



# Property Tax Exemptions for Seniors and Veterans with a Disability

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# Exemption for Seniors

**History:** Referendum A added the senior homestead property tax exemption to the state constitution in 2000

- Took effect for property tax year 2002

**Qualifications:** Applies to seniors age 65+, or surviving spouses

- Property must be primary residence
- Continuously owned and occupied for at least 10 years

**Value:** 50 percent of the first \$200,000 exempt from property tax

- E.g., \$250,000 home, taxed as if it is worth \$150,000
- Exemption depends on local mill levy and residential assessment rate

# Exemption for Veterans With a Disability

**History:** Referendum E added the veterans with a disability property tax exemption to the state constitution in 2006

- Took effect for property tax year 2007
- **Qualifications:** Applies to veterans with a service-related disability rated 100 percent by the U.S. Department of Veterans Affairs
- Property must be primary residence
- Owned and occupied on January 1 of the property tax year

# Homeowner Savings from the Homestead Exemption

Example based on the 2021 Residential Assessment Rate

$$\text{Home Value} \times \text{Residential Assessment Rate (RAR)} = \text{Assessed Value (AV)}$$

$$\text{Assessed Value} \times \text{Local Mill Levy} = \text{Local Property Tax Liability}$$

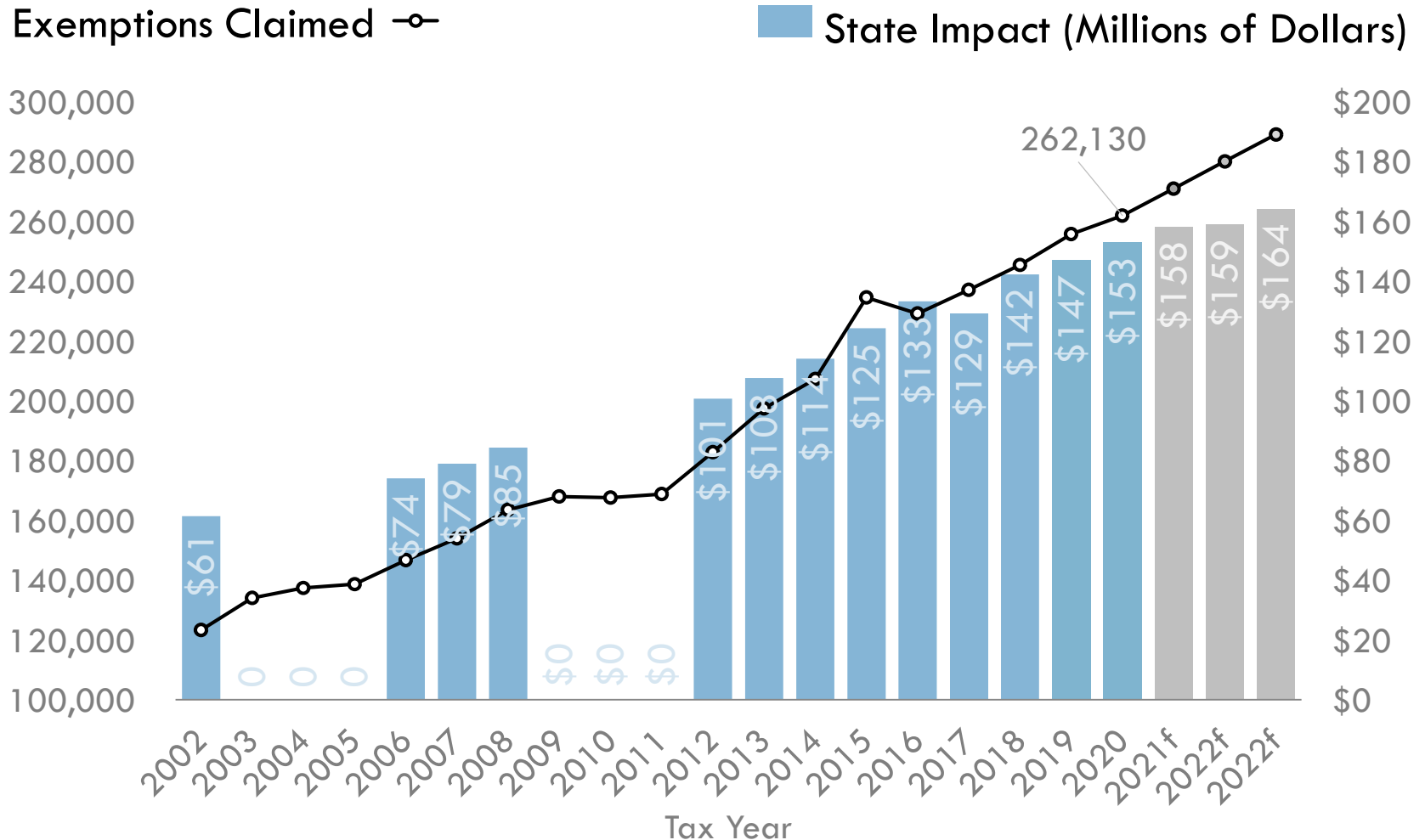
<b>Home Value</b>		<b>RAR</b>		<b>AV</b>		<b>Mill Levy</b>		<b>Property Tax</b>
Without Exemption: \$250,000	x	7.15%	=	\$17,875	x	83.537 mills	=	\$1,493
With Exemption: \$150,000	x	7.15%	=	\$10,725	x	83.537 mills	=	\$ 896

