



Inequities in Colorado's senior homestead property tax exemption

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Introduction

Many older Coloradans and veterans with disabilities have come to rely on the tax savings they receive from the state's senior homestead property exemption. Although the original intent of the law was to allow more people to remain in their homes, analysis of the available data by the Colorado Fiscal Institute found the exemption does not help as many people as it could. That analysis showed:

- About half of older Coloradans don't qualify for the exemption, either because they rent or because they haven't lived in their homes for more than 10 years.
- The exemption disproportionately benefits white homeowners over homeowners of other races.
- Those who qualify for the exemption are slightly less likely to be experiencing poverty than all older Coloradans.

Background

Amid fears of property taxes growing faster than older Coloradans' incomes, Colorado voters approved Referendum A in the year 2000. In doing so, they amended the state constitution to give older Coloradans a property tax break. The policy, which eventually became known as the senior homestead property tax exemption, first became available in 2002. A few years later, voters approved Referendum E, which extended the favorable tax treatment to veterans with disabilities. The goal was to allow more people to remain in their homes.¹

The exemption applies to older Coloradans and veterans with disabilities who have lived in their homes for at least 10 years. The law exempts 50 percent of the first \$200,000 of the house's value. For homes worth more than \$200,000 in market value, the state reduces the value by \$100,000 before calculating how much property tax is owed. For homes worth less than \$200,000, only half of its market value is used to calculate property taxes.

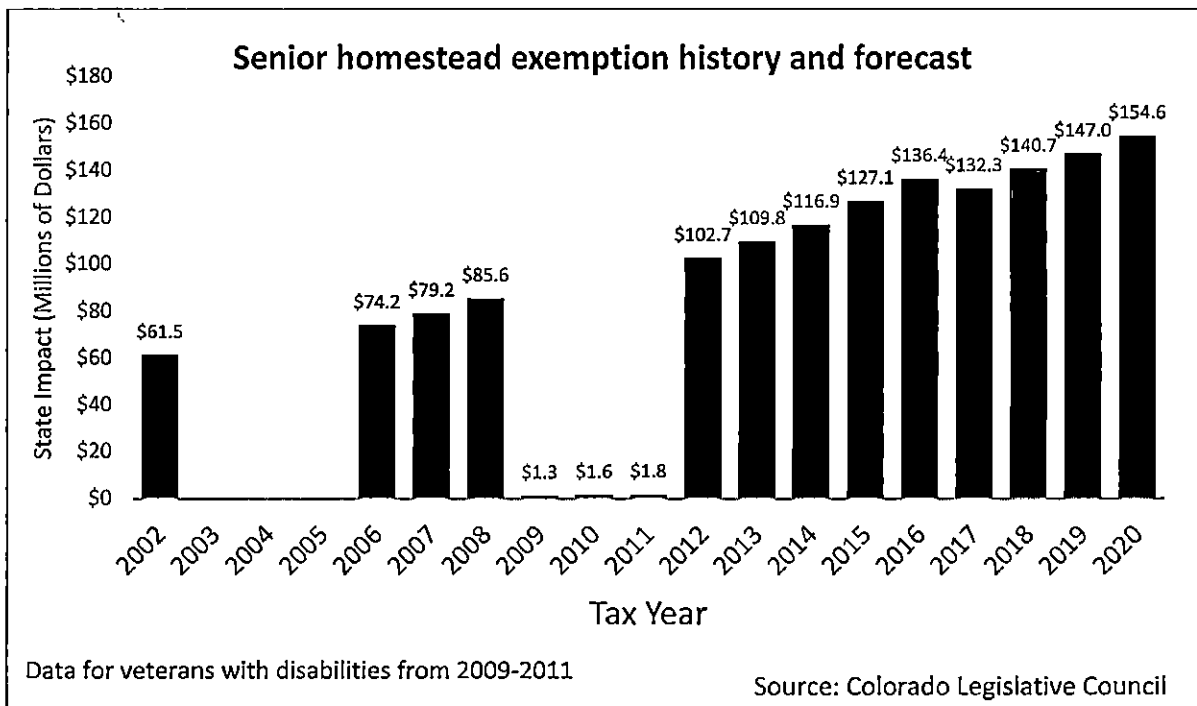
The exemption is not available for older Coloradans and veterans with disabilities who rent, or for those who have owned their homes for less than 10 years. The 10-year rule also neglects to include

people who may have lived in their home for more than 10 years, but choose to move into a smaller home and have not yet lived there for the necessary 10-year period.

