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MEMORANDUM

November 9, 2016

TO: Interested Persons
FROM: Kate Watkins, Senior Economist, 303-866-3446
SUBJECT: History of Senior Property Tax Exemption

Summary

Following voter approval of Referendum A in the 2000 General Election, the senior homestead property tax exemption became available beginning in property tax year 2002. The number of seniors claiming the exemption has grown over time, from 123,326 qualifying seniors in 2002 to 234,677 seniors as of tax year 2015. Local governments are required to be reimbursed by the state for the impact of the exemption. In FY 2015-16, this reimbursement totaled \$124.5 million from the state General Fund.

More than 30 legislative measures have been introduced since enactment of the exemption that have or would have impacted the exemption if signed into law. Measures include bills that reduced the exemption to zero following economic downturns, several measures seeking to expand the exemption to individuals who move into another home owned in Colorado, and two measures seeking to means test the exemption.

Background

The senior homestead property tax exemption¹ is available to taxpayers in Colorado over the age of 65 who have owned and lived in their current residence for 10 years immediately preceding the tax year in which a claim is made. A taxpayer forfeits the exemption if and when they move to a different residence, even if that residence is in the state of Colorado.

Voters approved adding the senior homestead exemption to the State Constitution in November 2000. Under the exemption, 50 percent of up to \$200,000 of a residential property's market value is exempt from the property tax. The portion of a residential property's value exempted from property tax is called the homestead exemption. To be eligible, homeowners

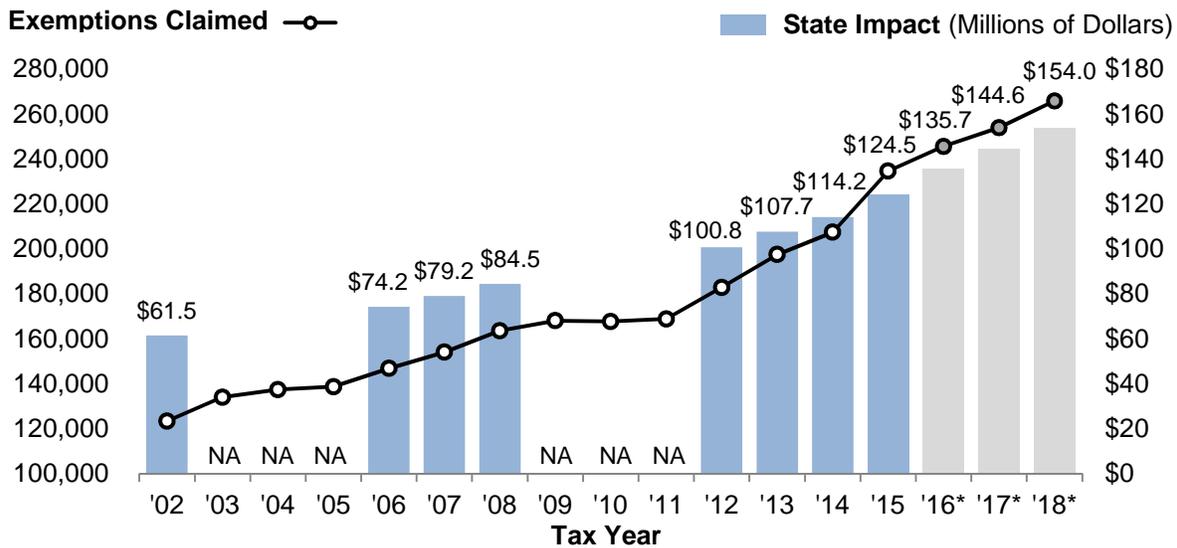
¹Colo. Const. Art. X § 3.5; and Section 39-3-201, C.R.S.

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must be age 65 and over and have lived in the same primary residence for the immediately prior 10 years. In the circumstance of a death, a senior's surviving spouse may retain the exemption. The constitution authorizes the General Assembly to adjust the \$200,000 threshold for the market value of a home eligible for the exemption. To address budget shortfalls, the General Assembly reduced the benefit of the exemption to zero in tax years 2003, 2004, 2005, 2009, 2010, and 2011. Thus, the exemption was not available in these years.

