

Colorado Homestead Exemption

Section 3.5 of Article X of the Colorado Constitution grants a property tax exemption to qualifying senior citizens and disabled veterans, commonly referred to as the Homestead Exemption. To qualify, a property owner-occupier must be at least 65 years of age (on the assessment date) and must have occupied the property for at least ten years. The surviving spouse of a person who previously qualified for the exemption also qualifies.

To qualify for the property tax exemption as a disabled veteran, the individual must be honorably discharged and have service-connected disability rating of 100 percent. The property tax exemption is 50.0 percent of the first \$200,000 of actual property value for qualifying homeowners.

Pursuant to Section 39-3-207 (4)(a), C.R.S., and in accordance with Section 3.5 of Article X of the state constitution, the state Treasurer is required to fully reimburse all local governmental entities within the county for the amount of property tax revenues lost as a result of the Homestead Exemption. This must be done no later than April 15th of each year. It is this provision that makes the Senior Citizen and Disabled Veteran Property Tax Exemption line item amount in the annual long appropriations bill (Long Bill) informational only.

If the estimated amount of the reimbursement is below the line item informational appropriation, then the difference is paid out to fulfill the constitutional requirement. If the estimated amount is above the line item informational appropriation, the difference is transferred to two accounts. Pursuant to Section 39-3-207 (6), C.R.S., 95 percent of the excess funds are transferred to the Senior Services Account within the Older Coloradans Cash Fund and 5 percent is transferred into the Veterans Assistance Grant Program Cash Fund.

These transfers occurred after the passage of H.B. 12-1326, which established that the excess funds were transferred to the Senior Services Account within the Older Coloradans Cash Fund. During the 2016 Legislative Session, H.B. 16-1161 reduced the transfer to the Senior Services Account to 95.0 percent of the funds identified in the Long Bill in excess of the actual amounts paid. As of the state fiscal year of 2016-17, the remaining 5.0 percent was transferred into the Veterans Assistance Grant Program Cash Fund.

The Homestead Exemption comes from the state constitution, which means most changes take a change to the state constitution. Furthermore, Section 6 of Article X of the Colorado Constitution states that “all laws exempting from taxation property other than that specified in this article shall be void,” which means that the General Assembly cannot enacting property tax exemptions that are not already provided for in Article X of the state constitution. One important point of note: the constitution grants the General Assembly the power to raise or lower the maximum amount of residence value that is exempt from taxation. In practical terms, this means that the residence value can be taken to zero.