The exemption saved the average homeowner \$575 and benefitted 245,802 older Coloradan households, along with 5,858 veterans with disabilities, in 2017. That adds up to a little more than 13 percent of all housing properties in Colorado. However, as with any tax expenditure, there is a tradeoff in revenue.

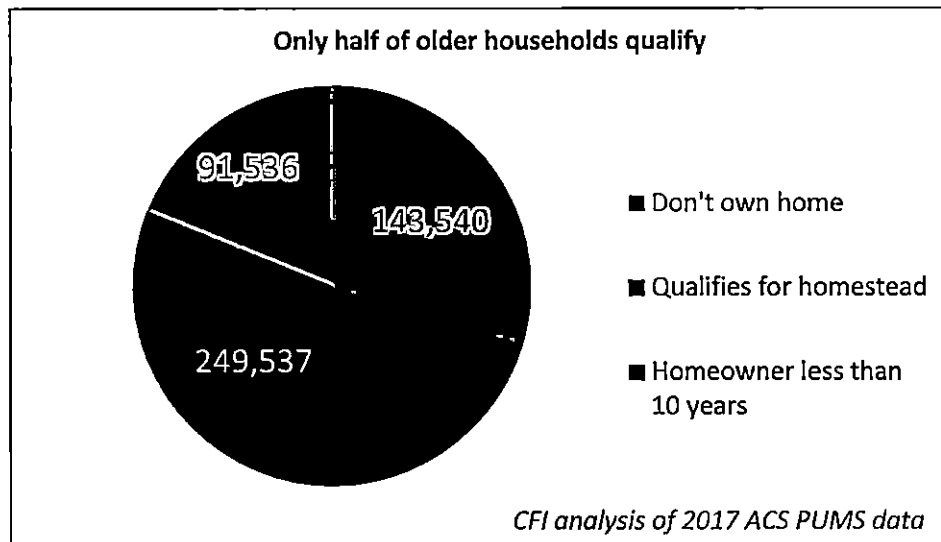
The revenue lost from the Senior Homestead Exemption doesn't affect funding for local services because Colorado's constitution requires the state to reimburse local governments for the revenue they lose by exempting these homesteads from property taxes. However, services and institutions funded primarily by state tax dollars – such as transportation, K-12 education, and higher education – are impacted.

When the state budget faces tightening due to economic downturns, lawmakers have the power to adjust the percentage of the value of each home that is exempt and can even reduce the exemption to zero (for all but veteran households) as they did in six of the nine years from 2003-2011.



Who receives the benefit of the homestead exemption?

Of the 484,613 households in Colorado with at least one older homeowner, just over half qualify for the current homestead exemption. 30 percent of households with at least one older Coloradan don't own their homes, meaning they are unable to qualify. Another 19 percent are older homeowners who haven't lived in their current residence for the 10 years needed to qualify for the current homestead exemption property tax break.



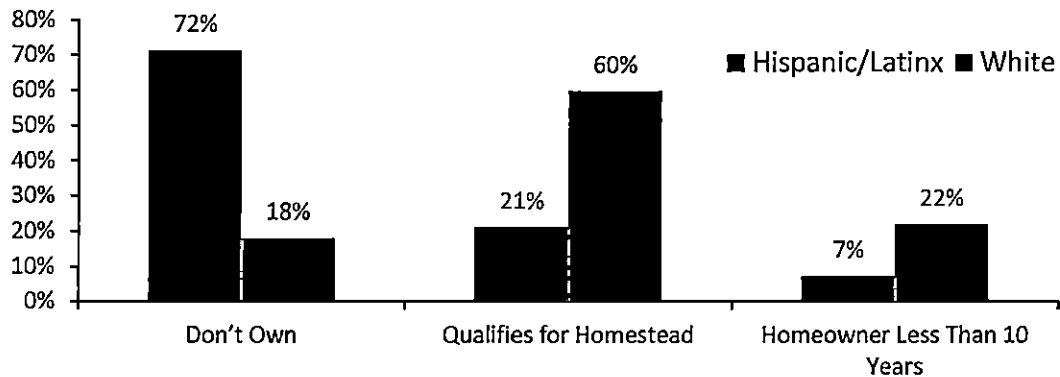
Additionally, the homestead exemption is more likely to benefit older whites than older Coloradans of other races: 60 percent of older white households qualify for the exemption, but only 40 percent of older black households and just 21 percent of older Latinx households qualify. Taken as a whole, even though people of color make up more than 25 percent of the total population above age 65, they make up just 13.6 percent of total homestead exemption qualifiers.

