

**Referendum E
Property Tax Reduction for Disabled Veterans**

Referendum E proposes a change to 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.

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| Home Value | Average Taxes Without Referendum E | Average Taxes With Referendum E | Average Tax Reduction | Percent Tax Reduction |
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| \$300,000 | \$1,800 | \$1,200 | \$600 | 33% |
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4 Referendum E. Colorado National Guard members injured while serving in the U.S.
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11 beginning in 2008. The average property tax savings for those who qualify will be about
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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.

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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
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15 2) Because veterans were in the service of the federal government, the
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Mr. Douglas Bruce

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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 3) THE CONSTITUTION SHOULD NOT BE AMENDED FOR A SPECIAL INTEREST TAX
9 BREAK, BUT ONLY FOR PUBLIC POLICY STATEMENTS OF GENERAL PRINCIPLE OR WIDESPREAD
10 APPLICATION.

11 4) THIS STATE POLICY DOES NOT PROVIDE A UNIFORM STATE TAX CUT. THE
12 DOLLAR AMOUNTS DEPEND ON WHERE YOU LIVE. UNEQUAL TREATMENT IS UNFAIR
13 TREATMENT. THE STATE IS REIMBURSING RESIDENTS IN BIG-SPENDING, HIGH-TAX AREAS
14 MORE THAN THOSE LIVING UNDER FRUGAL GOVERNMENTS.

15 5) THE TAX BREAK CAN BE WITHDRAWN FOR POLITICAL REASONS, JUST AS THE
16 ONE FOR SENIORS WAS WITHDRAWN AFTER ONE YEAR. THAT MEANS PROPERTY TAXES
17 COULD DOUBLE IN ONE YEAR. PROPERTY TAXES SHOULD BE MORE STABLE AND
18 PREDICTABLE.

19 6) WHY ARE THOSE WHO ARE 90% OR 95% DISABLED NOT GIVEN THIS BENEFIT?
20 THIS IS AN ARBITRARY ALL-OR-NOTHING MILLION-DOLLAR TAX BREAK, WHICH WILL LEAD
21 TO LOBBYING FOR EVEN MORE TAX COMPLICATIONS FOR SMALL NUMBERS OF PEOPLE.
22 WHAT ABOUT THE MENTALLY ILL; THE RETARDED; THE POOR; RACIAL MINORITIES; THOSE
23 WITH NON-SERVICE DISABILITIES; AND OTHER SYMPATHETIC SITUATIONS? WILL THEY BE
24 NEXT IN LINE? WE SHOULD BE MAKING TAX LAWS SIMPLER AND MORE UNIFORM, NOT MORE
25 ARBITRARY AND COMPLEX.

26 7) LAST YEAR, THE STATE ASKED ALL TAXPAYERS TO GIVE UP THEIR ENTIRE
27 STATE REFUNDS FOR FIVE YEARS FOR SPECIFIC PROGRAMS. USING OUR TAX REFUNDS TO
28 PAY INSTEAD FOR A SPECIAL INTEREST TAX BREAK BETRAYS THE REFERENDUM C
29 CAMPAIGN PROMISE.

30 8) THERE IS NO INCOME OR NEEDS TEST REQUIRED. SOMEONE WHO LIVES IN A
31 \$500,000 HOUSE THAT IS PAID OFF WILL GET A TAX BREAK, AT THE EXPENSE OF ALL OTHER
32 TAXPAYERS.

33 9) UNLIKE THE SENIOR EXEMPTION, THE BENEFIT DOES NOT APPLY TO A SURVIVING
34 SPOUSE, WHO WOULD FACE A DOUBLED PROPERTY TAX BILL JUST WHEN THE VETERAN
35 SPOUSE DIES.

1 **Estimate of Fiscal Impact**

2 Referendum E increases state expenditures because it requires the state to reimburse
3 local governments for reduced property tax collections. The state estimates that roughly
4 2,200 disabled veterans will qualify for the exemption and the average property tax
5 reduction per veteran will be \$466. Thus, the impact to the state will be slightly more than
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DOUGLAS BRUCE COMMENTS ON FINAL DRAFT OF REFERENDUM "E"

Page 2, line 29 should say "less" rather than "fewer." "Fewer" is used when the reference is to a specific number--i.e. fewer than 10 people. You would add "less" flour to a cake, not "fewer" flour.

ADDED ARGUMENTS

-- The constitution should not be amended for a special interest tax break, but only for public policy statements of general principle or widespread application.

-- This state policy does not provide a uniform state tax cut. The dollar amounts depend on where you live. Unequal treatment is unfair treatment. The state is reimbursing residents in big-spending, high-tax areas more than those living under frugal governments.

-- The tax break can be withdrawn for political reasons, just as the one for seniors was withdrawn after one year. That means property taxes could double in one year. Property taxes should be more stable and predictable.