**Homeowner Savings = \$ 597**

# Budgeting Considerations

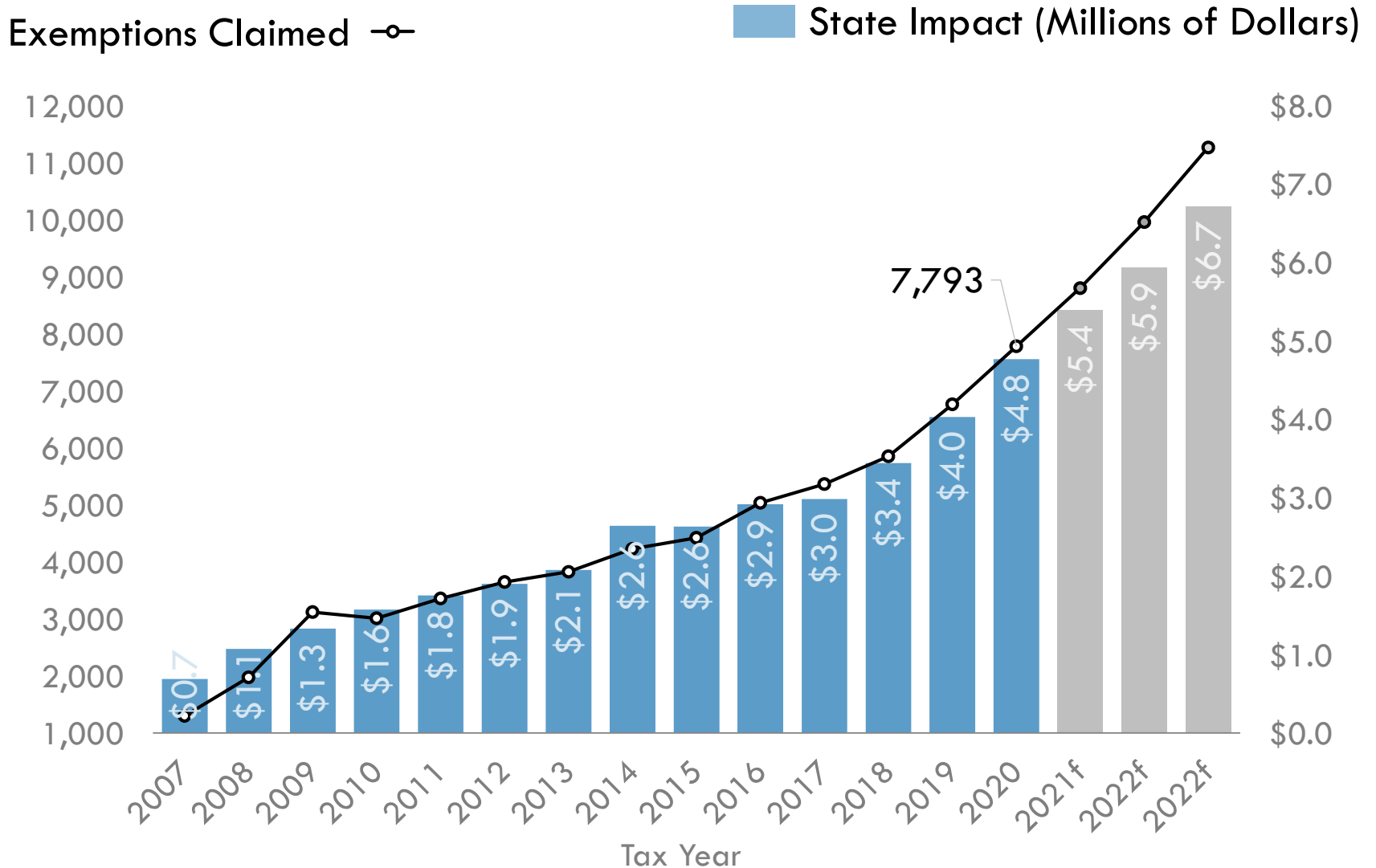
- **Local government reimbursements:** Constitution requires state government to reimburse local governments for their revenue loss
- Reimbursements are paid from the **General Fund**
  - Expenditure for local government reimbursements is in the fiscal year that taxes are paid
- Key drivers of costs include:
  - Home values
  - demographics
  - Residential assessment rates and local mill levies