Homestead Qualifiers by Race			
	Above 65	Qualify for Homestead	Portion of Above 65 who Qualify for Homestead
White	360,027	215,622	60%
Hispanic or Latinx	97,020	20,531	21%
Black or African-American	10,544	4,184	40%
Asian	8,955	5,250	59%
Other, Two of More Races	8,067	3,950	49%
Total	484,613	249,537	51%

Source: CFI analysis of ACS 2017 PUMS data

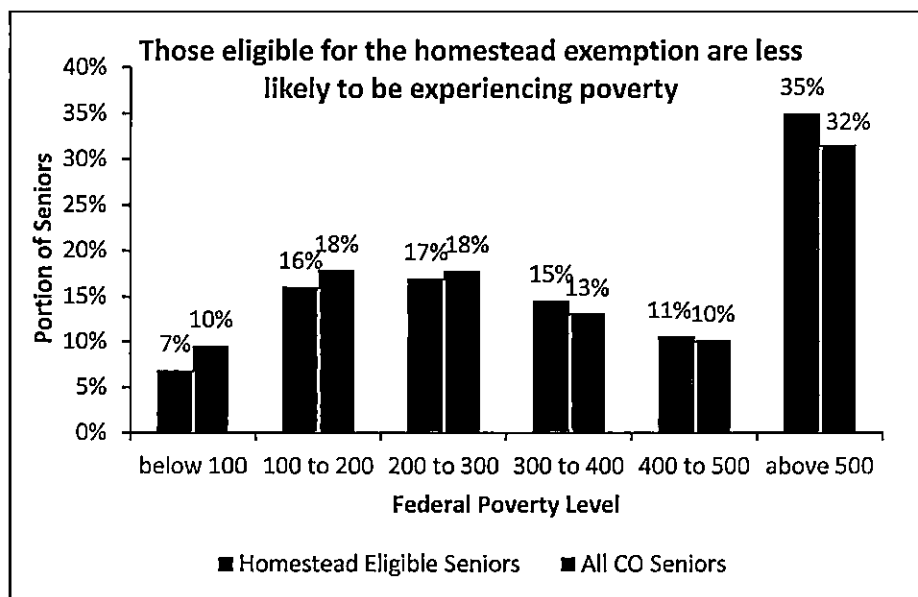
Older Latinx Coloradans are much less likely to own homes than older Coloradans who are white. A full 72 percent of older Latinx households don't own homes compared to only 18 percent of older white households.

