

# MEMORANDUM



## JOINT BUDGET COMMITTEE

TO Members of the Joint Budget Committee  
FROM Robin J. Smart, JBC Staff (303-866-4955)  
DATE February 7, 2017  
SUBJECT Senior Citizen Property Tax Exemption, Options for Potential Legislation

---

During the FY 2016-17 budget process, Joint Budget Committee (JBC) staff recommended legislation to lower the amount of the actual home value that is exempted from property tax through the Senior Citizen Property Tax Exemption to \$100,000, resulting in an estimated General Fund savings of \$70.0 million. This recommendation was based on JBC staff estimates that the cost of this tax exemption will continue to rise by nearly \$6.0 million each year as the 65 years and older population increases (see FY 2016-17 JBC Staff Budget Briefing for the Department of the Treasury). In January 2017, the Governor requested that legislation be introduced to reduce the Senior Citizen Property Tax Exemption by half in FY 2017-18 and direct the savings to the State's share of K12 education financing. The Office of State Planning and Budget estimates the reduction to be \$68.1 million General Fund. The JBC has requested information on alternatives to the existing Senior Property Tax Exemption. This memorandum contains the following:

### CONTENTS

What is the Senior Property Tax Exemption?.....	1
JBC Staff Recommendation .....	2
Consideration of Options.....	3
What are the Other Options?.....	3
➔ Reduction in the Exempted Maximum Amount of Residence Value.....	3
➔ Property Tax Reimbursement Limit.....	4
➔ Property Tax/Income Tax Ratio Rebate.....	5
➔ Housing Vouchers.....	6
➔ Income Tax Credit.....	7
➔ Referred Measure .....	10
Appendix A: Summary of Previous Legislation.....	12
Appendix B: Senior Citizen Property Tax Exemption, 2016.....	13

---

### WHAT IS THE SENIOR PROPERTY TAX EXEMPTION?

Section 3.5 of Article X of the Colorado Constitution grants a property tax exemption to qualifying senior citizens and disabled veterans. Current law exempts 50.0 percent of the first \$200,000 of actual home value from property tax and requires the State Treasurer to reimburse local governments for the resulting lost property tax revenues. Pursuant to Section 39-3-207 (4) (a), C.R.S., and in accordance with Section 3.5 of Article X of the State Constitution, no later than April

15<sup>th</sup> of each year the State Treasurer shall issue a warrant to each county treasurer for the amount needed to fully reimburse all local governmental entities within the county for the amount of property tax revenues lost as a result of the application of the property tax exemption. Because the Constitution requires the state to fully reimburse local governmental entities within each county, the amount appropriated annually in the Senior Citizen and Disabled Veteran Property Tax Exemption line item of the Long Bill is provided for informational purposes only and is typically based on the March Economic Forecast. Amounts *exceeding* the total amount identified in the Long Bill appropriation are reimbursed to counties from the General Fund in their entirety. Pursuant to Section 39-3-207 (6), C.R.S., if reimbursements to local entities total *less* than the amount specified in the Long Bill for each fiscal year, 95.0 percent of the excess funds are transferred to the Senior Services Account within the Older Coloradans Cash Fund, and 5.0 percent is transferred into the Veterans Assistance Grant Program Cash Fund. The annual cost of this exemption to the State of Colorado is provided in the following table.

SENIOR CITIZEN AND DISABLED VETERAN PROPERTY TAX EXEMPTION						
	FY 12-13 ACTUAL	FY 13-14 ACTUAL	FY 14-15 ACTUAL	FY 15-16 ACTUAL	FY 16-17 ACTUAL	FY 2017-18 PROJECTED
<b>NUMBER OF EXEMPTIONS GRANTED</b>						
Senior Citizens	182,905	197,598	207,457	234,677	227,611	n/a
Disabled Veterans	3,649	3,829	4,235	4,429	5,016	n/a
<b>TOTAL</b>	<b>186,554</b>	<b>201,427</b>	<b>211,692</b>	<b>239,106</b>	<b>232,627</b>	<b>n/a</b>
<b>EXEMPTED ACTUAL VALUE</b>						
Senior Citizens	\$15,088,560,545	\$16,010,118,503	\$16,848,725,408	\$19,888,261,495	\$20,011,395,148	n/a
Disabled Veterans	288,938,096	307,559,717	423,531,944	450,978,284	434,091,586	n/a
<b>TOTAL</b>	<b>\$15,377,500,000</b>	<b>\$16,317,678,220</b>	<b>\$17,272,257,352</b>	<b>\$20,339,239,779</b>	<b>\$20,445,486,734</b>	<b>n/a</b>
<b>PERCENT OF RESIDENCES GRANTED EXEMPTION</b>						
Senior Citizens	9.90%	10.82%	11.15%	12.51%	11.95%	n/a
Disabled Veterans	0.20%	0.21%	0.23%	0.24%	0.26%	n/a
<b>TOTAL</b>	<b>10.09%</b>	<b>11.03%</b>	<b>11.38%</b>	<b>12.75%</b>	<b>12.21%</b>	<b>n/a</b>
<b>PROPERTY TAX EXEMPTED</b>						
Senior Citizens	\$100,821,732	\$107,723,840	\$114,234,918	\$124,500,824	\$133,199,483	n/a
Disabled Veterans	1,906,309	2,083,129	2,646,365	2,637,206	2,909,921	n/a
<b>TOTAL</b>	<b>\$102,728,041</b>	<b>\$109,806,969</b>	<b>\$116,881,283</b>	<b>\$127,138,030</b>	<b>\$136,109,404</b>	<b>\$148,000,000</b>
<b>AVERAGE VALUE OF EXEMPTION</b>						
	\$551	\$545	\$552	\$532	\$585	n/a
<b>TRANSFERS PURSUANT TO SECTION 39-3-207 (6)</b>						
Senior Services Account	\$0	\$0	\$1,519,482	\$0	n/a	n/a
<b>TOTAL COST TO STATE OF COLORADO</b>	<b>\$102,728,041</b>	<b>\$109,806,969</b>	<b>\$118,400,765</b>	<b>\$127,138,030</b>	<b>\$136,109,404</b>	<b>n/a</b>