# General Fund expenditures for senior exemptions



Sources: Division of Property Taxation; Department of the Treasury; Legislative Council Staff  
 NA Indicates years when the exemption cap was set to zero by the state legislature.  
 “f” and gray shading indicate forecast.

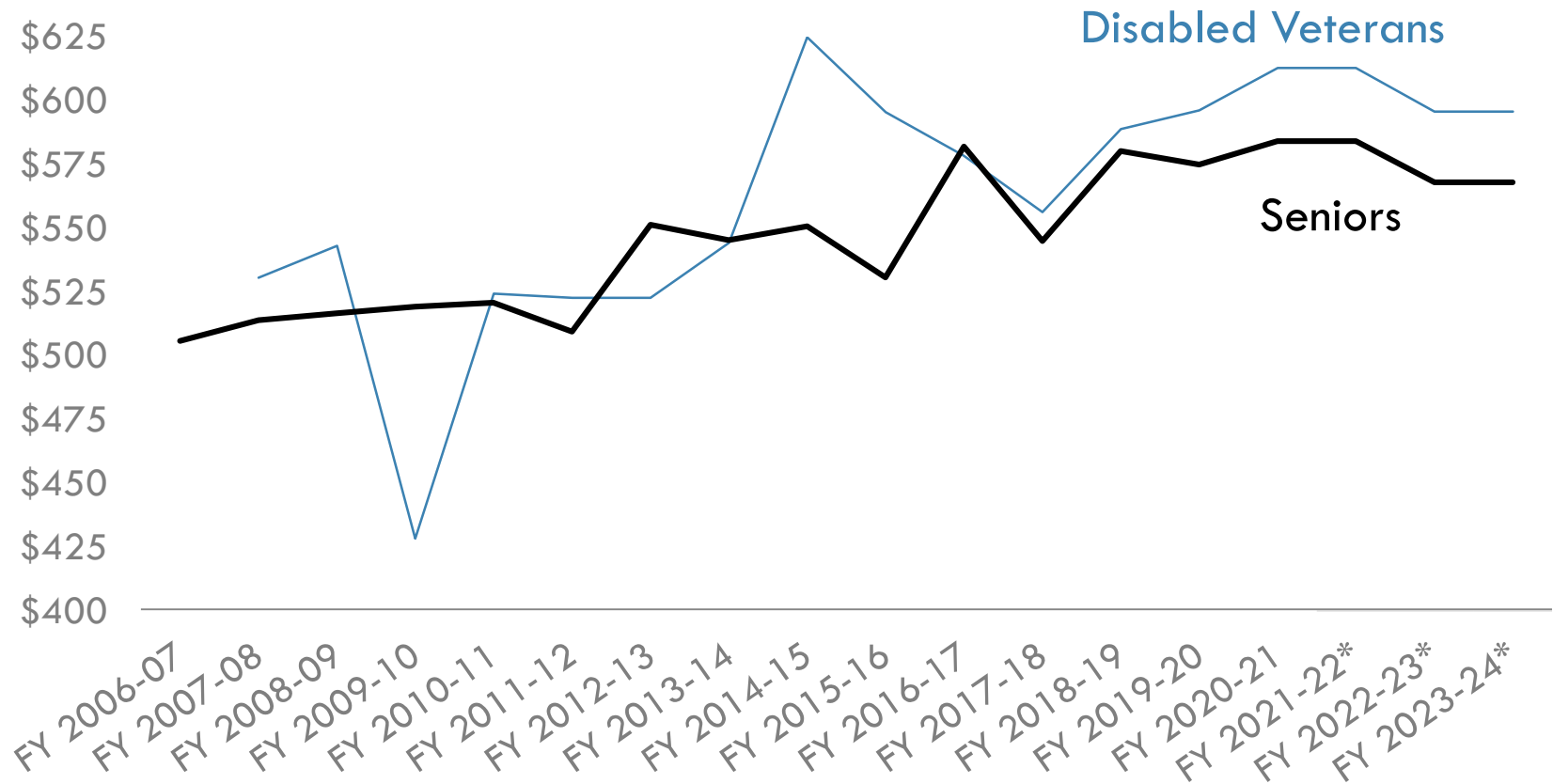
