



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Memorandum

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THIS IS NOT A LEGAL OPINION.
August 3, 2022

TO: Interested Persons

FROM: Elizabeth Ramey, Principal Economist, 303-866-3522

SUBJECT: History of the Senior and Disabled Veteran Property Tax Exemptions

Summary

The senior homestead property tax exemption became available beginning in property tax year 2002, following voter approval of Referendum A in the 2000 General Election. The number of seniors claiming the exemption has grown over time, from 123,326 qualifying seniors in tax year 2002, to 266,538 seniors in tax year 2021. Local governments are required to be reimbursed by the state for the property tax revenue impact of the exemption. In FY 2021-22, reimbursements for the senior homestead exemption totaled \$156.5 million.

In November 2006, voters approved Referendum E, which extended the property tax exemption to veterans with a service-related disability living in Colorado, beginning in property tax year 2007. The number of veterans claiming the exemption has also grown over time, from 1,301 claimants in tax year 2007, to 9,016 veterans in tax year 2021. In FY 2021-22, reimbursements for veterans with a service-related disability totaled \$5.6 million, and the total expenditure for both exemptions was \$162.1 million.

Since the exemptions were enacted, more than 40 legislative measures have been introduced that have or would have impacted the exemptions if signed into law. Measures include bills that reduced the exemption to zero, especially following economic downturns, several measures seeking to expand the exemption to seniors who relocate into another home owned in Colorado or to additional veterans with a disability, measures seeking to expand the value of the exemption, and measures seeking to “means test” the exemption. Additionally, legislation enacted in 2017¹ directs that the homestead

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¹ Senate Bill 17-267.

exemptions be used to pay a portion of the state obligation for TABOR refunds to taxpayers in years when such a refund is required. TABOR refunds accounted for the entire amount of the exemptions for property tax year 2021, and are expected to account for the entire amount of the exemptions through at least 2024, based on current forecasts.

Background

Exemption for seniors. Voters approved adding the senior homestead property tax exemption to the state constitution in November 2000. The senior homestead exemption² is available to taxpayers in Colorado aged 65 or over who have owned and lived in their current residence for ten 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.

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. If the qualifying senior dies, the 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.

Exemption for veterans with a disability. In November 2006, voters approved Referendum E, which extended a property tax exemption to veterans with a service-related disability living in Colorado. Like the senior homestead exemption, the veteran exemption is equal to 50 percent of the first \$200,000 of the value of the home.³ 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. The veteran exemption has not been reduced since its establishment in tax year 2007.

Budgeting considerations. The state is constitutionally required to reimburse counties for the reduction in property tax revenue resulting from the homestead exemption. These reimbursements are paid from the General Fund, unless the state's TABOR refund obligation is sufficient to meet this obligation.

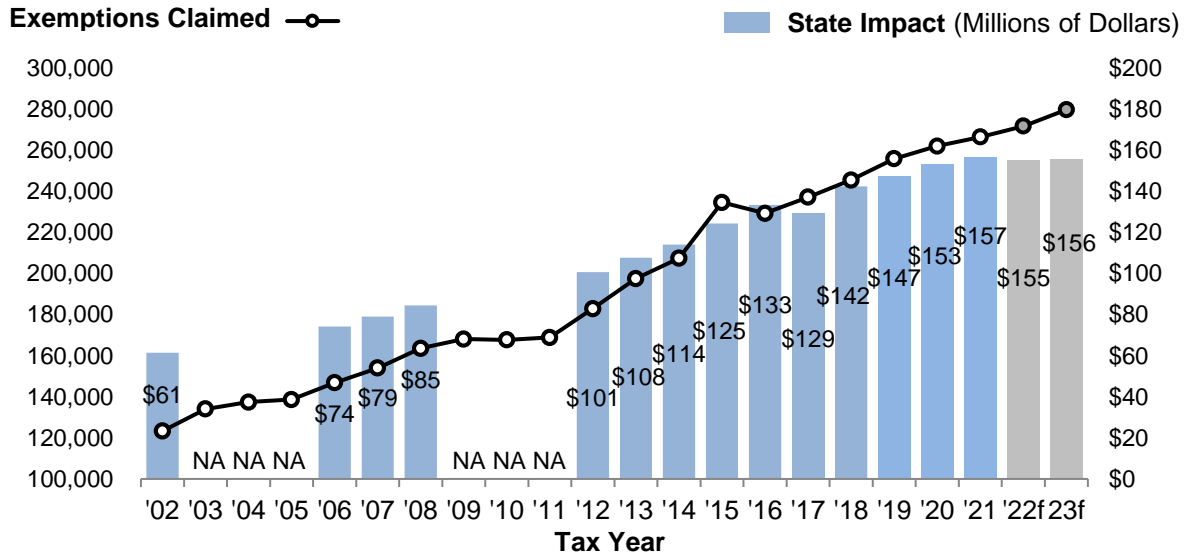
Figure 1 summarizes the amount of state General Fund expenditures for local government reimbursements for the senior homestead exemption and the number of households claiming the senior homestead exemption since its inception. For tax year 2021, 266,538 seniors claimed the exemption, and local governments were reimbursed \$156.5 million from the state's TABOR refund obligation. The figure also includes the June 2022 forecast for tax years 2022 and 2023 (shown in light grey).

