



## Senior Property Tax Relief Programs

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### Colorado's Senior Homestead Exemption

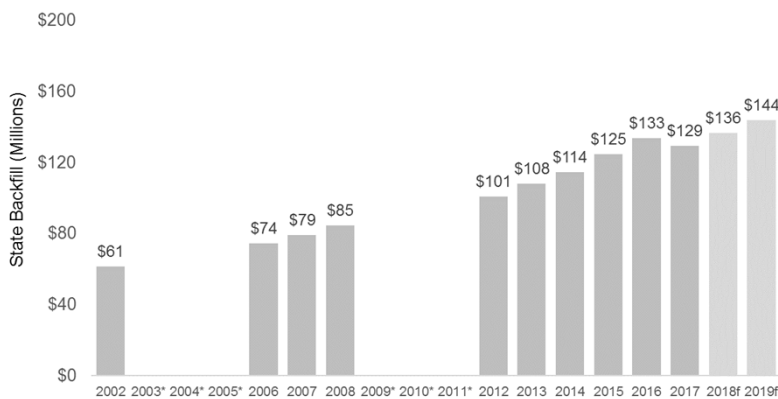
- Applies to seniors age 65+, or surviving spouses
- Property must be primary residence
- Continuously owned and occupied for at least 10 years
- 50 percent of first \$200,000 exempt from property tax
  - e.g., for a \$166,000 residence, taxed as if \$83,000
  - e.g., for a \$265,000 residence, taxed as if \$165,000
- Property tax benefit depends on home value and local mill levy (averaged \$499 in 2002; \$545 in 2017)

### How it Works for Governments

- Only local governments assess property tax – these governments incur property tax loss
- Constitution requires state government to reimburse local governments for their revenue loss
- State General Fund expenditure for local government reimbursements in the fiscal year that taxes are paid

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### State costs have increased with changing demographics



Sources: Division of Property Taxation; Department of the Treasury; Legislative Council Staff  
\*Indicates years when the exemption cap was set to zero by the state legislature  
"f" indicates forecast

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### Constitutional requirements and statutory changes

- These parameters are fixed in the constitution:
  - The age threshold (65 years)
  - The residency threshold (10 years)
- Imposing additional eligibility requirements without voter approval is constitutionally complicated, and may be unconstitutional
- Constitution allows state legislature to adjust \$200,000 cap
  - Legislature has eliminated benefit in years of budget shortfall

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### State Property Tax Relief Program Types

1. Property tax exemptions (“homestead exemptions”)
2. Tax credits (administered via property or income taxes)
3. “Circuit breaker” programs
4. Property tax freezes
5. Property tax deferral programs

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## 1. Property Tax Exemptions

- Reduce the value of a home that is subject to taxation
- Seniors pay lower taxes
- Governments receive less revenue
- No benefit to non-homeowners
- May be portable

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## 2. Tax Credits

- Reduce the amount of property tax owed
  - or reimburse taxpayers for a portion of property tax paid when income taxes are filed
- Seniors pay lower taxes, or are reimbursed for a portion of their taxes
- Governments receive less revenue
- No benefit to non-homeowners
- May be portable

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### 3. “Circuit Breaker” Programs

- Provide a monetary benefit that is largest for low-income seniors and switches off above a certain income threshold
  - May be a property tax exemption or credit
  - May be an income tax credit
  - Often the amount paid above a set income percentage
- Low income seniors receive some monetary benefit
- High income seniors do not receive a benefit
- Governments receive less revenue, or expend funds
- Often available to non-homeowners
- May be portable

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### 4. Property Tax Freezes

- Freeze a property’s taxable value, preventing higher taxes as a result of property appreciation
- Senior taxes are not discounted at first but do not increase over time
- Government revenue loss is lowest at first but grows over time
- No benefit to non-homeowners
- Not portable, and can discourage migration

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## 5. Property Tax Deferral Programs

- Property taxes are deferred until the taxpayer moves, dies, or is otherwise disqualified
  - Governments set a lien equal to tax liability and interest against a taxpayer's home
- Seniors avoid tax until it can be paid using accumulated home equity
- Governments experience revenue distortions but no outright revenue loss
- No benefits to non-homeowners
- Not portable, and can discourage migration

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## Frequent eligibility criteria

- Age
- Income
- Wealth
- Residency (in home or in state)
- Home equity (for deferral programs)

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## Colorado Programs

- Senior Homestead Exemption
- Property Tax/Rent/Heat Credit Rebate
- Senior Property Tax Deferral Program
  
- Colorado Constitution requires uniform taxation of residential property (unless the constitution says otherwise), which complicates the establishment of a property tax credit or freeze

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## Questions?

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