FY 2017-18 projected values based on the December 2016 Legislative Council Economic Forecast.

### JBC STAFF RECOMMENDATION

Staff recommends that the Committee consider sponsoring a bill to lower the maximum amount of residence value that is exempt from taxation to 50.0 percent of the first \$100,000 of actual residence value for qualifying senior citizens. This recommendation is consistent with the recommendation dated November 20, 2015 and the Governor's request dated January 17, 2017.

## CONSIDERATION OF OPTIONS

Current law exempts 50.0 percent of the first \$200,000 of actual home value from property tax. Concurrent concerns, including the rising cost of the senior citizen property tax exemption and senior needs in the State of Colorado, have led to ongoing discussions about possible alternatives to the exemption itself. Regardless of the type of change made to the program, there are two things to note:

- 1) A bill will be required; and
- 2) Section 6 of Article X of the Colorado Constitution states that “all laws exempting from taxation property other than that specified in this article shall be void,” therefore the General Assembly is prohibited from enacting property tax exemptions that are not already provided for in Article X of the constitution.

This memorandum discusses options available to the General Assembly concerning the senior citizen property tax exemption within the context of:

- 1) Age
- 2) Portability;
- 3) Means;
- 4) Living situation; and
- 5) General Fund savings

Staff assumptions include:

- 1) The eligible minimum age for seniors will remain 65, unless specifically noted;
- 2) A reduction in the overall cost of the program is desirable; and
- 3) The disabled veteran property tax exemption will remain fully intact.

## WHAT ARE THE OTHER OPTIONS?

Joint Budget Committee staff has prepared the following analyses of options to current law that may be considered. Options may not be limited to those staff has included in this memorandum.

### → REDUCTION IN THE EXEMPTED MAXIMUM AMOUNT OF RESIDENCE VALUE

The constitution grants the General Assembly the power to raise or lower the maximum amount of residence value that is exempt from taxation. In the past, the General Assembly has elected to lower the maximum amount of residence value to \$0 for budget balancing purposes; however the Colorado Constitution does not limit the General Assembly’s options to that choice. The General Assembly may raise or lower the exempted value to any number, including \$100,000. **JBC staff recommends this option.**

### IS ELIGIBILITY DEPENDENT UPON AGE?

Yes. The Colorado Constitution limits the benefit to individuals who meet age-eligibility requirements. A qualifying senior must be 65 years of age or older, or the surviving spouse of a previously qualifying senior.

### DOES THIS OPTION INCLUDE PORTABILITY?

No. The Colorado Constitution limits the benefit to a senior who has owned and occupied the property for a minimum of 10 years.

**IS THIS OPTION MEANS TESTED?**

No. There is no income eligibility provided for in Section 3.5 of Article X of the Colorado Constitution.

**WHAT LIVING SITUATIONS ARE ELIGIBLE WITH THIS OPTION?**

The Colorado Constitution limits the benefit of the senior citizen exemption to seniors who own and occupy their homes.

**WILL THIS OPTION RESULT IN A GENERAL FUND SAVINGS FOR THE STATE OF COLORADO?**

Yes. During the FY 2017-18 Briefing for the Department of the Treasury, JBC staff estimated the General Fund cost savings for this option to be approximately \$73.4 million General Fund. Since that briefing, updated projections have been provided and JBC staff agrees with the estimated General Fund savings of \$68.1 million identified in the Governor's letter dated January 17, 2017.

