, including eligibility requirements and benefit information.

Eligibility requirements. State eligibility requirements generally concern a senior homeowner's age and income, though some states apply other eligibility requirements as well.

- ***Age requirements.*** The state property tax freeze programs presented in this memorandum target senior homeowners. In most states, the eligibility threshold is age 65, but Washington and Georgia allow seniors to qualify at age 61 and age 62, respectively.[64]

  Income requirements. Income ceilings are imposed in nine[65] of the 11 states where property tax freeze programs were identified. Income ceilings range from $27,698 for single homeowners in

[61] Section 39-31-101, C.R.S.
[62] Colorado Department of Revenue 2017 Annual Report, p. 56.
https://www.colorado.gov/pacific/sites/default/files/2017_Annual_Report.pdf
[63] Arizona, Arkansas, Georgia, Illinois, Kentucky, Louisiana, New Mexico, Oklahoma, Rhode Island, South Dakota, and Washington.
[64] Wash. Rev. Code § 84.36.381 (3)(a)(i); Ga. Code Ann. § 48-5-47.1 (a)(5).
[65] Arizona, Georgia, Illinois, Louisiana, New Mexico, Oklahoma, Rhode Island, South Dakota, and Washington.

South Dakota[66] to $73,851 in Louisiana.[67] Four state programs[68] include fixed income ceilings and two states[69] adjust income for inflation. State laws in Arizona and Oklahoma adjust these states' income ceilings according to income thresholds for certain federal benefit programs. Rhode Island's income ceilings are locally determined. Arkansas and Kentucky do not require a senior to meet income requirements to qualify for property tax freezes.

- ***Wealth requirements.*** South Dakota is the only state identified that imposes a property value limit; it allows its property tax freeze only for homes worth less than $190,123.[70]

- ***Residency requirements and portability.*** Most states allow property tax freeze programs only for a homeowner's primary residence. Arizona requires an applicant to have lived in his or her home for at least two years,[71] the longest such requirement among states imposing similar criteria.

  Property tax freezes are less valuable to seniors who move than other property tax relief programs, because the frozen value of a property generally does not migrate to a senior's new home. As a result, seniors who move usually lose the entire financial benefit of the property tax freeze, which is only rebuilt as the value of their new home appreciates.

- ***Non-homeowners.*** Property tax freezes do not directly benefit non-homeowners.

Freeze benefits. Property tax freeze programs generally lock in the value of a home for tax purposes in the year when the homeowner buys their home or first satisfies eligibility requirements. Benefits of a freeze program are lost if a homeowner sells his or her home, dies, or exceeds applicable income requirements. State programs that deviate from this basic model are identified below.

- Kentucky was the only state found to cap the total value of property tax benefit received from a freeze. Under Kentucky law, the state property tax freeze can reduce a home's assessed value by a maximum amount adjusted for inflation, currently $37,600.[72]

- Oklahoma's freeze program excludes the value of improvements made while the senior owns the home, and qualifying homeowners are required to notify their county assessor if any such improvements are made.[73] Louisiana disqualifies property from its freeze programs if subsequent home improvements or construction increase its value by more than 25 percent.[74]

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[66]S.D. Codified Laws § 10-6A-2; South Dakota Assessment Freeze for the Elderly & Disabled Application Form (2017). https://www.state.sd.us/eforms/secure/eforms/E1289V17-ApplicationForFreezeOnAssessmentsOfDwellingsOfDisabledAndSeniorCitizens.pdf
[67]La. Const. art. VII, § 18 (G)(1)(a)(ii), see e.g. Beauregard Parish Application for Louisiana Special Assessment Level (2018). http://www.bpassessor.com/Images/Interior/exemptions/speclvlapp.65yearsolder.pdf
[68]Georgia, Illinois, New Mexico, and Washington.
[69]Louisiana and South Dakota.
[70]S.D. Codified Laws § 10-6A-2; South Dakota Assessment Freeze for the Elderly & Disabled Application Form (2017). https://www.state.sd.us/eforms/secure/eforms/E1289V17-ApplicationForFreezeOnAssessmentsOfDwellingsOfDisabledAndSeniorCitizens.pdf
[71]Ariz. Const. art. IX, § 18 (7).
[72]Ky. Rev. Stat. Ann. § 132.810 (2)(e)(2); Kentucky Department of Revenue, Homestead Allowance for 2017 and 2018. https://revenue.ky.gov/Property/Documents/Homestead%20Exemption%20Allowance%20for%202017%20and%202018.pdf
[73]Okla. Stat. Ann. tit. 68, § 2890.1 (B)(2).
[74]La. Const. art. VII, § 18 (G)(2)(b).

