

# Property Tax Circuit Breaker Programs

Provided by the Colorado Department of Revenue  
to the Colorado Commission on Property Tax  
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# What is a circuit breaker?

- Not a new concept in the United States (or in Colorado)
- Program to provide relief from property taxes directly to property owners based upon the property owner's income
- Programs vary considerably in size, scope, and administrative detail



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# Nature of the Problem

- Because property taxes are based upon property values, they are not as strongly connected to an ability to pay as the income tax
- This can be particularly burdensome when income changes as a result of job loss, divorce, illness, or retirement.
- As a result, property taxes tend to be regressive



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Exhibit 14. Effective Tax Rates Within Each Income Group, 2019

Tax Type		\$0 to \$14,999	\$15,000 to \$29,999	\$30,000 to \$39,999	\$40,000 to \$49,999	\$50,000 to \$69,999	\$70,000 to \$99,999	\$100,000 to \$149,999	\$150,000 to \$199,999	\$200,000 and Over	Average
State Taxes	Individual Income	1.3%	1.4%	2.1%	2.5%	2.7%	3.0%	3.2%	3.4%	3.5%	3.1%
	Sales and Use	3.8%	1.6%	1.3%	1.1%	1.0%	0.9%	0.7%	0.7%	0.5%	0.8%
	Gasoline	1.1%	0.4%	0.4%	0.3%	0.3%	0.2%	0.2%	0.2%	0.1%	0.2%
	Driver License and Vehicle Registration Fees	0.9%	0.5%	0.4%	0.3%	0.3%	0.2%	0.2%	0.1%	0.0%	0.2%
	Alcoholic Beverages	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Cigarettes and Tobacco	0.5%	0.2%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%
	<b>Total State Taxes</b>	<b>7.6%</b>	<b>4.1%</b>	<b>4.3%</b>	<b>4.4%</b>	<b>4.4%</b>	<b>4.4%</b>	<b>4.4%</b>	<b>4.4%</b>	<b>4.4%</b>	<b>4.1%</b>
Local Taxes	Residential Real Property	9.7%	5.0%	3.5%	3.0%	2.7%	2.6%	2.4%	2.5%	2.0%	2.5%
	Sales and Use	6.2%	2.7%	2.1%	1.9%	1.6%	1.4%	1.2%	1.1%	0.8%	1.3%
	Specific Ownership	1.5%	0.8%	0.7%	0.5%	0.5%	0.4%	0.3%	0.2%	0.1%	0.3%
	Occupational Privilege	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Total Local Taxes</b>	<b>17.4%</b>	<b>8.5%</b>	<b>6.3%</b>	<b>5.4%</b>	<b>4.9%</b>	<b>4.4%</b>	<b>4.0%</b>	<b>3.9%</b>	<b>2.9%</b>	<b>4.1%</b>
<b>Total Taxes</b>		<b>25.0%</b>	<b>12.6%</b>	<b>10.7%</b>	<b>9.8%</b>	<b>9.3%</b>	<b>8.7%</b>	<b>8.4%</b>	<b>8.3%</b>	<b>7.0%</b>	<b>8.4%</b>

Source: Colorado and Federal income tax return data and the Bureau of Labor Statistics' Consumer Expenditure Survey

Note: The values presented in this exhibit are estimates because actual values are not known. Family money income and taxes paid were estimated using Colorado, federal, and third party data sources. Please see the "Methodology" section of the Tax Profile narrative.

## Exhibit 9. Proportion of Taxes Paid Within Each Income Group, 2019

Tax Type		\$0 to \$14,999	\$15,000 to \$29,999	\$30,000 to \$39,999	\$40,000 to \$49,999	\$50,000 to \$69,999	\$70,000 to \$99,999	\$100,000 to \$149,999	\$150,000 to \$199,999	\$200,000 and Over
State Taxes	Individual Income	5.1%	11.0%	20.0%	25.2%	29.5%	34.1%	38.6%	41.4%	49.8%
	Sales and Use	15.2%	12.9%	12.1%	11.7%	10.9%	9.8%	8.9%	8.3%	7.0%
	Gasoline	4.2%	3.4%	3.8%	3.5%	3.2%	2.8%	2.4%	1.9%	1.1%
	Driver License and Vehicle Registration Fees	3.6%	3.7%	3.4%	3.1%	2.8%	2.3%	2.0%	1.5%	0.6%
	Alcoholic Beverages	0.2%	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
	Cigarettes and Tobacco	2.1%	1.5%	1.3%	1.1%	0.9%	0.8%	0.4%	0.2%	0.1%
	<b>Total State Taxes</b>	<b>30.5%</b>	<b>32.7%</b>	<b>40.7%</b>	<b>44.7%</b>	<b>47.6%</b>	<b>50.0%</b>	<b>52.4%</b>	<b>53.3%</b>	<b>58.8%</b>
Local Taxes	Residential Real Property	38.7%	39.5%	33.3%	30.4%	29.2%	29.3%	29.2%	30.1%	28.1%
	Sales and Use	24.8%	21.1%	19.7%	19.0%	17.8%	16.1%	14.5%	13.5%	11.5%
	Specific Ownership	5.9%	6.5%	6.1%	5.5%	5.2%	4.3%	3.6%	2.8%	1.2%
	Occupational Privilege	0.1%	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%
	<b>Total Local Taxes</b>	<b>69.5%</b>	<b>67.3%</b>	<b>59.3%</b>	<b>55.3%</b>	<b>52.4%</b>	<b>50.0%</b>	<b>47.6%</b>	<b>46.7%</b>	<b>41.2%</b>
<b>Total Taxes</b>		<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Colorado and Federal income tax return data and the Bureau of Labor Statistics' Consumer Expenditure Survey