**→ PROPERTY TAX REIMBURSEMENT LIMIT**

A second option is legislation that establishes a maximum total cost of the senior property tax exemption each year, including a requirement that the eligible taxable amount of the property value (currently \$200,000) be adjusted annually to keep the county reimbursements within that total cost. This will require guidance to the agency receiving the power (presumably the property tax administrator) to not give unfettered discretion to delegate its power to adjust the amount of property value to be exempted to the executive branch. Legislative Legal Services staff believes that setting a target total cost would sufficiently limit the discretion. **If this option is considered, JBC staff recommends a maximum total cost of the exemption of \$80.0 million for qualifying seniors.** Based on JBC staff projections, this value is approximately equivalent to the exemption of 50.0 percent of the first \$100,000 of the value of the home in FY 2019-20.

**IS ELIGIBILITY DEPENDENT UPON AGE?**

Yes. This potential legislation is unable to make changes to the age requirement of 65 years or older currently defined in the Colorado Constitution.

**DOES THIS OPTION INCLUDE PORTABILITY?**

No. This option does not change the eligibility requirements as defined in the Colorado Constitution and therefore does not allow for portability.

**IS THIS OPTION MEANS TESTED?**

No. This option does not include means testing.

**WHAT LIVING SITUATIONS ARE ELIGIBLE WITH THIS OPTION?**

Because the exemption is specific to property tax and home ownership, it is available only to seniors who are owner/occupiers of their residences.

**WILL THIS OPTION RESULT IN A GENERAL FUND SAVINGS FOR THE STATE OF COLORADO?**

It can. The level of General Fund savings can be determined by the General Assembly, however JBC staff recommends establishing a limit of \$80.0 million for qualifying seniors. Based on projections, JBC staff estimates the General Fund savings for the State of Colorado to be approximately \$62.0 million in FY 2017-18 and \$74.0 million in FY 2018-19 if the limit is set at \$80.0 million.

→ **PROPERTY TAX/INCOME TAX RATIO REBATE**

This option will require the passage of a bill that lowers the amount of the actual home value that is exempted from property tax to \$0, and creates a rebate payable to individuals whose property tax exceeds a specified percentage of the homeowner's(s) income. **If this option were to be considered, JBC staff recommends a maximum program cost of \$70.0 million in FY 2017-18, including administrative costs. Because the State of Colorado does not have a "medically needy" program in Medicaid, JBC staff recommends that "income" be calculated as adjusted gross income minus out of pocket medical expenses.**

**IS ELIGIBILITY DEPENDENT UPON AGE?**

Yes. The potential legislation can limit this program to seniors ages 65 years and older.

**DOES THIS OPTION INCLUDE PORTABILITY?**

Yes. The potential legislation need not include a time in residence limiting factor.

**IS THIS OPTION MEANS TESTED?**

Yes. The potential legislation can specify the ratio of property tax to income upon which eligibility will be based.

**WHAT LIVING SITUATIONS ARE ELIGIBLE WITH THIS OPTION?**

This option is available to seniors who both own and occupy the home as a primary residence. (It is possible to extend the program to renters based on the assumption that a specified percentage of the rent is applied to property taxes by the property owner. How this is calculated would need to be defined in statute.)

**WILL THIS OPTION RESULT IN A GENERAL FUND SAVINGS FOR THE STATE OF COLORADO?**

The concept of a "property tax circuit breaker" has been suggested as a possible solution to helping homeowners avoid property tax overload. This type of program provides property tax relief when a person's property taxes exceed a specified percentage of the homeowner's(s) income. JBC staff has consulted with staff from the Office of Legislative Legal Services (OLLS) about the constitutionality of this type of program in the State of Colorado. If the program itself were established as a property tax credit, OLLS staff raised questions as to the legal authority of the General Assembly to enact such a credit. Although the credit does not specifically alter any mill levy, it does result in a change in the total amount of property tax per dollar of assessed value that is collected within the same uniform class of "all residential units" as defined by Section 3 (1) (b) of Article X of the State Constitution. This section also specifies how the ratio of valuation for assessment for all residential real property is to be calculated in this uniform class. Because the income level of the owner of a property will not affect the actual value of the residential property, it would require the creation of a new sub-class of residential real property based on property owner income levels. An alternative to this would be for the General Assembly to create a program through which a rebate is paid to the homeowner through the income tax system.

A rebate program will require an annual application and submission of proof of property taxes paid and income taxes filed by the homeowner. The least costly means through which to administer the program will be through the Department of Revenue (DOR) with rebate checks paid directly from the State of Colorado to the property owner. An annual appropriation to the DOR will be required.

This type of program will require funding for a public awareness campaign to ensure that eligible property owners are informed of the rebate opportunity. This option differs from the Tax Credit option (see below) because it is based on a ratio between property tax and income tax, whereas the tax credit is based solely on income tax. It is likely that the administrative costs for this type of program will exceed those of the Tax Credit or Housing Voucher options (see below).

Because the rebate program will be subject to annual appropriation, General Fund savings can be built into this option. It is important to note, however, that passing legislation that zeros out the Constitutional property tax exemption and creates the program in statute does not eliminate the property tax exemption from law. As a result, the exemption can be reinstated upon the passage of new legislation by a future General Assembly.