- Washington's freeze program provides an additional benefit to senior homeowners, in that beneficiaries of the freeze program are not required to remit taxes in accordance with additional mill levies enacted after they qualify for the program.[75]

- New Mexico's freeze program was modified in 2008 such that all previously eligible homes were reassessed in accordance with their market value in 2009.[76]

Changes in the value of benefits over time. Tax freezes provide a financial benefit to senior homeowners by reducing the amount of taxes they owe. In most states, property tax freeze programs function such that a senior's property tax liability remains constant over time unless a local mill levy is increased. Thus, a qualifying senior's property taxes will remain relatively flat over the time that the senior owns his or her home.

Budget impacts for governments. Tax freezes reduce the amount of property tax revenue that a government would otherwise collect because taxes are paid on the frozen or fixed amount rather than the actual value of the property. Freezes may reduce county, municipal, school district, special district, or state revenue depending on where the property is located and how property taxes are distributed. The faster home values appreciate, the larger the budget impact for governments.

Application in Colorado. Article X, Section 3 (1)(a) of the Colorado Constitution, which requires uniform taxation of residential property, likely precludes the creation of a property tax freeze. Creating a tax freeze or replacing Colorado's current senior homestead exemption with a tax freeze likely would require a constitutional change.

Deferral Programs

Nineteen states[77] and the District of Columbia offer property tax deferral programs that allow qualifying senior homeowners to forego payment of property tax in the year that tax is imposed. The deferred payment is due with interest when the homeowner moves, dies, or otherwise ceases to satisfy eligibility requirements. These programs provide a financial benefit to seniors with low cash flow by delaying the payment of tax until it can be subtracted from their accumulated home equity or the value of their estate.

This section provides information on property tax deferral program characteristics, including eligibility requirements and benefit information. It also provides information on Colorado's Property Tax Deferral Program, which is available to Colorado seniors.

Eligibility requirements. State eligibility requirements for deferral programs generally concern a senior homeowner's income, home equity, and length of residency.

[75] Wash. Rev. Code § 84.36.381 (5)(a).
[76] N.M. Stat. § 7-36-21.3 (B); see N.M. Senate Bill 08-116.
[77] Arizona, California, Colorado, Florida, Georgia, Idaho, Illinois, Maine, Maryland, Massachusetts, Michigan, Minnesota, New Hampshire, Oregon, South Dakota, Virginia, Washington, Wisconsin, and Wyoming.

- *Income requirements.* Most jurisdictions that offer property tax deferral programs impose income ceilings on program eligibility. Income ceilings range from $10,000 in Arizona[78] to $60,000 in Minnesota.[79] Colorado's deferral program, which has no income criteria, is an exception. State laws in Maryland, New Hampshire, and Virginia empower local governments to create property tax deferral programs with income requirements determined by the local jurisdiction at its discretion.[80]

- ***Equity requirements.*** A homeowner's obligation for deferred property tax is most often administered as a lien against the residence. For this reason, states often require that a homeowner possess a certain percentage of equity in the home or cap the amount of taxes deferred at such a percentage. California's 40 percent equity requirement is the lowest identified;[81] other state equity requirements range up to 100 percent.