# State costs for veterans exemptions



Sources: Division of Property Taxation; Department of the Treasury; Legislative Council Staff.  
 “f” and gray shading indicate forecast.

# Average exemption amounts have increased with home values and property tax rates

Average Exemption Amounts



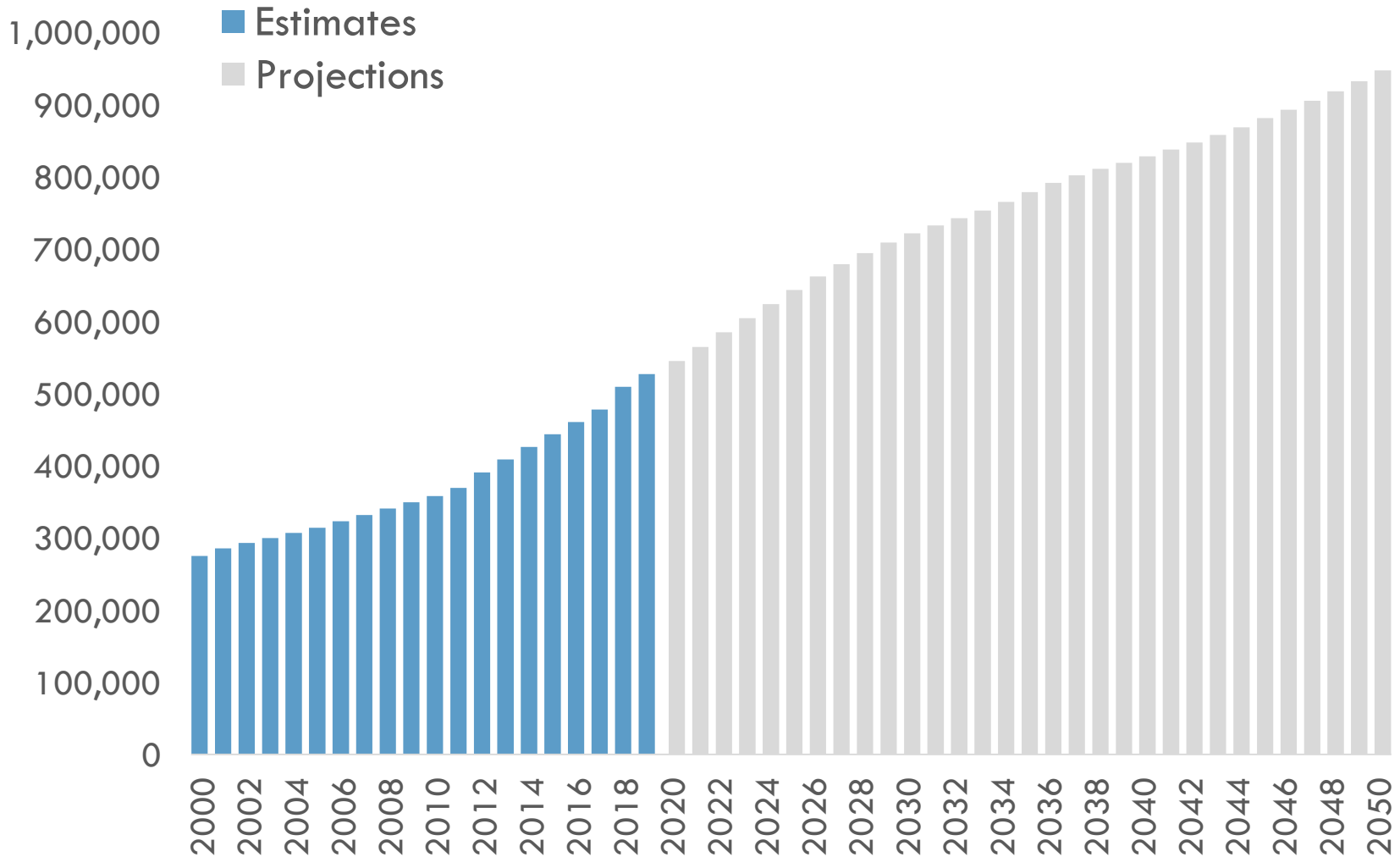
Sources: Division of Property Taxation; Department of the Treasury; Legislative Council Staff.