Budgeting considerations. The state is constitutionally required to reimburse counties for the reduction in property tax revenue resulting from the exemption. For tax year 2015, when 234,677 seniors applied for the exemption, local governments were reimbursed \$124.5 million from the General Fund. Figure 1 summarizes the amount of these state General Fund expenditures for local government reimbursements, and the number of households claiming the exemption since its inception. The figure also includes the September 2016 forecast for tax years 2016, 2017, and 2018 (shown in light grey).

**Figure 1
Senior Homestead Exemption History and Forecast**



Source: Colorado Division of Property Taxes. *September 2016 Legislative Council Staff projections. NA = the exemption was reduced to zero in these years.

Exemption for disabled veterans. In November 2006, voters approved Referendum E, which extended a property tax exemption to disabled veterans living in Colorado. Like the senior homestead exemption, the disabled veteran exemption is equal to 50 percent of the first \$200,000 of the value of the home.² To qualify for the exemption, applicants must be rated permanently disabled by the U.S. Department of Veterans Affairs or receive a 100 percent permanent military retirement and must have owned and occupied the property as their primary residence on January 1st of the year in which they are applying for the exemption. In FY 2015-16, the state of Colorado reimbursed local governments \$2.6 million for the 4,429 exemptions claimed for tax year 2015. The disabled veteran exemption has not been reduced since its establishment in tax year 2007.

²Section 39-3-203(1.5), C.R.S.

Homeowner Savings from the Exemption

A homeowner's property tax liability is calculated as follows:

$$\text{Home Value} \times \text{Residential Property Assessment Rate} = \text{Assessed Value}$$

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

Using this formula, an example calculation of the property tax savings from the senior homestead or disabled veteran property tax exemption with a home value of \$250,000 is provided below. Actual savings will differ, depending on the local government mill levies that apply. Under current law, the property tax exemption exempts 50 percent of the first \$200,000 (or \$100,000) of the home value. Qualifying taxpayers with home values equal to or more than \$200,000 will receive the maximum exemption.

Example savings for a \$250,000 home, assuming the average 2015 mill levy (76.564 mills):

Without Exemption: \$250,000	x	7.96%	=	\$19,900	and	\$19,90	x	76.564 mills	=	\$1,524
With Exemption: \$150,000	x	7.96%	=	\$11,940	and	\$11,94	x	76.564 mills	=	\$914
										Homeowner Savings = \$609

What is a mill levy? A mill levy is a local government tax rate that is applied to the assessed value of a property. One mill is equal to one dollar per \$1,000 dollars of assessed value. On average, Colorado local governments levied 76.564 mills in tax year 2015, or \$76.564 dollars for every \$1,000 of assessed value.

Means Testing the Exemption

Voter approval would be required to "means test" the senior homestead. This includes limiting qualification for the exemption to seniors whose home values fall below a certain amount (e.g., \$500,000). Voter approval would also be required to means test the exemption based on federal poverty guidelines or qualification for low-income assistance programs, such as the federal Medicaid Program, the Colorado Old Age Pension Program, the Colorado Low-Income Energy Assistance Program, or the Colorado Food Assistance Program in the Department of Human Services. Means testing based on income (rather than the value of the home) would be more expensive to administer because counties do not currently collect information on homeowner income.

History of Legislation Impacting the Homestead Exemption

Table 2, which begins on page 4, provides a summary of the legislative measures that have been introduced that have or would have impacted the senior homestead exemption if signed into law.