- ***Residency requirements and portability.*** Some states impose requirements on the amount of time for which a senior must have resided in the state or owned their home in order to qualify for a deferral program. The strictest requirement is in Minnesota, where homeowners must own and occupy their residence for 15 years in order to participate in the property tax deferral program.[82]

  Property tax deferral benefits are generally non-portable and may incent seniors to stay in their homes if deferred taxes are due when they move. Oregon allows seniors who previously qualified for the deferral and who relocate to a smaller home to forego the state's five-year residency requirement in order to access the deferral program again.[83]

- ***Non-homeowners.*** Property tax deferral programs do not directly benefit non-homeowners.

Deferral benefits. Taxpayers who participate in a deferral program are generally allowed to forego payment of all or a portion of the property tax they owe for their home. Deferred tax accrues interest and is due when the homeowner moves, dies, or otherwise fails to satisfy eligibility requirements.

- ***Interest rates.*** Interest rates on deferred property taxes vary significantly between states. Georgia assesses the highest interest rate, 0.75 percent per month or 9 percent per year.[84] The lowest interest rates are assessed in South Dakota, at 4 percent per year[85], and Colorado, a rate equal to interest on the ten-year U.S. treasury note as of February 1 of the most recent year, or 2.78 percent per year for 2018.[86] Low-income senior homeowners in the District of Columbia who have owned their home for 25 years are not assessed interest on deferred property taxes.[87]

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[78]Ariz. Rev. Stat. § 42-17302 (D).
[79]Minn. Stat. § 290B.03 (1)(2).
[80]Md. Code, Tax-Property § 10-201 *et seq.*; N.H. Rev. Stat. Ann. § 72: 38-a; Va. Const. art. X, § 6 (b); Va. Code Ann. § 58.1-3210.
[81]Cal. Rev. and Tax. Code § 20583 (d)(1).
[82]Minn. Stat. § 290B.03 (1)(3).
[83]Or. Rev. Stat. § 311.670 (2)(b).
[84]Ga. Code Ann. § 48-5-75.
[85]S.D. Codified Laws § 43-31-38; § 54-3-16 (5).
[86]Section 39-3.5-105 (5)(c), C.R.S.
[87]D.C. Code § 47-854.03 (c).

- ***Benefit caps.*** Aggregate deferred property tax and interest are generally constrained by the value of the home, the value of the home not already subject to other liens, or the home equity possessed by the qualifying senior. Certain states impose additional caps, however. Wyoming allows deferral of up to 50 percent of taxes owed each year.[88] Georgia limits property tax deferral to the tax assessed on $50,000 of a home's assessed value.[89] Minnesota limits deferred tax and interest to 75 percent of the property's market value as estimated by the county assessor.[90] Virginia allows the deferral only of tax liability incurred as a result of home value appreciation or mill levy increases realized after the senior homeowner first qualified for the deferral, such that the deferral operates in a manner similar to a tax freeze.[91]

- ***Implications for seniors over time.*** Tax deferrals provide property tax relief to seniors by delaying tax collection until after the senior has died or until after their home has been sold, allowing seniors to use accumulated home equity in order to remit taxes owed. Deferral programs can be particularly valuable to seniors with low incomes or those who otherwise struggle with cash flow difficulties. Over the entire deferral and repayment period, deferral programs do not actually reduce the amount of tax owed, and most often increase the amount owed because of interest obligations. Seniors who are debt-averse may be unwilling to allow placement of a lien on their property, which may explain low utilization for some state programs, like Colorado's.

Budget impacts for governments. Relative to other property tax relief programs, property tax deferral programs have a small impact on government budgets. These programs move revenue across years rather than reducing revenue in the absolute. While governments incur a revenue loss or expenditure in certain years, these budget impacts are offset by the receipt of revenue in later years. These movements can be unpredictable. In the case of Colorado's program, fluctuations in local government budgets are mitigated because the state treasury pays the property tax obligation and places a lien on the property.