\* Indicates forecast.



# Demographics are a key driver of expenditures

Colorado households with one or more residents aged 65 and over



Source: Department of Local Affairs, State Demography Office.

# Further Budgeting Considerations

Homestead exemptions are a TABOR refund mechanism

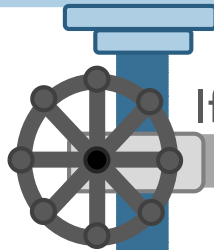
- Reimbursements for these exemptions are the first TABOR refund mechanism
- When the TABOR surplus is sufficient, it is used to fund these reimbursements instead of the General Fund
- TABOR surplus revenue is set aside in the year in which a surplus occurs to pay refunds in the following budget year
- Based on September 2021 forecasts, TABOR surpluses are expected in each year for FY 2020-21 through FY 2023-24

# TABOR Refund Obligation

# TABOR Refund Mechanisms

#1

Reimburse Local Gov'ts for  
Property Tax Exemptions  
Up to ~\$165 million



If ~\$295 million+

#2

Temporary  
Income Tax Rate Reduction  
Next ~\$130 million  
If the refund is large enough

#3

Sales Tax Refund  
Any remaining

# Changes to the Homestead Exemption: Constitutional and Other Considerations

- Colo. Const., art. X, § 3 (1)(a): “Each property tax levy shall be uniform upon all real and personal property not exempt from taxation under this article[...].”
  - Neither the legislature nor local governments can create a new property tax expenditure
- These parameters are **fixed in the constitution**:
  - The age threshold (65 years)
  - The residency threshold (10 years)
  - The veteran’s disability status
- Adding or removing **eligibility requirements** likely requires a voter-approved constitutional change
- **Administrative costs** for property tax changes may be considerable
- **Equity considerations**

# Legislation Impacting the Homestead Exemption

- **Home Value Cap:** The constitution allows the legislature to change the home value cap (currently \$200,000)
  - The cap could be set at a level calculated to limit the cost of the exemption to some amount chosen by the legislature
  - Legislature has eliminated the benefit in years of budget shortfall
- Since the exemptions were enacted, **more than 40 legislative measures** impacting the Homestead Exemption have been introduced
- These include:
  - Measures to expand the exemptions to seniors who relocate into another home owned in Colorado
  - Measures to expand the exemption to additional veterans or their spouses
  - Measures to expand the value of the exemption
  - Measures seeking to “means test” the exemption

# Summary of States' Senior Property Tax Relief Programs

	Description	Impact on Seniors	Impact on Governments	Does it Exist in Colorado?
<b>Exemption</b>	Reduces the value of a property for the purpose of determining his or her property tax liability	Reduces property tax owed	Reduces revenue	<b>Yes</b> Senior Homestead Exemption
<b>Credit</b>	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	<b>No</b> May require a constitutional change
<b>Circuit Breaker</b>	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	<b>Yes</b> Property Tax/Rent/Heat Credit Rebate
<b>Freeze</b>	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	<b>No</b> Likely requires a constitutional change
<b>Deferral</b>	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	<b>Yes</b> Property Tax Deferral Program

# Questions?

For Additional Information, see Legislative Council Staff Memos, “History of the Senior and Disabled Veteran Property Tax Exemptions” available at:

<https://leg.colorado.gov/publications/history-senior-property-tax-exemption-2021>

And

“Property Tax Relief Programs for Senior Citizens” available at:

<https://leg.colorado.gov/publications/property-tax-relief-programs-senior-citizens>

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