

HB 12-1287 –Adjust Value of Senior Property Tax Exemption

The Senior Property Tax Homestead Exemption allows qualifying seniors (i.e. those who are over the age of 65, have owned their primary residence for 10 plus years), to be exempt from tax on 50% of the first \$200,000 of actual value of their residence. Additionally, this exemption extends to qualifying veterans (i.e. those who have a 100% permanent and total disability rating from the U.S. Department of Veterans Affairs as a result of service related disability).

Problem:

The amount of property tax exempted does not take into account General Fund revenue levels, high or low. With an aging population in Colorado, the exemption's fiscal impact will continue to grow irrespective of economic growth and, in turn, general fund levels. This bill would align the home value limit with general fund revenues as opposed to putting a fixed number that doesn't account for down years OR robust years (that we are optimistic we will have in the near future).

Solution:

This bill **funds** the property tax exemption in FY 2012-2013 and thereafter, but does so at a level taking into account the amount of General Fund revenue collected.

How Does It Work?

In 2007, the General Assembly appropriated \$79.2 million to fund the Senior Property Tax Exemption. That year, the total General Fund revenue was \$7.74 billion. If you divide the Senior Property Tax Exemption appropriation (\$79.2 million) by the General Fund revenue (\$7.74 billion), it comes out to .0102 meaning it accounted for 1.02% of the entire General Fund.

This bill changes current law by first looking at the general fund levels in any given fiscal year and multiplying it by 1.02% (the percentage of the general fund previously used in 2007 to fund the senior tax exemption). This number determines the dollar amount that can be spent on the senior tax exemption out of the general fund for a particular fiscal year. For the FY 2012-13, this number comes to \$77.7 million. Based on the amount of money determined can appropriated to the exemption, the home value limit can now be determined.

Using the \$77.7 million figure, along with applying other calculations described below, the new home value limit for FY2012-13 would be \$153,000. To get to this number, Legislative Council staff reassesses how much that home value limit would be, based on the amount appropriated to the senior property tax exemption for that fiscal year.

What are the numbers?

Under this bill, in FY 2012-2013, Seniors or Veterans with home values of \$153,000 will receive a \$292 dollar tax break. Any home value above \$153,000 will receive a \$446.00 dollar tax break.

Calculating the Tax Year 2012 Senior Property Tax Exemption Under Current Law and House Bill 12-1287*

Step 1: Calculate the Portion of the Home's Actual Value Eligible for the Exemption

Current Law: 50% of the first \$200,000	HB 12-1287: 50% of the first \$153,000	Change
\$100,000 Home: \$50,000 Eligible	\$100,000 Home: \$50,000 Eligible	\$0
\$160,000 Home: \$80,000 Eligible	\$160,000 Home: \$76,500 Eligible	-\$3,500
\$200,000 Home: \$100,000 Eligible	\$200,000 Home: \$76,500 Eligible	-\$23,500
\$500,000 Home: \$100,000 Eligible	\$500,000 Home: \$76,500 Eligible	-\$23,500
\$1,000,000 Home: \$100,000 Eligible	\$1,000,000 Home: \$76,500 Eligible	-\$23,500



Step 2: Multiply Eligible Actual Value by the Residential Assessment Rate (7.96%) To Calculate Eligible Taxable Value

Current Law Taxable Value Eligible for Exemption	HB 12-1287 Taxable Value Eligible for Exemption	Change
\$100,000 Home: $\$50,000 \times 7.96\% = \$3,980$	\$100,000 Home: $\$50,000 \times 7.96\% = \$3,980$	\$0
\$160,000 Home: $\$80,000 \times 7.96\% = \$6,368$	\$160,000 Home: $\$76,500 \times 7.96\% = \$6,089$	-\$279
\$200,000 Home: $\$100,000 \times 7.96\% = \$7,960$	\$200,000 Home: $\$76,500 \times 7.96\% = \$6,089$	-\$1,601
\$500,000 Home: $\$100,000 \times 7.96\% = \$7,960$	\$500,000 Home: $\$76,500 \times 7.96\% = \$6,089$	-\$1,601
\$1,000,000 Home: $\$100,000 \times 7.96\% = \$7,960$	\$1,000,000 Home: $\$76,500 \times 7.96\% = \$6,089$	-\$1,601



Step 3: Multiply Eligible Taxable Value by the Mill Levy To Calculate the Tax Exemption**

Current Law Tax Exemption	HB 12-1287 Tax Exemption	Change
\$100,000 Home: $\$3,980 \times (73.28/1,000) = \292	\$100,000 Home: $\$3,980 \times (73.28/1,000) = \292	\$0
\$160,000 Home: $\$6,368 \times (73.28/1,000) = \467	\$160,000 Home: $\$6,089 \times (73.28/1,000) = \446	-\$21
\$200,000 Home: $\$7,960 \times (73.28/1,000) = \583	\$200,000 Home: $\$6,089 \times (73.28/1,000) = \446	-\$137
\$500,000 Home: $\$7,960 \times (73.28/1,000) = \583	\$500,000 Home: $\$6,089 \times (73.28/1,000) = \446	-\$137
\$1,000,000 Home: $\$7,960 \times (73.28/1,000) = \583	\$1,000,000 Home: $\$6,089 \times (73.28/1,000) = \446	-\$137

* Assumes the adoption of L.001.
 **The statewide average mill levy for tax year 2010 of 73.28 mills assumed. The mill levy is divided by 1,000 in the formula because a mill is equal to one one-thousandth of a dollar.

**Fiscal Impact of House Bill 12-1287 /A
Adjust Value of Senior Property Tax Exemption**

Millions of Dollars

Fiscal Year Property Tax Year	Actual		Estimate		Estimate		
	2007-08 2007	2008-09 2008	2009-10 2009	2010-11 2010	2011-12 2011	2012-13 2012	2013-14 2013
Current Law							
General Fund Revenue	\$7,742.9	\$6,742.7	\$6,457.7	\$7,085.8	\$7,315.0	\$7,595.8	\$8,069.5
Senior Property Tax Exemption	79.2	84.5	NA	NA	NA	94.2	100.6
Percent of General Fund Revenue	1.02%	1.25%				1.24%	1.25%
House Bill 12-1287							
Senior Property Tax Exemption Cap /B						\$77.7	\$82.5
Reduction in Exemption /C						(16.5)	(18.1)
Percent Change						-17.5%	-18.0%
Threshold Required to Meet Cap /D						153,000	151,800

/A Assumes the adoption of L.001.

/B The senior property tax exemption cap is equal to 1.02 percent of General Fund revenue.

/C State General Fund expenditures are estimated to decrease by this amount.

/D The threshold is equal to the amount of the actual value of the property of which 50 percent is exempt from property taxes.
This threshold is \$200,000 under current law.

Assumes the December 2011 Legislative Council Staff Forecast.

Note: Under current law, property owners age 65 and older who have lived in their home for at least ten years may receive a property tax exemption on half of the first \$200,000 of their home's actual value beginning tax year 2012. HB 12-1287 caps the total cost to the state for the senior property tax exemption to 1.02 percent of General Fund Revenue. The cap is enforced by reducing the amount of the home on which the exemption may be claimed from 50 percent of \$200,000 to 50 percent of a lower threshold amount.