### → HOUSING VOUCHERS

The passage of a bill that lowers the amount of the actual home value that is exempted from property tax to \$0, and creates a housing voucher program for seniors may be an option to address some of the issues discussed by the JBC, depending on how the program is defined in statute. **If this option were to be considered, JBC staff recommends a maximum program cost of \$70.0 million in FY 2017-18, including administrative costs. JBC staff also recommends that out of pocket medical expenses be considered in eligibility determination.**

#### **IS ELIGIBILITY DEPENDENT UPON AGE?**

Yes. The potential legislation can limit this program to seniors ages 65 years and older.

#### **DOES THIS OPTION INCLUDE PORTABILITY?**

Yes. The potential legislation need not include a time in residence limiting factor.

#### **IS THIS OPTION MEANS TESTED?**

Depending on how the program is developed, the value of vouchers issued to qualifying seniors can be based on income. This may require the development of a tiered system to determine the income thresholds and the value of each associated voucher. It can be developed to provide support to senior households who pay more than a defined percentage of their income for housing costs. Because Colorado does not currently have a “medically needy” program in Medicaid, the voucher program can also be designed to include consideration of out of pocket medical expenses.

#### **WHAT LIVING SITUATIONS ARE ELIGIBLE WITH THIS OPTION?**

This option may be available to seniors in any type of living situation depending on the language included in the legislation.

#### **WILL THIS OPTION RESULT IN A GENERAL FUND SAVINGS FOR THE STATE OF COLORADO?**

Because the voucher program will be subject to annual appropriation, General Fund savings can be built into this option. It is important to note, however, that passing legislation that zeros out the Constitutional property tax exemption and creates the program in statute does not eliminate the property tax exemption from law. As a result, the exemption can be reinstated upon the passage of new legislation by a future General Assembly.

This type of program will likely be state supervised and county administered and as a result will require both state and county FTE. Actual costs will depend upon the structure of the program. If

the General Assembly limits the total program expenditures, including administration, to \$70.0 million, General Fund savings will be realized. It is important to note that within that limitation, the greater the administrative cost of the program, the less funding will be available to seniors in the form of vouchers. The voucher program differs from the rebate and tax credit (see below) options because it is administered at the county level and provides vouchers specifically to pay for housing costs.

(Note: The Division of Housing in the Department of Local Affairs is currently appropriated \$2.2 million total funds for personal services costs to administer programs funded through the Low Income Rental Subsidies, Homeless Prevention Programs, and Fort Lyon Supportive Housing Program line items. The program appropriation for these three line items totals \$55.0 million total funds.)

### → INCOME TAX CREDIT

The passage of a bill that lowers the amount of the actual home value that is exempted from property tax to \$0, and creates an income tax credit for seniors has been presented as an option to address some of the issues discussed by the JBC, depending on how the credit or rebate is defined in statute. **If this option were to be considered, JBC staff recommends that the tax credit be based on a factor related to adjusted gross income minus out of pocket medical expenses.**

#### **IS ELIGIBILITY DEPENDENT UPON AGE?**

The legislation may include language restricting the eligibility of the tax credit to seniors ages 65 and older.

#### **DOES THIS OPTION INCLUDE PORTABILITY?**

Yes. This option can be designed to provide a tax credit to a senior regardless of how long he or she has owned or occupied any residence. If the General Assembly were to establish a time requirement for residency, it will increase the administrative costs of the program. These costs may be off-set by a reduction in the number of seniors who may be eligible in a given year.

#### **IS THIS OPTION MEANS TESTED?**

Insofar as the tax credit can be designed as a tiered credit based on adjusted gross income, this option can be considered means tested. It does not consider other factors that may negatively impact net household income.

#### **WHAT LIVING SITUATIONS ARE ELIGIBLE WITH THIS OPTION?**

This option may be available to seniors in any type of living situation, depending on the language included in the legislation.

#### **WILL THIS OPTION RESULT IN A GENERAL FUND SAVINGS FOR THE STATE OF COLORADO?**

Because the General Assembly can select the annual tax credit limit, General Fund savings can be built into this option. It is important to note, however, that passing legislation that zeros out the Constitutional property tax exemption and creates a tax credit or rebate in statute does not eliminate the property tax exemption from law. As a result, the exemption can be reinstated upon the passage of new legislation by a future General Assembly.

*NONREFUNDABLE TAX CREDITS*

Tax credits can be nonrefundable, refundable, or partially refundable. Most tax credits are **nonrefundable** and can reduce a taxpayer’s tax liability to zero, but not below. A taxpayer must have a tax liability to claim a nonrefundable tax credit. Because many seniors who may be eligible for this credit or rebate have retirement income from Social Security or other sources, a nonrefundable tax credit will fail to benefit all eligible seniors. Colorado offers a retirement income deduction of \$24,000 annually for persons age 65 and up. For married couples, each person can claim the deduction. This deduction applies to Social Security, so someone with Social Security income of \$17,000, which is close to the average for U.S. households, would not need to pay income taxes on that amount. Subsequently, individuals or couples with no income tax liability in the State of Colorado would be ineligible for a nonrefundable tax credit. It is for this reason that JBC staff does not recommend this option.

