



*Colorado Legislative Council Staff Fiscal Note*  
**STATE and LOCAL  
 FISCAL IMPACT**

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**Drafting Number:** LLS 10-1057 **Date:** April 8, 2010  
**Prime Sponsor(s):** Sen. White; Keller **Bill Status:** Senate Appropriations  
 Rep. Riesberg; Pommer **Fiscal Analyst:** Harry Zeid (303-866-4753)

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**TITLE:** CONCERNING THE SUSPENSION OF THE PROPERTY TAX EXEMPTION FOR QUALIFYING SENIORS FOR SPECIFIED PROPERTY TAX YEARS.

| <b>Fiscal Impact Summary</b>   | <b>FY 2010-2011</b> | <b>FY 2011-2012</b> |
|--|---------------------|---------------------|
| <b>State Revenue</b><br>General Fund   | (\$853,659)         | (\$1,751,071)       |
| <b>State Expenditures</b><br>General Fund  | (\$91,729,198)      | (\$96,430,528)      |
| <b>FTE Position Change</b>   |                     |                     |
| <b>Effective Date:</b> Upon signature of the Governor, or upon becoming law without his signature. |                     |                     |
| <b>Appropriation Summary for FY 2010-2011:</b> See the State Appropriations section.               |                     |                     |
| <b>Local Government Impact:</b> See the Local Government Impact section.                           |                     |                     |

**Summary of Legislation**

For the 2010 and 2011 property tax years, the bill eliminates the homestead property tax exemption for qualifying senior citizens but leaves the homestead property tax exemption for disabled veterans intact.

**Background**

In the 2000 general election, Referendum A, commonly known as the senior homestead exemption, was passed by the voters. The exemption from property taxes applies to 50 percent of the first \$200,000 of actual value for homeowners aged 65 or over. Furthermore, eligibility rules require that the homeowner must have owned and lived in the home for the previous ten years. The enacting legislation reserved the right of the General Assembly to adjust the amount of actual value exempted, but not the percentage. In the 2006 general election, the homestead exemption was extended to disabled veterans who 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. The bill alters the exemption to read "50 percent of zero dollars of actual value of residential real property" for the 2010 and 2011 property tax years for qualifying senior citizens.

## **State Revenue**

Property tax liability will be increased for senior citizens who would have otherwise been eligible for the senior homestead property tax exemption in 2010 and 2011. Qualified seniors who itemize deductions on their federal income tax return will be able to claim a larger property tax deduction, thereby lowering their state and federal income tax liability. Data provided by the Department of Revenue show that for the 2006 income tax year (latest available), 40.2 percent of the 249,035 seniors who filed Colorado income tax returns claimed itemized deductions on their federal return. Those returns represent 66.3 percent of the adjusted gross income (AGI) reported by all seniors. Additionally, 74.9 percent of all state income taxes paid by seniors were paid by seniors who itemized deductions on their federal tax returns.

The income tax year is split between two state fiscal years. **State income tax collections are projected to be reduced by \$853,659 General Fund in FY 2010-11** due to the increase in deductions that would apply to the second half of FY 2010-11. The full year impact on state revenue will mean a **General Fund reduction of \$1,751,071 in FY 2011-12.**

## **State Expenditures**

Based on estimates prepared by Legislative Council Staff, elimination of the senior homestead exemption for two years will **reduce state General Fund expenditures by \$91,729,198 in FY 2010-11, and \$96,430,528 in FY 2011-12.**

## **Local Government Impact**

The \$91.7 million in local property tax revenue for calendar year 2010 will be collected directly from the taxpayers, effectively holding local governments harmless. However, since the money is no longer coming from an exempt source (i.e., inter-governmental transfer), this money will be subject to local revenue and spending limits. Essentially, minor impacts could occur in situations where the local government has reached its revenue limit. These impacts have not been estimated.

## **State Appropriations**

As introduced, the 2010 Long Bill (HB 10-1376) appropriates \$93.4 million General Fund to the Department of Treasury for the Senior Citizen and Disabled Veteran Property Tax Exemption line item for the purpose of reimbursing local governments for FY 2010-11. The fiscal note implies the need to reduce the line item by \$91,729,198. This will leave \$1,670,802 available in the Long Bill to reimburse local governments for the property tax exemption for disabled veterans.

## **Departments Contacted**

Legislative Council Staff

Local Affairs

Revenue

State Treasury