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SENIOR HOMESTEAD AND DISABLED VETERAN PROPERTY TAX EXEMPTIONS

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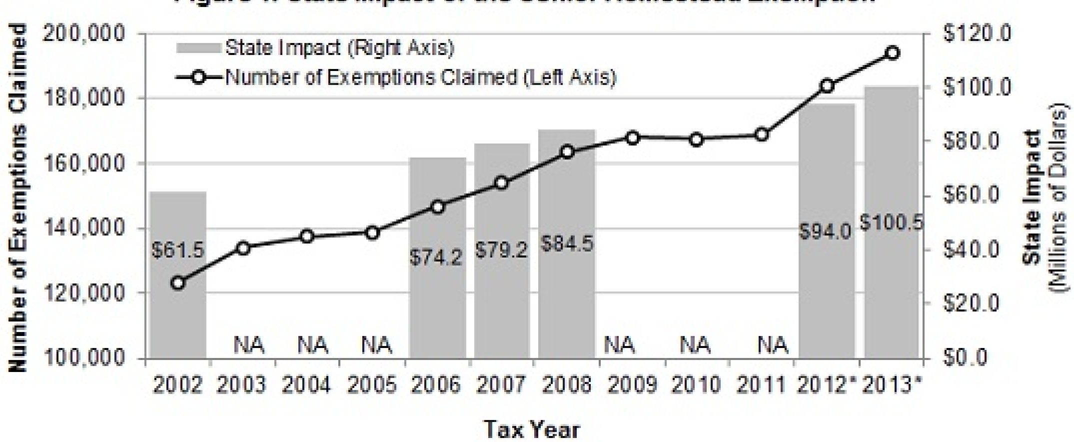
This issue brief provides information about the senior homestead property tax exemption, which was temporarily suspended until the 2012 tax year, and the disabled veteran property tax exemption.

Senior Homestead Exemption. 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 must be age 65 and over and have lived in the same primary residence for the immediate prior 10 years. In the circumstance of a death, a senior's surviving spouse may retain the exemption. The constitutional homestead exemption authorizes the General Assembly to adjust the market value of the exemption for tax years 2003 and beyond. To address budget shortfalls, the General Assembly reduced the benefit of the exemption to zero in tax years 2003, 2004, 2005, and in 2009, 2010 and 2011. Thus, the exemption was not available in these years.

The state is constitutionally required to reimburse counties for the reduction in property tax revenue resulting from the exemption. In 2008, when 163,619 seniors claimed the exemption, local governments were reimbursed $84.5 million from the General Fund. Figure 1 shows the state impact of the senior homestead exemption since its inception.

Figure 1. State Impact of the Senior Homestead Exemption

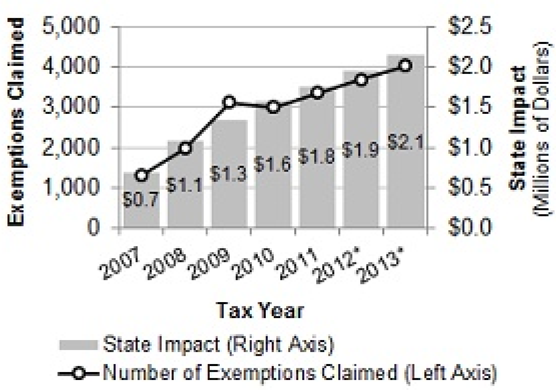


Source: *Division of Property Taxation*
*Legislative Council Staff projection
NA = The exemption is not available in this tax year.

Funds for the senior homestead property exemption are estimated and budgeted for within the long appropriations bill. In the past, if the total exemptions claimed was less than the budget amount, the Joint Budget Committee (JBC) would adjust the appropriation through a supplemental to reflect the correct exemption amount. In FY 2012-13, HB 12-1326 allows for any over-budgeted amount to be transferred from the General Fund to the Senior Services Account. For FY 2012-13, $98.5 million was budgeted for the tax year 2012 senior homestead exemption. If, for example, the actual total exemptions claimed are $97.5 million, then $1 million would be transferred to the Senior Services Account. If actual total exemptions claimed are greater than what was budgeted, there is no effect on the Senior Services account and the JBC will adjust the appropriation through the supplemental process to reflect the correct total.

Disabled Veteran Exemption. In the 2006 general election, voters extended the property tax exemption to disabled veterans who have a 100 percent permanent and total disability rating as a result of a service-connected disability. Figure 2 shows the state impact of the disabled veteran property tax exemption since its inception. Similar to the senior homestead exemption, the disabled veteran exemption may also be lowered by the state legislature. To date, the state legislature has not reduced the exemption.

Figure 2. State Impact of the Disabled Veterans Property Tax Exemption



*Source: Division of Property Taxation. *Projected Impact.*

Savings From the Exemptions

Box 1 provides an example of the savings the average homeowner would receive from either exemption for a property with a market value of $250,000. The maximum exemption would exempt (subtract) $100,000 from the market value of the property (50 percent of up to $200,000 of the market value), reducing the homeowner's tax bill by $648.

Box 1. Homeowner Savings from Homestead Exemption

Local Property Tax Liability = Property Assessment Rate x Local Mill Levy

Liability without the Exemption = $250,000 x 8.85% x 73.218 mills* = $1,620

Liability with the Exemption = $150,000 x 8.85% x 73.218 mills* = $972

Homeowner Savings = $648

*The 2010 average statewide property tax mill levy (73.218 mills) was used in this calculation. Actual property tax savings will differ from this example.

Applying for an Exemption

Senior homestead exemption. For the 2012 property tax year, qualifying seniors must have owned and lived in their homes since January 1, 2002, and be age 65 by January 1, 2012. Most taxpayers are notified of their eligibility on their notice of valuation (NOV) form, which is mailed to taxpayers by May 1 during property valuation years. Taxpayers have until July 15 each year to file an application for the exemption with the county assessor's office. The application for exemption must only be filed for the first property tax year that the exemption is being claimed. An exemption will not be allowed retroactively should a qualified individual fail to file.

Please contact the Colorado Division of Property Taxation at (303) 866-2371 with questions about the exemption.

Disabled veteran exemption. Qualifying veterans must have owned a Colorado home since January 1 of the current year, may be of any age, and must be honorably discharged and have a 100 percent permanent and total disability rating from the U.S. Department of Veterans Affairs as a result of a service-connected disability. Please contact the Division of Veterans Affairs at (303) 343-1268 with questions regarding eligibility.

Veterans have until July 1 each year to file an application to the Colorado Department of Military and Veterans Affairs, Division of Veterans Affairs. Applications are available from the division at: 7465 E. 1st Avenue, Suite C, Denver. Applications may also be obtained online at: www.colorado.gov/vets