*REFUNDABLE TAX CREDITS*

**Refundable** tax credits, such as the Earned Income Tax Credit (EITC), are not based on tax liability and are, therefore, available to qualifying households regardless of income and whether or not the household is required to pay taxes. An example of this type of tax credit for seniors was modelled for the JBC by Legislative Council staff during the 2016 Legislative Session. Following are two hypothetical examples of a refundable tax credit based on a limit of \$100 million. (Examples provided by Legislative Council Staff.)

**EXAMPLE 1:** Refundable income tax credit (or rebate) limited to \$100 million in total credits (or rebates). Eligibility for this example includes:

- Available to renters and homeowners living in Colorado;
- One per household with a householder age 65 or older; and
- Limited to households with an adjustable gross income at or below the median household income for Colorado householders ages 65 and older.

**ESTIMATED INCOME REQUIREMENTS,  
 QUALIFYING HOUSEHOLDS, AND CREDIT/REBATE AMOUNTS**

MEDIAN HOUSEHOLD INCOME ELIGIBILITY	ADJUSTED GROSS INCOME ELIGIBILITY	TOTAL CREDIT/REBATE ALLOCATION	CREDIT/REBATE PER HOUSEHOLD	QUALIFYING HOUSEHOLDS
Up to 100%	Up to \$46,946	\$100 million	\$451	221,765

Source: Legislative Council Staff estimates. Estimates subject to change with additional data or information.

**EXAMPLE 2:** Refundable income tax credit (or rebate) limited to \$100 million in total credits (or rebates), allocated by income tier. Eligibility for this example includes:

- Available to renters and homeowners living in Colorado;
- Limited to one per household with a householder age 65 or older; and
- Means-tested based on four adjusted gross income tiers relative to median household income for Colorado householders ages 65 and older.



**ESTIMATED INCOME REQUIREMENTS,  
 QUALIFYING HOUSEHOLDS, AND CREDIT/REBATE AMOUNTS**

<b>PERCENT OF MEDIAN HOUSEHOLD INCOME</b>	<b>ADJUSTED GROSS INCOME ELIGIBILITY</b>	<b>CREDIT/REBATE ALLOCATION PER TIER</b>	<b>CREDIT/REBATE PER HOUSEHOLD</b>	<b>QUALIFYING HOUSEHOLDS</b>
Tier 1: 0% - 50%	Up to \$23,473	\$70 million	\$454	154,265
Tier 2: 50% - 100%	\$23,473 to \$46,946	\$20 million	\$296	67,519
Tier 3: 100% - 150%	\$46,946 to \$70,419	\$10 million	\$119	83,972
Tier 4: Over 150%	\$70,419 to \$93,892	\$0	\$0	129,465

Source: Legislative Council Staff estimates. Estimates subject to change with additional data or information.

The model above is based solely on the adjusted gross income of the qualifying household. Though this qualifies the refundable tax credit as means tested, it does not take into consideration factors that impact the qualifying household’s net income, such as out of pocket medical expenses. For some seniors who do not qualify for other types of aid, such as Medicaid, the household may have less net income to cover living expenses than seniors who do qualify for other forms of assistance and who may receive a larger tax credit because the adjusted gross income is lower. As a result, the refundable tax credit based solely on adjusted gross income may not assist the senior subpopulation who might benefit from it the most. It is for this reason, and because the State of Colorado does not have a “medically needy” program in Medicaid, that, if this option were to be considered, JBC staff recommends that out of pocket medical expenses be factored in as a variable for calculating the tax credit.

Finally, refundable tax credits tend to have higher fraud rates. According to JBC staff’s FY 2016-17 Department of Revenue figure setting document:

Refundable tax credits such as the EITC have high auditing requirements due to: taxpayer fraud through identity theft, authentication issues based on the inability to authenticate qualifying...status, verification of taxpayers’ filing status, claims associated with complex or nontraditional living arrangements, and income verification that includes under- and over-reporting for self-employed taxpayers.

The fraudulent activity is tied to the financial benefit of refundable credits, namely, a taxpayer can claim a refund whether or not the taxpayer has a tax liability. The federal Office of Management and Budget has identified the federal EITC as the only IRS program that is a high risk tax incentive for the government. For FFY 2012-13, the IRS maintained that 24 percent (totaling \$14.5 billion) of EITC’s claimed were paid erroneously due to the above identified issues—this amount has grown significantly over the years. From 2003 through 2013, the IRS estimates that total EITCs paid in error is between \$124 billion and \$148 billion. The Department expects that it will have similar administrative issues as the IRS in terms of the implementation of the Colorado EITC.