Application in Colorado. Senior homeowners in Colorado are able to participate in the state's Property Tax Deferral Program.[92] To qualify for the program, a senior must be 65 years old as of January 1 of the relevant tax year. Qualifying homeowners may apply for property tax deferral by contacting their county treasurer's office.

Seniors who use the deferral program are able to defer property tax up to the market value of the property, less any other liens. Interest is assessed at a rate equal to the yield on a ten-year U.S. treasury note as of February 1 of the most recent year. A lien is set against the property in the amount of deferred tax and interest. Deferred tax must be paid if:

- the homeowner dies, unless the surviving spouse chooses to continue deferring taxes;
- the property is sold;
- the taxpayer moves, except for cases of ill health;
- the taxpayer receives income from the property, e.g. by renting it;

[88]Wyo. Stat. § 39-13-107 (b)(iii)(A).
[89]Ga. Code Ann. § 48-5-72 (a).
[90]Minn. Stat. § 290B.03 (1)(6).
[91]Va. Code Ann. § 58.1-3210 (A).
[92]Section 39-3.5-101, *et seq.*, C.R.S.

- a mobile home on which tax is deferred is relocated; or
- the aggregate value of deferred tax and interest exceeds the value of the property, less any other liens.

Relative to deferral programs analyzed in other states, staff found Colorado's deferral program to be relatively generous because of its low interest rates and few eligibility requirements. Despite this, the program is sparsely utilized. The Department of the Treasury reports that there were 544 program participants as of 2016 with $9.3 million in deferred obligations, of which $8.3 million was tax and $1.0 million was interest.[93] Over 75 percent of deferred obligations were owed to Boulder County, with the next-largest obligations to Arapahoe, Jefferson, and El Paso counties.

The immediate costs of property tax deferral are borne by the state. When a taxpayer is approved to participate in the deferral program, the state treasury makes a loan on the taxpayer's behalf to the relevant county government. Upon payment of deferred taxes, the state treasury is repaid and the lien against the taxpayer's property is lifted.

Colorado's Property Tax Deferral program is statutory. The General Assembly has the authority to change the program as it deems appropriate. The program was most recently amended in House Bill 02-1241, when the General Assembly clarified that treasury disbursements for deferred tax interest payments should be accounted as a loan by the state rather than a state expenditure.

[93] Colorado Department of the Treasury. Senior and Veteran Property Tax Programs (2018). https://www.colorado.gov/pacific/treasury/senior-and-veteran-property-tax-programs

Appendix A
Summary of Senior Property Tax Relief Program Types

	Description	Impact on Seniors	Impact on Governments	Does it Exist in Colorado?
Exemption	Reduces the value of a senior's property for the purpose of determining his or her property tax liability	Reduces property tax owed	Reduces revenue	**Yes** Senior Homestead Exemption Colo. Const. art. X, § 3.5
Credit	Reduces the amount of property tax due on a dollar-for-dollar basis, or provides a reimbursement for a portion of property tax paid using the income tax form	Reduces property tax owed or provides a reimbursement	Reduces revenue and/or requires an expenditure	**No** May require a constitutional change
Circuit Breaker	Provides a property tax benefit to low-income senior homeowners; the benefit becomes smaller as income increases, and is eliminated above a certain income threshold	Reduces property tax owed by an amount inversely proportional to income	Reduces revenue	**Yes** Property Tax/Rent/Heat Credit Rebate Section 39-31-101, C.R.S.
Freeze	Freezes a property's value at some amount; holds property tax constant unless a mill levy is increased	Holds property tax owed constant from the date of purchase or eligibility	Reduces revenue	**No** Likely requires a constitutional change
Deferral	Delays the time at which property tax is due; applies a lien to a senior's home for property tax and accumulated interest	Delays obligation for property tax, potentially until after the senior has died	Defers revenue until a later date	**Yes** Property Tax Deferral Program Section 39-3.5-101, C.R.S.