

Referendum E Property Tax Reduction for Disabled Veterans

Referendum E proposes a change to Section 3.5 of Article X of the Colorado Constitution that:

- ◆ reduces property taxes for qualified disabled veterans by exempting a portion of the value of their home from property taxation; and
- ◆ defines a qualified disabled veteran as a veteran who has a service-connected disability with a 100-percent permanent disability rating.

Summary and Analysis

How does the program work? Homeowners pay property taxes based on the value of their home and the tax rate set by the local governments where they live. Referendum E reduces the taxable value of a qualified veteran's home by one-half of the first \$200,000 of the home's value, thereby lowering property taxes owed on the home. The state legislature can adjust the \$200,000 amount to either increase or decrease the benefit from Referendum E in future years. Currently, the state offers the same property tax reduction to homeowners age 65 and over who have lived in their homes for at least ten years. A qualifying veteran who is also eligible for a reduction in property taxes as a senior cannot claim both reductions.

The dollar amount of the tax reduction will vary among homeowners depending upon the local property tax rate, the home's value, and the amount of the exemption. Table 1 provides examples of how Referendum E reduces property taxes based on the average statewide property tax rate and the current exemption level.

Table 1: Examples of the Property Tax Reduction for Qualified Veterans

Home Value	Average Taxes Without Referendum E	Average Taxes With Referendum E	Average Tax Reduction	Percent Tax Reduction
\$100,000	\$600	\$300	\$300	50%
\$150,000	\$900	\$450	\$450	50%
\$200,000	\$1,200	\$600	\$600	50%
\$300,000	\$1,800	\$1,200	\$600	33%
\$500,000	\$3,000	\$2,400	\$600	20%

1 ***Who qualifies for the tax reduction?*** Homeowners who have served on active
2 duty in the U. S. Armed Forces and are rated 100-percent permanently disabled by the
3 federal government due to a service-connected disability qualify for the tax reduction in
4 Referendum E. Colorado National Guard members injured while serving in the U.S.
5 Armed Forces also qualify. Veterans are rated 100-percent permanently disabled when a
6 mental or physical injury makes it impossible for the average person to hold a job and the
7 disability is lifelong. Nationally, less than one percent of veterans have a 100-percent
8 permanent disability rating. About 2,200 veterans are expected to qualify for the property
9 tax reduction in Colorado.

10 ***What are the fiscal implications?*** Referendum E affects property taxes paid
11 beginning in 2008. The average property tax savings for those who qualify will be about
12 \$466. The total reduction in property taxes is estimated to be about \$1 million in the first
13 year. The state is required to reimburse local governments for the reduction in property tax
14 revenue resulting from Referendum E.

15 **Arguments For**

16 1) Colorado needs to do more to help veterans who have sacrificed their health for
17 our nation and state. Many states offer a property tax reduction for disabled veteran
18 homeowners, and six states do not require these veterans to pay any property taxes.
19 Referendum E provides one way, at a modest cost, for Colorado to thank 100-percent
20 permanently disabled veterans for their service.

21 2) The money that Referendum E saves qualifying veterans can improve their
22 quality of life. Despite existing government benefits, veterans still have unmet financial
23 needs that are tied to their disability. Unlike most other citizens, 100-percent permanently
24 disabled veterans have very limited opportunities to improve their quality of life through
25 employment and other means. Referendum E is an opportunity for the state to at least
26 partially offset this economic disadvantage.

27 **Arguments Against**

28 1) Referendum E is a special interest tax break that benefits less than one-
29 twentieth of one percent of all Colorado residents. When one group benefits financially
30 from a tax reduction, other taxpayers must pay. If the state can afford to reduce taxes for
31 certain taxpayer groups, it should reduce taxes for all taxpayers. Referendum E further
32 singles out a portion of the taxpayers it proposes to help by reducing taxes for 100-percent
33 disabled veterans who are financially able to own homes. Disabled veterans who do not
34 own a home do not benefit from this proposal.

1 2) Because veterans were in the service of the federal government, the
2 responsibility to meet the financial needs of veterans rests with the federal government.
3 By creating a new state program for a small group of veterans, Referendum E interferes
4 with the balance of benefits set by the federal government. In addition, the recent focus on
5 international conflicts may lead voters to believe the state is providing a benefit to only
6 those veterans who were injured in a combat zone when in fact the injury may have
7 resulted while on call or during a time when the United States was not at war.

8 **Estimate of Fiscal Impact**

9 Referendum E increases state expenditures because it requires the state to reimburse
10 local governments for reduced property tax collections. The state estimates that roughly
11 2,200 disabled veterans will qualify for the exemption and the average property tax
12 reduction per veteran will be \$466. Thus, the impact to the state will be slightly more than
13 \$1 million, beginning with the 2008 budget year.