Due to the increased fraud potential of a refundable tax credit, the administrative costs of this type of program will be higher. Cost estimates for the administration of such a program are provided below. Due to the high risk tax incentive for the State of Colorado, JBC staff does not recommend a refundable tax credit.

*ADMINISTRATIVE COSTS*

In addition to the cost of the tax credit or rebate, administrative costs associated with this option will be realized by the Department of Revenue and perhaps by the Department of Local Affairs or other state departments. According to Legislative Council Staff, **first year costs** in the Department of Revenue (DOR) may include the following:

FIRST YEAR COSTS	COST DESCRIPTION
	\$20,000 or more; varies depending on programming requirements at a contractor rate of \$200 per hour
GenTax programing	
GenTax testing	\$7,677 or more
Form change costs	\$1,200 per form

Ongoing administrative costs include additional FTE to administer the program, including call center staff, audit staff, and document management and postage. According to the DOR's R2 budget request for FY 2016-17, the implementation of the Earned Income Tax Credit required an addition 23.4 FTE at a total cost of \$1.4 million. If eligibility includes a multi-year residency requirement, coordination may be required with multiple state agencies, increasing the overall cost of administration.

**→ REFERRED MEASURE**

The passage of a concurrent resolution by the General Assembly to refer to voters a constitutional amendment to change the language of the Homestead Act can address some of the issues deemed important to the General Assembly. It will not expand eligibility to seniors who are not home owners. **If this option were to be pursued, JBC staff recommends only language that will amend the Constitution to designate the maximum actual home value that is eligible for exemption.**

**IS ELIGIBILITY DEPENDENT UPON AGE?**

Yes. Currently, a qualifying individual must be 65 years of age or older. It is possible for the minimum age to be changed by the referred measure if the General Assembly elects to do so. If the eligible age is raised to 67 years, JBC staff anticipates that the cost of the exemption will stabilize for a period of time after which the total cost is likely to decrease. This assumes: 1) seniors who already qualify for the exemption but are not yet 67 years of age will continue to receive the exemption if all other eligibility requirements are met; and 2) assessed values of homes remain constant.

**DOES THIS OPTION INCLUDE PORTABILITY?**

It may, if language is included in the referred measure to allow for a senior citizen to sell a home and purchase another one. Depending on the General Assembly's intent, the language may restrict portability to one move, to the purchase of a home in the same county in which the original home was sold, and/or to a home of lesser value than that which was sold. Currently, the Constitution does not allow for portability. Expanding the property tax exemption to include portability will increase costs unless other limits to eligibility are included in the referred measure.

**IS THIS OPTION MEANS TESTED?**

A form of means testing may be built in to the amendment language by including in the eligibility determination a designated maximum actual home value, for example \$200,000. The will result in an overall cost savings.

**WHAT LIVING SITUATIONS ARE ELIGIBLE WITH THIS OPTION?**

Because the exemption is specific to property tax and home ownership, it is available to seniors who are homeowners only and who occupy the home as a primary residence.

**WILL THIS OPTION RESULT IN A GENERAL FUND SAVINGS FOR THE STATE OF COLORADO?**

General Fund savings will only be realized if changes to the eligibility results in a decrease in the number of seniors who are eligible for the exemption. This includes: 1) raising the age of eligibility, or 2) establishing a maximum home value that is eligible for exemption.

Based on estimated data provided to JBC staff by the Department of Local Affairs, 228,400 seniors are eligible for the property tax exemption under current law in property tax year 2016. Of this number, 143,879 eligible seniors (63.0 percent) own a home with an actual value of \$200,000 or less. (Please see Appendix B for more information.) Staff expects this number to decrease if property values in the State of Colorado continue to rise. General Fund savings as a result of the passage of the referred measure will vary depending on how each of the issues is addressed. Staff estimates the General Fund savings to be between \$0 and \$55.7 million. If eligibility continues to include seniors aged 65 and older, and no portability is granted, General Fund savings are estimated by JBC staff at between \$49.3 million and \$55.7 million annually.

FY 2016-17 SENIOR PROPERTY TAX EXEMPTION			
ACTUAL HOME VALUE	NUMBER OF EXEMPTIONS	PERCENT OF ELIGIBLE EXEMPTIONS (CURRENT LAW)	LOST PROPERTY TAX AS A RESULT OF THE EXEMPTION
\$0-\$200,000	143,879	63.0%	\$77.5 million
≥ \$200,001	84,521	37.0%	\$55.7 million

During the 2005 Legislative Session, SCR 06-005 was introduced to refer a measure to the voters to extend the senior property tax exemption to seniors that maintained primary residency anywhere in the State of Colorado for 10 years. This resolution was postponed indefinitely, but the fiscal impact was estimated at an increased cost of \$28.1 million for the newly eligible seniors. Based on this, JBC staff estimates a minimum impact of \$57.4 million General Fund in FY 2017-18 for newly eligible seniors if portability were added to the Colorado Constitution.