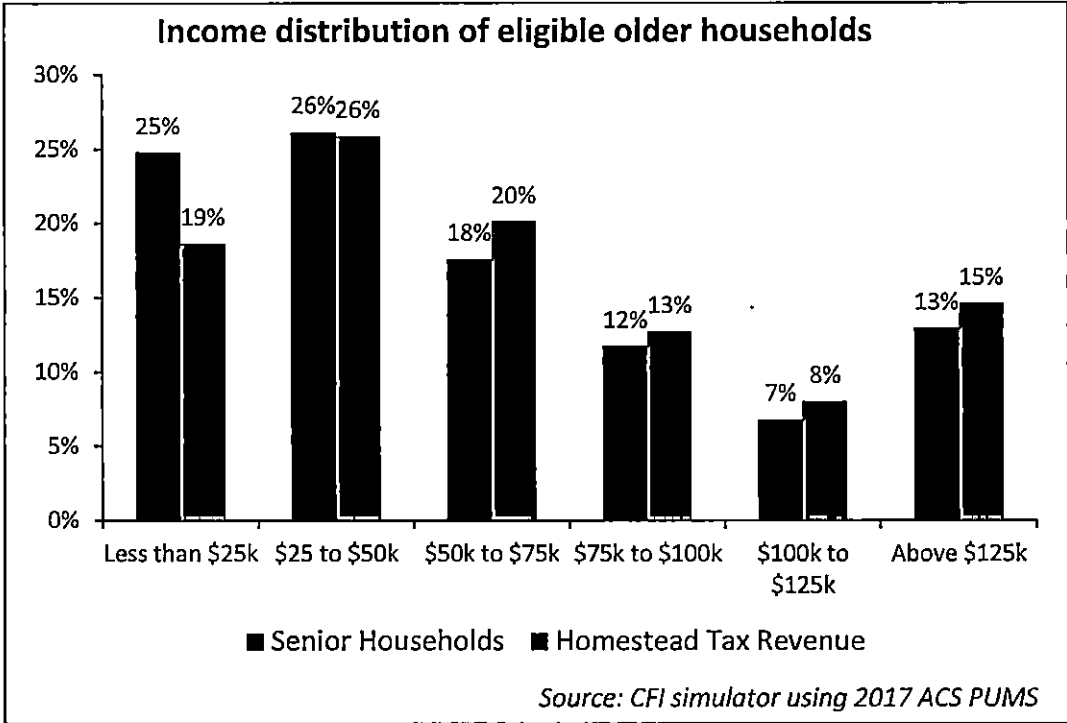
Most Hispanic/Latinx Seniors Don't Own Houses



Source: CFI analysis of ACS 2017 PUMS data

Similar to the racial disparities described above, older Coloradans who qualify for the homestead tax exemption are less likely to be experiencing poverty than the total population over age 65. 32 percent of older households are above 500 percent of the federal poverty line (FPL) and 35 percent of those eligible for the exemption are above 500 percent of FPL.





Colorado Homestead Exemption by County Data

	Exemptions for Older Coloradans	Exemptions for Veterans with Disabilities	Percent of Residences with either exemption	Total Taxes Exempted
Adams	16,867	330	12.7%	\$12,514,751
Alamosa	763	20	15.0%	\$322,494
Arapahoe	27,368	526	13.1%	\$18,795,888
Archuleta	801	39	10.1%	\$339,000
Baca	249	4	11.9%	\$45,700
Bent	311	14	14.5%	\$58,754
Boulder	15,525	100	15.1%	\$9,935,564
Broomfield	2,565	38	12.6%	\$1,910,035
Chaffee	1,476	22	15.0%	\$538,344
Cheyenne	107	-	11.2%	\$24,523
Clear Creek	661	7	13.1%	\$328,012
Conejos	536	17	13.5%	\$139,674
Costilla	326	15	13.0%	\$67,421
Crowley	185	10	12.7%	\$33,843
Custer	452	22	13.1%	\$186,016
Delta	2,408	49	17.9%	\$810,400
Denver	23,239	248	12.0%	\$13,084,816
Dolores	189	4	14.2%	\$42,774
Douglas	10,361	213	10.0%	\$6,948,714
Eagle	1,225	5	4.2%	\$590,857
El Paso	25,827	1,913	12.9%	\$13,542,968
Elbert	1,292	38	14.4%	\$723,394
Fremont	2,950	121	17.0%	\$1,141,102
Garfield	2,031	26	10.2%	\$914,353
Gilpin	309	8	9.2%	\$97,043
Grand	652	11	4.0%	\$283,536
Gunnison	616	7	5.9%	\$255,849
Hinsdale	62	2	4.6%	\$23,598
Huerfano	581	21	13.0%	\$166,938
Jackson	76	1	6.2%	\$15,487
Jefferson	36,272	383	19.3%	\$23,349,035
Kiowa	124	-	18.3%	\$27,794
Kit Carson	463	2	14.4%	\$164,478
La Plata	2,290	52	9.9%	\$672,627
Lake	384	4	9.9%	\$208,771
Larimer	16,630	241	14.0%	\$10,030,938
Las Animas	1,027	39	16.5%	\$182,202
Lincoln	285	2	12.8%	\$71,349
Logan	1,239	9	16.8%	\$489,111
Mesa	8,805	189	15.8%	\$3,971,652