²Colo. Const. Art. X § 3.5; and Section 39-3-201, C.R.S.

³Section 39-3-203(1.5), C.R.S.

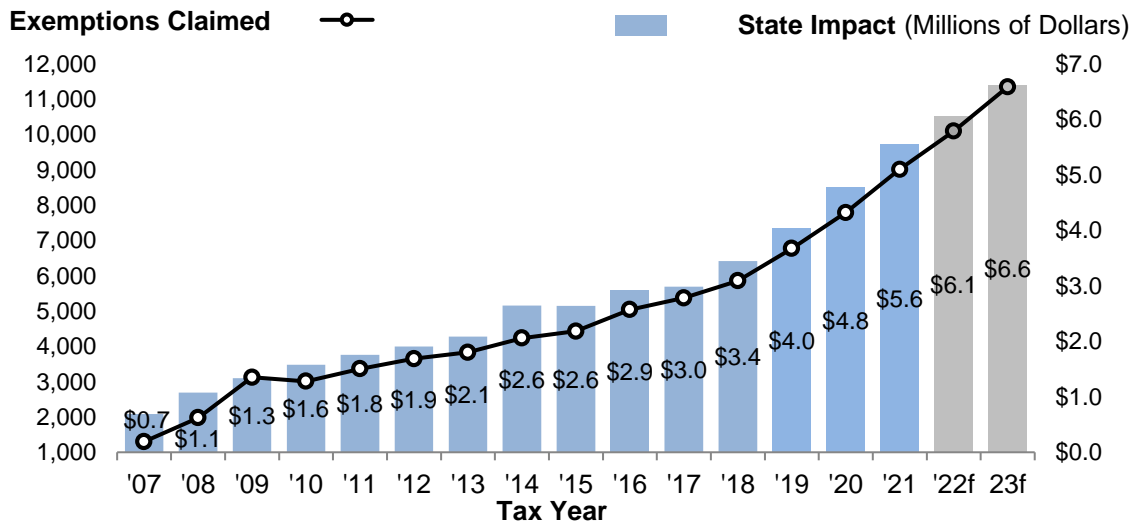
Figure 2 summarizes the amounts and number of claimants for the veterans with a disability exemption. For tax year 2021, 9,016 veterans claimed the exemption, and local governments were reimbursed \$5.6 million from the state’s TABOR refund obligation. The total reimbursement for both exemptions in FY 2021-22 was \$162.1 million.

Figure 1
Senior Homestead Exemption History and Forecast



Source: Colorado Division of Property Taxes. f = June 2022 Legislative Council Staff forecast projections. NA = not applicable. The exemption was reduced to zero in these years.

Figure 2
Veterans With a Disability Exemption History and Forecast



Source: Colorado Division of Property Taxes. f = June 2022 Legislative Council Staff forecast projections.

What happens when there is a TABOR surplus? Pursuant to Section 39-3-209, C.R.S., reimbursements for the senior and veteran property tax exemptions are the first TABOR refund mechanism, meaning that when revenue subject to TABOR exceeds the Referendum C cap, reimbursements for these property tax exemptions are used as the first mechanism to refund the surplus amount above the Referendum C cap to taxpayers.⁴ In this instance, the TABOR surplus, instead of the General Fund, is used to fund reimbursements for the exemptions. Revenue is set aside in the year in which a TABOR surplus occurs and is refunded in the following year. For example, the FY 2020-21 TABOR surplus fully funded reimbursements for property tax year 2021, which were made in FY 2021-22.