ESTIMATED ELIGIBLE SENIORS IF PORTABILITY IS ALLOWED			
	# OF SENIORS	AV. EXEMPTION	GF IMPACT
Currently eligible	228,400	\$585	\$133,614,000
Newly eligible	98,121	585	57,400,785
Total	326,521	\$585	\$191,014,785

## APPENDIX A: SUMMARY OF PREVIOUS LEGISLATION

In the past, legislation has been introduced to make changes to the Senior Citizen Property Tax Exemption as defined in the Colorado Constitution. The following table provides a brief summary of legislation specifically related to the senior citizen portion of the exemption.

BILL #	CONTENT	ACTION	FISCAL IMPACT
SB 03-265	Reduce taxable value to \$0	Enacted	Reduce state expenditures by full amount of senior exemption
SB 03-334	Allow late applications	Enacted	n/a
HB 04-1001	Restore exemption	PI	n/a
HCR 04-1017	Pay exemption from TABOR surplus	PI	n/a
SCR 06-005	Expand eligibility to 10 year state residency	PI	\$60,238 in FY 2007-08; JBC staff estimate FY 2016-17 \$94,000
HCR 08-1002	Change primary residence once	PI	\$4.8 million in FY 2010-11; JBC staff estimate FY 2016-17 \$6.4 million
HCR 08-1003	Ownership less than 10 years	PI	\$7.2 million in FY 2010-11; JBC staff estimate FY 2016-17 \$9.6 million
SB 09-276	Reduce taxable value to \$0	Enacted	Reduce state expenditures by full amount of senior exemption
HB 10-1257	Prohibiting the reduction of the taxable value of a qualifying property if state FTE increases in a given year	PI	n/a
SB 10-190	Reduce taxable value to \$0	Enacted	Reduce state expenditures by full amount of senior exemption
HCR 13-1001	Ownership less than 10 years if residence changed due to medically verifiable mobility impairment or other ailment	PI	\$550,000 in FY 2015-16
HB 14-1373	Expand eligibility to owner or surviving spouse displaced by natural disaster, surviving spouse of deceased disabled veteran	Enacted	\$97,988 in FY 2015-16

## APPENDIX B: SENIOR CITIZEN PROPERTY TAX EXEMPTION, 2016

The following tables contain Joint Budget Committee Staff estimates of the cost by actual home value of the Senior Citizen Property Tax Exemption for tax year 2016. These estimates are based on by county data provided by the Department of Local Affairs and are subject to change upon verification of eligibility, and application of actual tax rates.

**SENIOR CITIZEN PROPERTY TAX EXEMPTION**  
(50.0 PERCENT OF FIRST \$200,000 OF ASSESSED VALUE OF HOME)

TAXABLE ACTUAL VALUE RANGE	NUMBER OF EXEMPTIONS	TAXABLE ACTUAL PROPERTY VALUE	PROPERTY TAX PRIOR TO EXEMPTION (CALCULATED AT AN AVERAGE EFFECTIVE TAX RATE OF 0.624%)	VALUE EXEMPT FROM PROPERTY TAX	TAXED VALUE AFTER EXEMPTION	PROPERTY TAX AFTER EXEMPTION (CALCULATED AT AN AVERAGE EFFECTIVE TAX RATE OF 0.624%)	LOST PROPERTY TAX AS A RESULT OF THE EXEMPTION	AVERAGE COST PER EXEMPTION	PERCENT OF TOTAL LOST TAX
\$0-\$100,000	79,255	\$5,334,932,766	\$33,289,980	\$5,334,932,766	0	\$0	\$33,289,980	\$420	26.5%
\$100,001-\$200,000	64,624	9,557,589,652	59,639,359	6,389,856,020	3,167,733,632	19,766,658	39,872,702	617	31.7%
\$200,001-\$300,000	39,358	9,610,248,016	59,967,948	3,922,322,665	5,687,925,351	35,492,654	24,475,293	622	19.5%
\$300,001-\$400,000	19,353	6,660,801,691	41,563,403	1,932,461,374	4,728,340,317	29,504,844	12,058,559	623	9.6%
\$400,001-\$500,000	9,916	4,423,054,022	27,599,857	990,218,129	3,432,835,893	21,420,896	6,178,961	623	4.9%
\$500,000-\$600,000	5,692	3,106,957,257	19,387,413	568,808,195	2,538,149,062	15,838,050	3,549,363	624	2.8%
\$600,001-\$700,000	3,441	2,220,521,748	13,856,056	343,672,836	1,876,848,912	11,711,537	2,144,518	623	1.7%
\$700,001-\$800,000	2,132	1,593,321,148	9,942,324	213,198,547	1,380,122,601	8,611,965	1,330,359	624	1.1%
\$800,001-\$900,000	1,335	1,130,440,171	7,053,947	133,337,644	997,102,527	6,221,920	832,027	623	0.7%
\$900,001-\$1.0 mil.	830	787,835,746	4,916,095	82,975,075	704,860,671	4,398,331	517,764	624	0.4%
\$1.0 million - \$1.5 mil.	1,567	1,860,908,306	11,612,068	156,382,657	1,704,525,649	10,636,240	975,828	623	0.8%
\$1.5 million - \$2.0 mil.	443	754,850,853	4,710,269	44,285,723	710,565,130	4,433,926	276,343	624	0.2%
\$2.0 million - \$2.5 mil.	187	416,954,121	2,601,794	18,599,999	398,354,122	2,485,730	116,064	621	0.1%
\$2.5 million - \$5.0 mil.	209	693,566,013	4,327,852	20,896,270	672,669,743	4,197,459	130,393	624	0.1%
\$5.0 million - \$10.0 mil.	50	315,383,891	1,967,995	5,000,000	310,383,891	1,936,795	31,200	624	0.0%
Over \$10.0 mil.	8	104,399,610	651,454	800,000	103,599,610	646,462	4,992	624	0.0%
<b>TOTAL</b>	<b>228,400</b>	<b>\$48,571,765,011</b>	<b>\$303,087,814</b>	<b>\$20,157,747,900</b>	<b>\$28,414,017,111</b>	<b>\$177,303,467</b>	<b>\$125,784,347</b>	<b>\$551</b>	<b>100.0%</b>

