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**COLORADO'S NEW  
HOMESTEAD EXEMPTION**

by Ron Kirk

Property taxes fund local government services such as schools, police, fire protection, and recreational facilities. In the 2000 General Election, Colorado voters approved a constitutional amendment that reduces property taxes for qualifying senior citizens. In 2001, the General Assembly enacted House Bill 01-1224, which answers some questions about eligibility for the program, notification about the program, and the application process. This *Issue Brief* provides a summary of the exemption and the provisions of House Bill 01-1224. Table 1 summarizes the major provisions contained in House Bill 01-1224 that begin in 2002 and apply for each year thereafter.

**Table 1: Criteria/Deadline Schedule**

House Bill 01-1224	Criteria or Date
Exemption is available to:	Citizens 65 years and older
Home must be occupied for:	Previous ten years
Property taxes are reduced for:	The home's value in 2002
Exemption reduces taxes by:	Up to 50 percent
County assessors must notify homeowners by:	May 1, 2002
Application for exemption must be filed by:	July 15, 2002
Denial notice must be given by:	August 15, 2002
Hearings for appeal process are scheduled from:	September 1, 2002 through October 1, 2002
Penalties are imposed for:	Fraudulently claimed exemptions

State Treasurer must reimburse county treasurers by:	April 15, 2003
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**How does the exemption work?** The constitutional amendment exempts up to one-half of the first \$200,000 of a home's value from property taxation. It does not affect the property's *market value* or the price the home may sell for in the current real estate market. The portion of a home's value that is subtracted or exempted is referred to as a *homestead exemption*.

**Who qualifies for the exemption?** The property tax reduction is available to senior citizens 65 years of age or older. Qualifying seniors must also have owned and lived in their homes for at least 10 years. For the first year the exemption is available (2002), qualifying individuals must be age 65 by January 1, 2002 and have purchased and lived in their homes since January 1, 1992.

The exemption is also available to the following persons if they occupy the home as their primary residence:

- T the surviving spouse of a previously qualified individual who has not remarried; and
- T an individual who would otherwise fully qualify but has either sold or transferred the residence to a trust, a corporate partnership, or any other legal entity for estate planning purposes.

A qualified senior who would occupy a home but instead is confined to a hospital, nursing home, or assisted living facility can also receive the exemption.

The exemption is no longer allowed whenever ownership changes or the home becomes a rental property. In either case, the county assessor must be notified within 60 days of any change of ownership or occupancy.

**Can more than one exemption be claimed?** For qualifying seniors who are legally married and own more than one home, only one exemption can be claimed.

**Does the exemption apply to multiple-dwelling units?** Any qualifying senior who owns and lives in a multiple dwelling unit (e.g., duplex) as his or her primary residence will only be allowed an exemption on the portion of the unit that is occupied by the filer.

**How does the amendment impact property taxes?** Property taxes are calculated based on the value of the property and the rates set by the local governments in which the property is located. Because the constitutional amendment reduces the value of the property for tax purposes, property taxes are reduced.

The amount of the reduction depends on the value of the home. Homeowners with homes valued at \$200,000 and less receive the largest percentage tax reduction. For example, homes with a value of \$200,000 and less receive a 50 percent property tax reduction. The property tax reduction will be less for homes with a value above \$200,000. Table 2 shows the percent tax reduction for homes with values ranging from \$100,000 to \$500,000.

**Table 2: Impact of the Exemption**

Home Value	Percent Tax Reduction
\$100,000	50%
\$150,000	50%
\$200,000	50%
\$300,000	33%
\$400,000	25%
\$500,000	20%

Roughly 107,700 homes are estimated to qualify for the exemption. The average property tax savings for those who qualify will be about \$410, and ranges from about \$50 in Cheyenne County to \$780 in Douglas County.

**When does the exemption take effect?** The exemption first applies to property taxes due on the 2002 value of a home. Generally, these taxes are paid in 2003, however individuals who choose to prepay their property taxes in 2002 are also eligible for the exemption.

**When will homeowners be notified?** Beginning in 2002, county assessors are required to provide a notice by May 1 to each homeowner that a property tax exemption is available. Instructions on how to file for the exemption and the criteria for qualifying will be included in the notice. It is likely that many county assessors will include a notice on the availability of the homestead exemption in the same mailing that includes the *Notice of Valuation*.

**When must applications be filed?** Beginning in 2002, qualifying senior citizens will have until July 15 to file an application for the exemption. 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.

**When will homeowners know if an exemption is denied?** County assessors will have until August 15 of each year to notify applicants that an application for exemption has been denied. Anyone who wishes to contest a denial must request a hearing before the board of county commissioners. Hearings to contest a denial will be scheduled between September 1 and October 1. The state also has the ability to deny an exemption if it determines that more than one exemption has been claimed by an applicant.

**Are there penalties for fraudulently claimed exemptions?** If an exemption is improperly allowed due to false information or because the filer has filed for and received more than one exemption, the filer will be required to pay back the amount of property taxes not paid as a result of the exemption being allowed. If a filer supplies false information and is convicted of perjury, the filer will also be required to pay back twice the amount of the property taxes not paid plus interest.

**What is the cost of the exemption?** For FY 2002-03, the cost of the exemption is estimated at roughly \$44.1 million and is expected to increase to \$46.4 million in FY 2005-06. The cost of the

exemption will be borne by the state, rather than by local governments or other property owners. Beginning in 2003, the State Treasurer is required to reimburse local governments by April 15, for the total, annual amount of property tax revenues lost as a result of the exemption.