Mineral	88	-	5.8%	\$41,436
Moffat	735	10	13.2%	\$252,196
Montezuma	1,874	39	16.6%	\$647,295
Montrose	2,524	52	16.2%	\$1,071,785
Morgan	1,370	15	14.6%	\$681,084
Otero	1,141	32	15.3%	\$232,033
Ouray	371	2	12.8%	\$140,137
Park	983	50	8.5%	\$422,947
Phillips	346	2	18.5%	\$162,659
Pitkin	773	3	6.4%	\$286,722
Prowers	690	15	13.1%	\$136,229
Pueblo	10,412	517	18.8%	\$5,142,265
Rio Blanco	294	2	10.6%	\$82,495
Rio Grande	745	18	11.8%	\$242,203
Routt	1,169	7	9.1%	\$460,445
Saguache	381	15	9.4%	\$146,780
San Juan	63	-	8.5%	\$16,945
San Miguel	331	-	5.8%	\$86,437
Sedgwick	199	6	17.0%	\$46,198
Summit	730	1	2.4%	\$279,542
Teller	1,578	99	14.0%	\$702,489
Washington	271	2	10.5%	\$76,524
Weld	10,562	217	11.6%	\$6,063,329
Yuma	643	2	15.4%	\$237,321
Colorado	245,802	5,858	13.23%	\$140,707,301
<i>Source: 2018 tax year exemption from Colorado Department of Local Affairs Division of Property Taxation</i>				

Homestead exemption and TABOR rebate mechanisms

The Taxpayer Bill of Rights (TABOR) places a cap on how much revenue the state can collect in taxes and fees each year. If the state collects more than the revenue cap allows, it returns money to taxpayers in the form of rebates. Article X, Section 20 (1) of the Colorado Constitution allows excess revenue to be refunded using “any reasonable method.” Since 1992, legislators have created 21 mechanisms to refund revenue above the limit. Of those, eighteen have been repealed and three remain. One of the three remaining is the property tax exemption reimbursement mechanism.

Since FY2017-18, the first TABOR rebate mechanism is the senior homestead exemption, meaning the state reimburses local governments from the General Fund for the property tax lost from the exemption. The TABOR rebate money can cover a portion of the homestead exemption – it doesn’t have to fully fund the entire rebate mechanism like the temporary reduction in the income tax rate which only triggers on if the TABOR surplus is a certain amount. Having the first TABOR rebate mechanism as the homestead exemption affords more General Fund flexibility during TABOR rebate situations.

Note on word choice in this report

People who identify with a Latin American or Hispanic ethnicity may prefer to be identified in various ways including as Hispanic, Latino, Latina, Latinx, or with a more specific country of origin. In this report we use the gender-neutral term “Latinx” wherever possible. We also use “Hispanic” where appropriate, for instance in cases when a data source uses that term.

Methodology and data sources

Administrative data on homestead exemption recipients were provided by the property tax division of the Colorado Department of Local Affairs. These data have detailed information about the exemption value of each property that utilizes the homestead exemption but doesn’t provide demographic data on the recipients like age, race, income and years in current residence.

This is where U.S. Census data comes into play. Because census data has variables on income, property value, property taxes, age, and years living in current residence, we were able to slice the 2017 PUMS microdata into the survey respondents who qualified for Colorado’s current senior homestead exemption (i.e. those aged 65 years or older who have owned their home for at least 10 years). These are not necessarily the exact individuals who utilized the program, just those who are eligible.

The property tax variable was a categorical variable that was converted into a continuous variable by assuming the midpoint (e.g. if 3=property tax between \$100 and \$200, this was converted to \$150). Both the “housing” and “population” microdata were utilized because the property value and property tax variables are in the housing dataset while age is in the population dataset. We cat walked the “age” variable from the population microdata set using the serial number coded “serialno,” keeping only household records where “relp==0.” Of these records, we calculated which individuals qualify for the current homestead exemption using the ACS variable “MV” which is “when moved into current residence.” This allowed us to see which households have been there for at least 10 years. Administrative records show 227,611 older Coloradans claimed the senior homestead exemption in 2017, while the 2017 Census data shows 249,537 are eligible (when multiplying the census weight variable times respondents). We determined the demographic data from the census data on those 249,537, which was 3,138 unique census records.

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¹ Paraphrase of pro arguments from the 2000 Blue Book on Referendum A
https://www.colorado.gov/pacific/sites/default/files/Blue%20Book%202000_3.pdf