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**DESIGN OF SENIOR AND DISABLED VETERAN PROPERTY TAX EXEMPTION
PROGRAM DOES NOT SUFFICIENTLY PROTECT STATE TAXPAYER DOLLARS**

DENVER— An audit by the Colorado Office of the State Auditor (OSA) has found that the fundamental design of the Senior and Disabled Veteran Property Tax Exemption Program (Program) does not sufficiently protect State taxpayer dollars from being used to reimburse 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.

In 2000 and 2006, voters approved amendments to the Colorado Constitution establishing property tax exemptions for qualifying senior citizens and disabled veterans. To qualify, seniors must be 65 or older and have owned their homes and used them as their primary residences for at least the last 10 years; veterans must be disabled and own and use their homes as their primary residences. Qualifying applicants currently receive an annual exemption of 50 percent of the first \$200,000 of property value on their primary residences. In Fiscal Year 2015, the State reimbursed counties almost \$117 million in general fund monies for 211,692 senior and disabled veteran property tax exemptions.

However, auditors found that in Tax Year 2013, the state reimbursed counties a total of \$169,000 for non-qualifying exemptions and for almost 54,000 approved exemptions totaling about \$25.3 million that may not have met the eligibility requirements.

The audit found that, under the current statutory design, counties, which have no financial stake in the Program, have sole responsibility for determining eligibility, with no State involvement. Further, there is no mechanism in statute for the State to recover funds paid to counties for non-qualifying exemptions.

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Additionally, auditors found that DOLA is unable to identify some non-qualifying exemptions because its role is limited in two ways. First, under statute DOLA is only charged with 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 help identify non-qualifying applicants. Second, DOLA does not have any way to validate the social security numbers provided by applicants. DOLA's review relies on social security numbers to accurately identify non-qualifying applicants.

The OSA has made four recommendations.

The full report is available electronically on the OSA's website, <http://www.state.co.us/auditor>, via the link called "OSA Audit Reports."

Under the direction of the state auditor, the OSA is the state's nonpartisan, independent external auditor with broad authority to audit state agencies, departments, institutions of higher education, and the Judicial and Legislative Branches. The OSA's professional staff serve the people of Colorado by addressing relevant public issues through high-quality, objective audits and reviews that promote accountability and positive change in government. Performance audits address whether programs operate in compliance with laws and regulations and in a manner that accomplishes intended program goals. Financial audits include annual audits of the state's basic financial statements and federal grants on a statewide level. IT audits review procedures and technology to ensure the confidentiality, integrity and availability of the state's critical computer systems and taxpayer data. The OSA also tracks about 4,000 Colorado local governments for compliance with the Local Government Audit Law.