Note: The values presented in this exhibit are estimates because actual values are not known. Family money income and taxes paid were estimated using Colorado, federal, and third party data sources. Please see the "Methodology" section of the Tax Profile narrative.

# What is a circuit breaker?

- Threshold: Property taxes must exceed certain portion of income before any tax relief is available
- Sliding Scale: Defined income brackets; All claimants within an income bracket qualify for the same percentage reduction in tax
- Other Approaches
  - In Colorado, the [Property Tax, Rent, & Heat Rebate](#) is similar. Program is not based on the amount of property tax relative to income, but strictly on income



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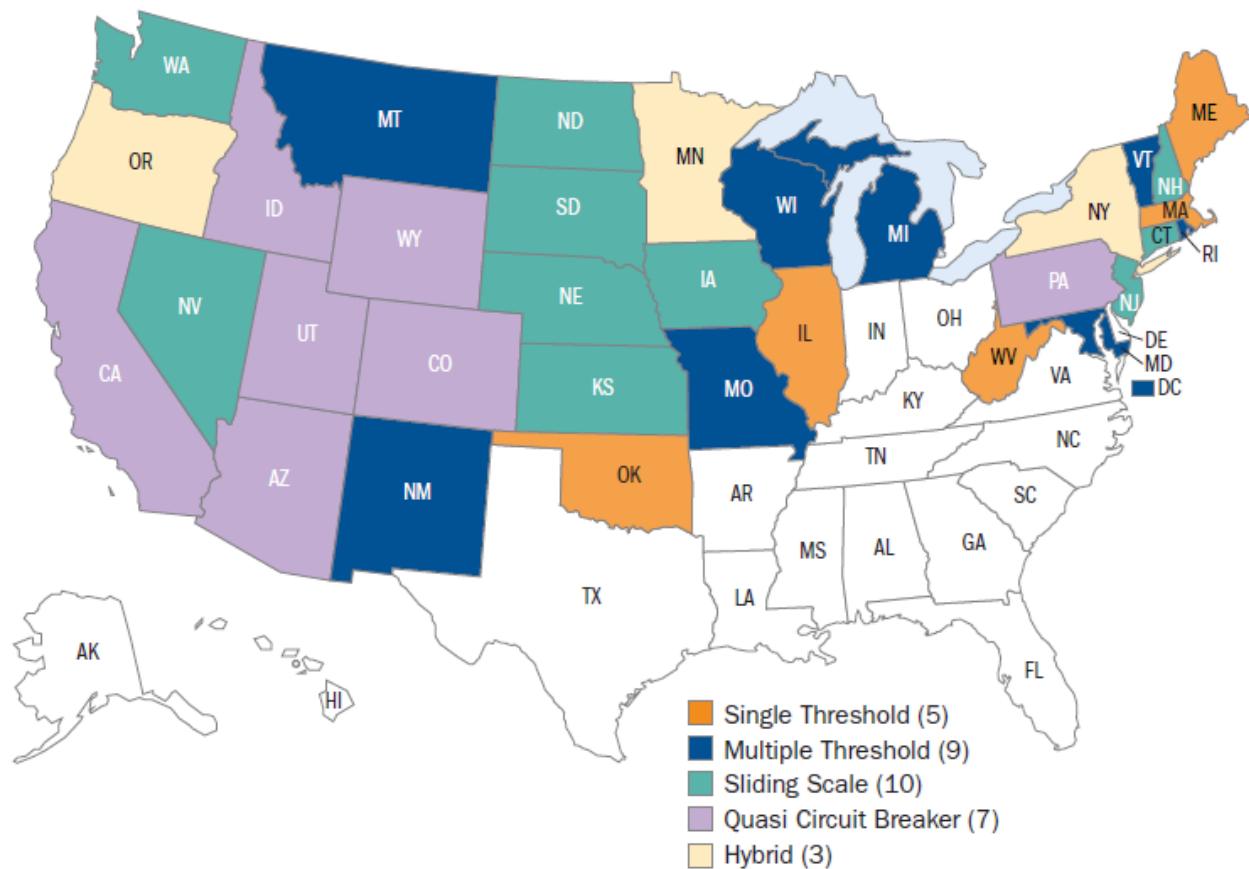
# What is a circuit breaker?