Homeowner Savings from the Homestead Exemption

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

$$\begin{aligned} \text{Home Value} & \times \text{Residential Assessment Rate (RAR)} = \text{Assessed Value (AV)} \\ \text{Assessed Value} & \times \text{Local Mill Levy} = \text{Local Property Tax Liability} \end{aligned}$$

Using this formula, an example calculation of the property tax savings from the senior or 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 (tax rate) 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 statewide 2021 mill levy (83.436 mills) and 2021 residential assessment rate of 7.15 percent:

Home Value		RAR		AV		Mill Levy		Property Tax
Without Exemption:	x	7.15%	=	\$17,875		\$17,875	x	83.436 mills = \$1,490
\$250,000								
With Exemption:	x	7.15%	=	\$10,725		\$10,725	x	83.436 mills = \$ 890
\$150,000								
							Homeowner Savings	= \$ 600

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 83.436 mills in tax year 2021, or \$83.436 dollars for every \$1,000 of assessed value.

⁴ For additional information on TABOR, Referendum C, and TABOR refund mechanisms, see the Legislative Council Staff memo titled, “The TABOR Revenue Limit”: <https://leg.colorado.gov/publications/tabor-revenue-limit>

Changes to the Homestead Exemption

While the legislature has statutory authority to alter the threshold for exempted home values, adding or removing eligibility requirements likely requires a voter-approved constitutional change. For example, voter approval would be required to “means test” the senior homestead exemption. This includes limiting qualification for the exemption to homeowners whose home values fall below a certain amount, or based on federal poverty guidelines or qualification for low-income assistance programs. Voter approval would also be required to extend the exemption to additional groups.

History of Legislation Impacting the Homestead Exemption

Table 1, which begins on page 6, provides a summary of the legislative measures that have been introduced that have or would have impacted the senior and veteran property tax exemptions if signed into law.

**Table 1
Introduced Legislation Impacting the Homestead Exemption**

Bill Number	Summary of Legislation	Estimated Fiscal Impact	Bill Status
HCR 00-1002	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
HB 01-1224	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
HCR 02-1001	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
HB 03-1133	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
SB 03-265	This bill reduces the exemption to zero in tax years 2003 and 2004.	FY 2003-04 General Fund Revenue: (\$500,000) General Fund Expenditures: (\$55.5 million) FY 2004-05 General Fund Revenue: (\$1.1 million) General Fund Expenditures: (\$56.6 million)	Signed into Law
SB 03-334	This bill allows county assessors to accept late applications for the homestead exemption from qualifying seniors that show good cause for the late application.	Minimal fiscal impact.	Signed into Law
HB 04-1001	This bill restores the exemption to 50% of the first \$100,000 in actual value beginning in tax year 2004.	FY 2004-05 General Fund Revenue: \$300,000 General Fund Expenditures: \$35.4 million FY 2005-06 General Fund Revenue: \$600,000 General Fund Expenditures: \$33.8 million	Postponed Indefinitely
HB 04-1169	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

**Table 1 (Cont.)
Introduced Legislation Impacting the Homestead Exemption**

Bill Number	Summary of Legislation	Estimated Fiscal Impact	Bill Status
HB 04-1461	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
HCR 04-1009	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
HCR 04-1017	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
SB 04-113	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
SCR 05-001	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
HB 06-1184	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
SCR 06-001	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
SCR 06-005	This concurrent resolution refers a measure to voters in the 2006 General Election to expand the senior homestead exemption to any senior homeowner who has maintained any primary residence in Colorado for the immediate ten years prior to the assessment date.	FY 2007-08 General Fund Expenditures:\$28.1 million FY 2008-09 General Fund Expenditures:\$29.1 million	Postponed Indefinitely

**Table 1 (Cont.)
Introduced Legislation Impacting the Homestead Exemption**

Bill Number	Summary of Legislation	Estimated Fiscal Impact	Bill Status
HB 07-1251	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.	General Fund Expenditures: \$5,440	Signed into Law
HCR 08-1002	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
HCR 08-1003	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
SCR 08-001	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
SB 09-276	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
HB 10-1257	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
SB 10-190	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

**Table 1 (Cont.)
Introduced Legislation Impacting the Homestead Exemption**

Bill Number	Summary of Legislation	Estimated Fiscal Impact	Bill Status
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
HCR 12-1002	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
HB 13-1145	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
HCR 13-1001	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