**Table 2
Introduced Legislation Impacting the Senior Homestead Property Tax Exemption**

Bill Number	Summary of Legislation	Estimated Fiscal Impact	Bill Status
HCR00-1002	This concurrent resolution refers a measure to voters in the 2000 General Election to amend the State Constitution and create the senior homestead property tax exemption.	FY 2002-03 General Fund Expenditures: \$92.4 million	Signed by the Speaker of the House and President of the Senate
HB01-1224	This bill administers the property tax exemption for qualifying senior citizens that was created by Referendum A in the 2000 General Election.	County assessors will experience increased postage, printing, and handling charges. Computer programming costs may also be incurred.	Signed into Law
HCR02-1001	This concurrent resolution refers a measure to voters in the 2002 General Election to allow qualifying seniors to claim the property tax exemption if they have owned and occupied two different homes as their primary residence for the ten years immediately preceding the assessment date.	FY 2003-04 General Fund Expenditures: \$12.3 million	Postponed Indefinitely
HB03-1133	This bill imposes additional stipulations on anyone claiming a homestead exemption as a surviving spouse. The bill would require the applicant to have lived with and been married to the spouse for ten years prior to the spouse's death.	FY 2004-05 General Fund Expenditures: (\$7,400)	Postponed Indefinitely
SB03-265	This bill reduces the exemption to zero in tax year 2003 and 2004.	FY 2003-04 General Fund Revenue: (\$500,000) General Fund Expenditures: (\$55.5 million)	Signed into Law
SB03-334	This bill allows county assessors to accept late applications for the homestead exemption from qualifying seniors that show good cause for the late application.	FY 2004-05 General Fund Revenue: (\$1.1 million) General Fund Expenditures:(\$56.6 million)	Signed into Law
HB04-1001	This bill restores the exemption to 50% of the first \$100,000 in actual value beginning in tax year 2004.	Minimal fiscal impact.	Signed into Law
		FY 2004-05 General Fund Revenue: \$300,000 General Fund Expenditures: \$35.4 million	Postponed Indefinitely
		FY 2005-06 General Fund Revenue: \$600,000 General Fund Expenditures: \$33.8 million	

**Table 2 (Cont.)
Introduced Legislation Impacting the Senior Homestead Property Tax Exemption**

Bill Number	Summary of Legislation	Estimated Fiscal Impact	Bill Status
HB04-1169	This bill restores the exemption to 50% of the first \$200,000 in actual value beginning in tax year 2004 and requires that the 4% General Fund Reserve be reduced by the amount needed to reimburse local governments to backfill the impact of the exemption.	FY 2004-05 General Fund Revenue: \$500,000 General Fund Expenditures: \$55.1 million	Postponed Indefinitely
HB04-1461	This bill refers a measure to voters in the 2004 General Election allowing the state to annually retain excess state revenues and allow the General Assembly to use the money retained for General Fund appropriations, augmentation of the State Education Fund, a new State Rainy Day Fund, and funding of the senior homestead property tax exemption.	FY 2004-05 General Fund Revenue: \$20.3 million FY 2005-06 General Fund Revenue: \$309 million General Fund Expenditures: (\$44.7 million)	Postponed Indefinitely
HCR04-1009	Among other provisions, this concurrent resolution refers a question to voters in the 2004 General Election allowing for the senior homestead exemption to be funded with TABOR surplus revenue.	FY 2004-05 General Fund Revenue: \$24.6 million FY 2005-06 General Fund Revenue: \$327.2 million General Fund Expenditures: (\$55.8 million)	Postponed Indefinitely
HCR04-1017	This concurrent resolution refers a measure to voters in the 2004 General Election allowing for the senior homestead exemption to be funded with TABOR surplus revenue. In non-surplus years, the amount needed to reimburse local governments will come from the General Fund.	FY 2006-07 General Fund Revenue: \$54.8 million General Fund Expenditures: (\$54.8 million)	Postponed Indefinitely
SB04-113	This bill restores the exemption to 50% of the first \$76,500 in actual value beginning in tax year 2005.	FY 2005-06 General Fund Revenue: \$250,000 General Fund Expenditures: \$27.1 million	Postponed Indefinitely
SCR05-001	This concurrent resolution refers a measure to voters in the 2006 General Election to extend the property tax exemption to 100% disabled veterans beginning in tax year 2007.	FY 2007-08 General Fund Revenue: \$1,050,000 General Fund Expenditures: \$1,050,000	Postponed Indefinitely
HB06-1184	The bill increases the exemption from 50% of the first \$200,000 to 50% of the first \$350,000.	FY 2006-07 General Fund Expenditures: \$18.5 million FY 2007-08 General Fund Expenditures: \$18.7 million	Postponed Indefinitely
SCR06-001	This concurrent resolution refers a measure to voters in the 2006 General Election to extend the property tax exemption to 100% disabled veterans beginning in tax year 2007.	FY 2007-08 General Fund Expenditures: Up to \$1,040,000	Signed by the Speaker of the House and President of the Senate

