

REPORT HIGHLIGHTS



SENIOR AND DISABLED VETERAN PROPERTY TAX EXEMPTION PROGRAM
PERFORMANCE AUDIT, AUGUST 2015

DEPARTMENT OF
LOCAL AFFAIRS

CONCERN

The fundamental design of the Senior and Disabled Veteran Property Tax Exemption Program (Program) does not sufficiently protect the State from reimbursing counties for non-qualifying exemptions and, within the current Program design, the Department of Local Affairs (DOLA) lacks authority and processes to ensure that only qualifying applicants are approved.

KEY FACTS AND FINDINGS

- State general funds are used to reimburse counties for tax exemptions granted to property owners.
- In Fiscal Year 2015, the State reimbursed counties almost \$117 million for 211,692 senior and disabled veteran property tax exemptions.
- The state reimbursed counties a total of \$169,000 for non-qualifying exemptions for tax year 2013. These exemptions did not meet one or more statutory qualifications.
- We identified indicators that almost 54,000 approved exemptions totaling about \$25.3 million for tax year 2013 may not have met the eligibility requirements. This includes some exemptions that the counties did not send to DOLA for its review for multiple exemptions.
- There is no mechanism for the State to recover funds paid to counties for non-qualifying exemptions.
- DOLA is unable to identify some non-qualifying exemptions because its role is limited to checking for multiple applications. As a result, it does not coordinate with the Department of Revenue to check income tax filing information or with the Department of Public Health and Environment to check death records to improve the effectiveness of its review and help identify non-qualifying applicants.
- The County Assessors' Offices and DOLA do not have any way to validate the social security numbers provided by applicants. DOLA, in particular, relies on social security numbers to complete its eligibility review.

BACKGROUND

- In 2000 and 2006, voters approved amendments to the Colorado Constitution establishing property tax exemptions for qualifying senior citizens and disabled veterans.
- To qualify for the exemptions, seniors must be 65 or older and have owned their homes and used them as their primary residences for at least 10 years; veterans must be disabled and own and use their homes as their primary residences. Married couples are deemed to have the same primary residence and only qualify for one exemption.
- County Assessors' Offices have the primary responsibility for determining whether applicants qualify for the tax exemption.
- DOLA and the Department of Military and Veterans Affairs (DMVA) have supporting roles in eligibility determination. DOLA checks for multiple applications from the same property owner and DMVA verifies disability status.
- Qualifying applicants currently receive an annual exemption of 50 percent of the first \$200,000 of property value on their primary residences.
- After being approved, exemptions remain in effect permanently until County Assessors' Offices are notified of circumstances that would cause them to end, such as the sale of the exempted property.

KEY RECOMMENDATIONS

Work with the General Assembly to develop a process for the State to recover funds from counties for non-qualifying exemptions.

Enter into agreements with the Departments of Revenue and Public Health and Environment to share information to identify potentially non-qualifying exemptions.

Investigate the feasibility of entering into an agreement with the Department of Revenue or the Social Security Administration to validate social security numbers.

Work with the counties, the Office of the State Treasurer, and the General Assembly to establish a process for DOLA to conduct a final review and give final approval for the list of approved exemptions sent to the Office of the State Treasurer for reimbursement.