- In 2007, there were at least 18 states with true circuit breaker programs (CBPP Count)
- Lincoln Institute counts 14 threshold and 10 sliding scale states as of 2008
- 2023 ITEP report counts 17 threshold and 12 “other” circuit breakers



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**FIGURE 3.1**  
**Type of Primary Circuit Breaker Program by State for Elderly Homeowners (2008)**



Note: Oregon program is for elderly renters instead of homeowners.



## Other Eligibility Criteria

- States have different programs with different parameters
- Some common criteria include:
  - Homeowners only, renters only (Oregon), or both
  - Age requirements
  - Individuals with a disability
  - Veterans



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# How are the programs administered?

TABLE 1. GENERAL ELIGIBILITY REQUIREMENTS FOR STATE CIRCUIT BREAKER PROGRAMS		
	Limited to Seniors and People with Disabilities (8 states)	Available to All (10 states)
<b>Homeowners &amp; Renters</b> (16 states)	Illinois Massachusetts Missouri Montana New Mexico Pennsylvania	District of Columbia Maine Maryland Michigan Minnesota New Jersey* New York Rhode Island Vermont** Wisconsin
<b>Homeowners</b> (1 state)	Oklahoma	
<b>Renters Only</b> (1 state)	Oregon	



# How are the programs administered?

**TABLE 3. INCOME ELIGIBILITY LIMITS FOR STATE CIRCUIT BREAKER PROGRAMS**

Income Limit	Limited to Seniors and People with Disabilities	Available to All
\$0 – 9,999		
\$10,000 – 19,999	NM, OK*, OR**, PA	NY
\$20,000 – 29,999	MO	DC, WI
\$30,000 – 39,999	IL	RI
\$40,000 – 49,999	MT	
\$50,000 – 59,999	MA	
\$60,000 – 69,999		MD
\$70,000 or more		ME, MI, MN, NJ, VT****



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# How are the programs administered?

States typically administer a circuit breaker program in one of three ways:

- direct rebate check
- income tax credit
- credit for future property tax bills

States usually bear the costs of circuit breaker programs, funding them out of the general fund.



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TABLE 6.1

**Administrative Approaches Used in the States (2008)**

Direct Rebate Check	Income Tax Credit	Property Tax Exemption or Credit
California Colorado Connecticut (Renters) Illinois Iowa (Renters) Kansas Maine Maryland (Renters) Minnesota New Hampshire New Jersey Nevada Oregon Pennsylvania South Dakota Vermont (Renters) Wyoming	Arizona District of Columbia Massachusetts Michigan Missouri Montana (Elderly) New Mexico New York Oklahoma Rhode Island Wisconsin West Virginia	Connecticut (Owners) Idaho Iowa (Owners) Maryland (Owners) Montana (Under 62 and Disabled Veterans programs) Nebraska North Dakota Utah Vermont (Owners) Washington

Sources: Lyons, Farkas, and Johnson (2007); Significant Features of the Property Tax (2009); and state sources.

# What are potential administrative challenges to overcome?

- Linking property taxes (assessed locally at parcel based on deeded ownership) to income (assessed centrally to individuals)
- Simplicity/lack of information on Colorado income taxes relative to other state income taxes
- Policy decisions regarding availability of budget



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## Resources:

Lyons, Karen , et al. "The Property Tax Circuit Breaker: An Introduction and Survey of Current Programs." Center on Budget and Policy Priorities, 21 Mar. 2007, [www.cbpp.org/sites/default/files/archive/3-21-07sfp.pdf](http://www.cbpp.org/sites/default/files/archive/3-21-07sfp.pdf).

Kenyon, Daphne A., et al. "Property Tax Relief: The Case for Circuit Breakers." Lincoln Institute of Land Policy : Land Lines, 1 Apr. 2010, [https://www.lincolninst.edu/sites/default/files/1772\\_991\\_3%2520Circuit%2520Breakers.pdf](https://www.lincolninst.edu/sites/default/files/1772_991_3%2520Circuit%2520Breakers.pdf)

CDOR Tax Profile and Expenditure Report (2022)

<https://cdor.colorado.gov/data-and-reports/tax-profile-and-expenditure-reports>



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## Resources:

Davis, Carl, Samms, Brakeyshia “Preventing an Overload: How Property Tax Circuit Breakers Promote Housing Affordability.” Institute on Taxation and Economic Policy, May 2023. <https://itep.org/property-tax-affordability-circuit-breaker-credits/>

Bowman, John H., et al. "Property Tax Circuit Breakers: Fair and Cost-Effective Relief for Taxpayers." Lincoln Institute of Land Policy, May 2009. <https://www.lincolninst.edu/publications/policy-focus-reports/property-tax-circuit-breakers>



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# Questions?

Contact Us:

Amber Egbert - Director of Research & Legislative Services  
[amber.egbert@state.co.us](mailto:amber.egbert@state.co.us)

Josh Pens - Director of Tax Policy  
[josh.pens@state.co.us](mailto:josh.pens@state.co.us)



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