**Table 2 (Cont.)
Introduced Legislation Impacting the Senior Homestead Property Tax Exemption**

Bill Number	Summary of Legislation	Estimated Fiscal Impact	Bill Status
SCR06-005	This concurrent resolution refers a measure to voters in the 2006 General Election to expand the senior homestead exemption to any senior homeowner to who has maintained any primary residence in Colorado for the immediate 10 years prior to the assessment date.	FY 2007-08 General Fund Expenditures:\$28.1 million	Postponed Indefinitely
HB07-1251	This bill administers the property tax exemption for qualifying disabled veterans that was created by the passage of Referendum E in the 2006 General Election.	FY 2008-09 General Fund Expenditures:\$29.1 million General Fund Expenditures: \$5,440	Signed into Law
HCR08-1002	This concurrent resolution refers a measure to voters in the 2008 General Election to extend the senior homestead exemption to qualified seniors who move once within the same county during the ten years preceding the applicable tax year.	FY 2009-10 General Fund Expenditures: \$4.2 million FY 2010-11 General Fund Expenditures: \$4.8 million	Postponed Indefinitely
HCR08-1003	This concurrent resolution refers a measure to voters in the 2008 General Election to extend the senior homestead exemption to qualified seniors who move during the ten years preceding the applicable tax year.	FY 2009-10 General Fund Expenditures: \$6.3 million FY 2010-11 General Fund Expenditures: \$7.2 million	Postponed Indefinitely
SCR08-001	This bill refers a measure to voters in the 2008 General Election to expand the eligibility requirements for the senior and disabled veteran property tax homestead exemptions to surviving spouses of disabled veterans who have already qualified for and received the exemption and to qualifying owners who are displaced by a natural disaster or are targets of an eminent domain proceeding. Additionally, the measure limits the value of a home of a qualifying senior to \$500,000.	FY 2009-10 General Fund Expenditures: (\$6.0 million) FY 2010-11 General Fund Expenditures: (\$6.2 million)	Postponed Indefinitely
SB09-276	For the 2009 property tax year, this bill eliminates the homestead property tax exemption for qualifying senior citizens but leaves the homestead property tax exemption for disabled veterans intact.	FY 2009-10 General Fund Revenue: (\$825,000) General Fund Expenditures: (\$90.4 million) FY 2010-11 General Fund Revenue: (\$825,000)	Signed into Law
HB10-1257	This bill establishes a minimum senior and disabled veteran homestead exemption of 50% of the first \$200,000 in actual value of residential real property in any fiscal year in which the General Assembly authorizes a net increase in the number of state employee FTE greater than 1.5 percent.	No fiscal impact.	Postponed Indefinitely