**SENIOR CITIZEN PROPERTY TAX EXEMPTION**  
(50.0 PERCENT OF FIRST \$100,000 OF ASSESSED VALUE OF HOME)

TAXABLE ACTUAL VALUE RANGE	NUMBER OF EXEMPTIONS	TAXABLE ACTUAL PROPERTY VALUE	PROPERTY TAX PRIOR TO EXEMPTION (CALCULATED AT AN AVERAGE EFFECTIVE TAX RATE OF 0.624%)	VALUE EXEMPT FROM PROPERTY TAX	TAXED VALUE AFTER EXEMPTION	PROPERTY TAX AFTER EXEMPTION (CALCULATED AT AN AVERAGE EFFECTIVE TAX RATE OF 0.624%)	LOST PROPERTY TAX AS A RESULT OF THE EXEMPTION	AVERAGE COST PER EXEMPTION	PERCENT OF TOTAL LOST TAX
\$0-\$100,000	79,255	\$5,334,932,766	\$33,289,980	\$3,605,938,300	\$1,728,994,466	\$10,788,925	\$22,501,055	\$284	32.6%
\$100,001-\$200,000	64,624	9,557,589,652	59,639,359	3,231,200,000	6,326,389,652	39,476,671	20,162,688	312	29.2%
\$200,001-\$300,000	39,358	9,610,248,016	59,967,948	1,967,900,000	7,642,348,016	47,688,252	12,279,696	312	17.8%
\$300,001-\$400,000	19,353	6,660,801,691	41,563,403	967,650,000	5,693,151,691	35,525,267	6,038,136	312	8.7%
\$400,001-\$500,000	9,916	4,423,054,022	27,599,857	495,800,000	3,927,254,022	24,506,065	3,093,792	312	4.5%
\$500,000-\$600,000	5,692	3,106,957,257	19,387,413	284,600,000	2,822,357,257	17,611,509	1,775,904	312	2.6%
\$600,001-\$700,000	3,441	2,220,521,748	13,856,056	172,050,000	2,048,471,748	12,782,464	1,073,592	312	1.6%
\$700,001-\$800,000	2,132	1,593,321,148	9,942,324	106,600,000	1,486,721,148	9,277,140	665,184	312	1.0%
\$800,001-\$900,000	1,335	1,130,440,171	7,053,947	66,750,000	1,063,690,171	6,637,427	416,520	312	0.6%
\$900,001-\$1.0 mil.	830	787,835,746	4,916,095	41,500,000	746,335,746	4,657,135	258,960	312	0.4%
\$1.0 million - \$1.5 mil.	1,567	1,860,908,306	11,612,068	78,350,000	1,782,558,306	11,123,164	488,904	312	0.7%
\$1.5 million - \$2.0 mil.	443	754,850,853	4,710,269	22,150,000	732,700,853	4,572,053	138,216	312	0.2%
\$2.0 million - \$2.5 mil.	187	416,954,121	2,601,794	9,350,000	407,604,121	2,543,450	58,344	312	0.1%
\$2.5 million - \$5.0 mil.	209	693,566,013	4,327,852	10,450,000	683,116,013	4,262,644	65,208	312	0.1%
\$5.0 million - \$10.0 mil.	50	315,383,891	1,967,995	2,500,000	312,883,891	1,952,395	15,600	312	0.0%
Over \$10.0 mil.	8	104,399,610	651,454	400,000	103,999,610	648,958	2,496	312	0.0%
<b>TOTAL</b>	<b>228,400</b>	<b>\$48,571,765,011</b>	<b>\$303,087,814</b>	<b>\$11,063,188,300</b>	<b>\$37,508,576,711</b>	<b>\$234,053,519</b>	<b>\$69,034,295</b>	<b>\$302</b>	<b>100.0%</b>