**Table 1 (Cont.)
Introduced Legislation Impacting the Homestead Exemption**

Bill Number	Summary of Legislation	Estimated Fiscal Impact	Bill Status
SCR 13-001	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
HB 14-1373	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
HB 15-1069	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
HB 16-1161	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 who 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
SB 18-273	Beginning tax year 2019, this bill allows seniors who qualify for the senior homestead exemption to continue to claim the exemption if they move due to medical necessity.	FY 2019-2020 General Fund Expenditures: \$0.9 million FY 2020-21 General Fund Expenditures: \$1.9 million	Postponed Indefinitely
HB 19-1141	Beginning tax year 2019, this bill allows seniors who qualify for the senior homestead exemption to continue to claim the exemption if they move due to medical necessity. It restricts the authority of the General Assembly to reduce exemption amounts for seniors and veterans with a disability.	FY 2020-21 General Fund Expenditures: \$0.8 million FY 2021-22 General Fund Expenditures: \$1.6 million	Postponed Indefinitely

**Table 1 (Cont.)
Introduced Legislation Impacting the Homestead Exemption**

Bill Number	Summary of Legislation	Estimated Fiscal Impact	Bill Status
HB 19-1317	This bill reduces the senior homestead exemption to zero for 2020 and future years, and creates a refundable income tax credit through 2029 for all senior taxpayers with adjusted gross income up to an inflation-adjusted \$65,000.	FY 2019-20 General Fund Revenue: (\$65.6 million) FY 2020-21 General Fund Revenue: (\$135 million) General Fund Expenditures: (\$144.8 million)	Postponed Indefinitely
SB 19-132	Beginning tax year 2020, this bill allows seniors who qualify for the senior homestead exemption to continue to claim the exemption if they move due to medical necessity.	FY 2020-21 General Fund Expenditures: \$0.8 million FY 2021-22 General Fund Expenditures: \$1.6 million	Postponed Indefinitely
SB 20-049	Beginning tax year 2021, this bill allows seniors who qualify for the senior homestead exemption to continue to claim the exemption if they move due to medical necessity.	FY 2021-22 General Fund Expenditures: \$1.0 million FY 2022-23 General Fund Expenditures: \$2.1 million	Postponed Indefinitely
SB 20-148	The bill increases the exemption from 50% of the first \$200,000 to 50% of the first \$435,000 for the 2020 tax year, and adjusts the exemption to account for home price appreciation each year.	FY 2020-21* General Fund Expenditures: \$121 million FY 2021-22 General Fund Expenditures: \$127 million	Postponed Indefinitely
HB 21-1079	This bill increases the exemption for veterans with a disability from 50% of the first \$200,000 to 50% of the first \$300,000 beginning tax year 2021.	FY 2021-22 General Fund Expenditures: \$2.2 million	Postponed Indefinitely
HCR 21-1001	This concurrent resolution refers a measure to voters in the 2022 General Election to extend the property tax exemption to veterans with a disability rated at least 50%.	FY 2022-23 General Fund Expenditures: \$0.3 million	Postponed Indefinitely
HCR 21-1002	This concurrent resolution refers a measure to voters in the 2022 General Election to extend the property tax exemption to Gold Star spouses.	FY 2023-24 General Fund Expenditures: \$93,000	Postponed Indefinitely
SB 22-093	Beginning tax year 2022, the bill increases the exemption from 50% of the first \$200,000 to 50% of the first \$400,000 and allows seniors who qualify for the senior homestead exemption to continue to claim the exemption if they move due to medical necessity.	FY 2022-23** General Fund Expenditures: \$89.4 million FY 2023-24** General Fund Expenditures: \$98.9 million	Postponed Indefinitely
SCR 22-002	This concurrent resolution refers a measure to voters in the 2022 General Election to increase the exemption from 50% of the first \$200,000 to 50% of the first \$300,000, and allows seniors who qualify for the exemption to claim the exemption if they move, beginning tax year 2023.	FY 2023-24** General Fund Expenditures: \$65.4 million FY 2024-25 General Fund Expenditures: \$73.0 million	Postponed Indefinitely

**Table 1 (Cont.)
Introduced Legislation Impacting the Homestead Exemption**

Bill Number	Summary of Legislation	Estimated Fiscal Impact	Bill Status
HCR 22-1003	This concurrent resolution refers a measure to voters in the 2022 General Election to extend the property tax exemption to Gold Star spouses.	FY 2022-23 General Fund Expenditures: \$48,276	Signed by the Speaker of the House and President of the Senate
		FY 2023-24** General Fund Expenditures: \$596,806	

Source: Legislative Council Staff fiscal notes. Estimates would likely change if Legislative Council Staff were to reevaluate similar legislation with new information.

** There was no General Fund impact estimated in the fiscal note due to a forecasted TABOR surplus.*

*** TABOR surplus is forecasted to cover local government reimbursements for expanded homestead exemptions.*

Note: Contents of this table may not be exhaustive. Results reflect findings from a keyword search of the terms: senior, homestead, and/or property.