**Table 2 (Cont.)
Introduced Legislation Impacting the Senior Homestead Property Tax Exemption**

Bill Number	Summary of Legislation	Estimated Fiscal Impact	Bill Status
SB10-190	For the 2010 and 2011 property tax years, this bill eliminates the homestead property tax exemption for qualifying seniors. The bill leaves the homestead property tax exemption for disabled veterans intact.	FY 2010-11 General Fund Revenue: (\$853,659) General Fund Expenditures: (\$91.7 million) FY 2011-12 General Fund Revenue: (\$1.75 million) General Fund Expenditures: (\$96.4 million)	Signed into Law
HB11-1226	This bill allows the first five digits of an applicant's social security number to remain on a disabled veteran property tax exemption application for verification of veteran status.	No fiscal impact.	Signed into Law
HB12-1287	This bill caps the total cost to the state for the senior homestead exemption to 1.02 percent of General Fund revenue beginning in property tax year 2012.	FY 2012-13 General Fund Expenditures: (\$16.5 million) FY 2013-14 General Fund Expenditures: (\$18.1 million)	Postponed Indefinitely
HB12-1326	Among other provisions, this bill transfers funds to the Senior Services Account in the Older Coloradans Cash Fund an amount equal to the amount of funding appropriated for the senior homestead exemption that exceeds the actual amount claimed.	FY 2012-13 and FY 2013-14 General Fund Expenditure: \$3.0 million Potential General Fund and/or State Education Fund transfers	Signed into Law
HCR12-1002	This concurrent resolution refers a measure to voters in the 2012 General Election allowing qualifying seniors to claim the homestead exemption even if they are not currently residing in their home. The measure also limits eligibility for the property tax exemption to seniors with limited means, as demonstrated by receipt of benefits from one or more of the following: the federal Medicaid Program; the Colorado Old Age Pension Program; the Colorado Low-Income Energy Assistance Program; or the Colorado Food Assistance Program in the Department of Human Services. Alternately, a senior with an annual income of no more than 200 percent of the federal poverty guidelines is eligible.	FY 2013-14 General Fund Expenditures: (\$97.3 million)	Postponed Indefinitely
HB13-1145	This bill authorizes county treasurers to notify taxpayers of the senior property tax exemptions in a mailing or electronic distribution that coincides with the annual mailing of tax bills. The bill also eliminates the discretion of assessors to reject late applications prior to the late filing deadline or to accept late applications after that date.	Minimal impact.	Signed into Law

**Table 2 (Cont.)
Introduced Legislation Impacting the Senior Homestead Property Tax Exemption**

Bill Number	Summary of Legislation	Estimated Fiscal Impact	Bill Status
HCR13-1001	This concurrent resolution refers a measure to voters in the 2014 General Election allowing residential property owners who have qualified for the senior property tax exemption to maintain the exemption if the owner moves to a new residence because of a medically verified ailment.	FY 2015-16 State Diversions: Minimal decrease. General Fund: \$550,000	Postponed Indefinitely
SCR13-001	This concurrent resolution submits a measure to voters in the 2014 General Election expanding the disabled veteran property tax exemption to the surviving spouse of a qualified disabled veteran for up to three years after the death of the veteran.	FY 2015-16 General Fund Expenditures: Up to \$5,320	Postponed Indefinitely
HB14-1373	Beginning in tax year 2015, this bill extends senior homestead exemption eligibility to the qualifying owner or a surviving spouse who is displaced by a natural disaster that destroys their residence. This bill also extends the disabled veteran exemption to a surviving spouse who takes possession of the home of a deceased qualifying disabled veteran.	FY 2015-16 General Fund Revenue: Minimal increase General Fund Expenditures: \$97,988	Signed into Law
HB15-1069	This bill requires that the name of the owner of a qualifying property be included on the homestead exemption document.	No fiscal impact	Signed into Law
HB16-1161	This bill changes the allocation of funding appropriated for the senior homestead exemption that exceeds the actual amount claimed. Rather than transferring all of it to the Older Coloradans Cash Fund, this bill transfers 95 percent to the Older Coloradans Cash Fund, and transfers the remaining 5 percent to the Veterans Assistance Grant Program Cash Fund.	FY 2016-17 and FY 2017-18 Potential decrease to the Older Coloradans Fund and potential increase to the Veterans Assistance Grant Program Cash Fund	Signed into Law
HB16-1175	This bill requires the sharing of information among state and local government agencies to help identify applicants that do not meet the legal requirements for the Senior and Disabled Veteran Homestead Exemptions.	FY 2016-17 General Fund Expenditures: \$29,270 FY 2017-18 General Fund Expenditures: (\$1.9 million)	Signed into Law
HB16-1444	Beginning tax year 2016, this bill expands eligibility for veterans to those with a permanent 100 percent military medical retirement.	FY 2016-17 and FY 2017-18 General Fund Expenditures: \$102,060	Signed into Law

*Source: Legislative Council Staff fiscal notes. Estimates would likely change if Legislative Council Staff were to reevaluate similar legislation with new information.
Note: Contents of this table may not be exhaustive. Results reflect findings from a keyword search of the terms: senior, homestead, and/or property.*