-- Why are those who are 90% or 95% disabled not given this benefit? This is an arbitrary all-or-nothing million-dollar tax break, which will lead to lobbying for even more tax complications for small numbers of people. What about the mentally ill; the retarded; the poor; racial minorities; those with non-service disabilities; and other sympathetic situations? Will they be next in line? We should be making tax laws simpler and more uniform, not more arbitrary and complex.

-- Last year, the state said asked all taxpayers to give up their entire state refunds for five years for specific programs. Using our tax refunds to pay instead for a special interest tax break betrays the Referendum C campaign promise.

-- There is no income or needs test required. Someone who lives in a \$500,000 house that is paid off will get a tax break, at the expense of all other taxpayers.

-- Unlike the senior exemption, the benefit does not apply to a surviving spouse, who would face a doubled property tax bill just when the veteran spouse dies.

Please treat this seriously; I do. The message sent by listing only two arguments is that this is a minor housekeeping measure, like the repeal of obsolete provisions. That is not true.

Douglas Bruce
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(719) 550-0010

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2 ~~the federal government~~, the responsibility to meet the financial needs of veterans rests with
3 the federal government. By creating a new state program for a small group of veterans,
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5 addition, the recent focus on international conflicts may lead voters to believe the state is
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11 COUNTY local governments for reduced property tax collections. The state estimates that
12 roughly 2,200 disabled veterans will qualify for the exemption and the average property
13 tax reduction per veteran will be \$466. Thus, the impact to the state will be slightly more
14 than \$1 million, beginning with the 2008 budget year.

BILL HANNA COMMENTS ON FINAL DRAFT OF REFERENDUM "E"

To: Legislative Council Staff

From: Bill Hanna, on Behalf of Representatives from Several Veterans Organizations

Subj: Proposed Changes to the 3rd draft of the "Blue Book" on Referendum E

Date: August 8, 2006

Thank you for your consideration of the comments and suggested changes we made on the 2nd draft of the Blue Book on Referendum E, and for soliciting our comments on the third draft. As with our previous comments, the following are a compilation of suggestions from leaders of a number of veterans organizations who reviewed the new draft. Senator Evans, sponsor of SCR06-001, participated in our review. Our review resulted in suggestions on some areas of the document that had not changed from the 2nd to the 3rd draft but we had failed to catch.

1. On page 2, line 13: We suggest changing the word from “reimburse” to “back-fill” as a more common term for this payment from the state to the counties. In the same regard, we also suggest that “all local” be changed to “county” since it is the county who collects property taxes on behalf of itself and other local governments. This change should also be made on lines 6 and 7 of page 3.
2. On page 2, lines 31 and 32: We suggest that in addition to the words “one-twentieth of one percent,” the actual number be added as being more easily understood by the reader – putting in the decimal point and 0’s.
3. On page 2, line 36: We suggest the term “federal employees” be changed to “in military service to their country” as a more common and accurate description of the relationship between military personnel and the federal government. It is true that their “payroll” was paid by the federal government, but it is typical in the language of those in the military to say they were in the service of their country. Conversely, the term “federal employees” is generally used and understood to mean civilian employees – including when such individuals are employed by the Department of Defense.

Thank you for your consideration of these suggestions. We look forward to your next draft and the hearing in September.

Third Draft as Mailed to Interested Parties

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Property Tax Reduction for Disabled Veterans

1 **Ballot Title:** AN AMENDMENT TO SECTION 3.5 OF ARTICLE X OF THE CONSTITUTION OF
2 THE STATE OF COLORADO, CONCERNING THE EXTENSION OF THE EXISTING PROPERTY TAX
3 EXEMPTION FOR QUALIFYING SENIORS TO ANY UNITED STATES MILITARY VETERAN WHO
4 IS ONE HUNDRED PERCENT PERMANENTLY DISABLED DUE TO A SERVICE-CONNECTED
5 DISABILITY.

6 **Text of Proposal:**

7 *Be It Resolved by the Senate of the Sixty-fifth General Assembly of the State of*
8 *Colorado, the House of Representatives concurring herein:*

9 **SECTION 1.** At the next election at which such question may be submitted,
10 there shall be submitted to the registered electors of the state of Colorado, for their
11 approval or rejection, the following amendment to the constitution of the state of
12 Colorado, to wit:

13 Section 3.5 (1) of article X of the constitution of the state of Colorado is
14 amended, and the said section 3.5 is further amended BY THE ADDITION OF THE
15 FOLLOWING NEW SUBSECTIONS, to read:

16 **Section 3.5. Homestead exemption for qualifying senior citizens and**
17 **disabled veterans.** (1) For property tax years commencing on or after January 1, 2002,
18 fifty percent of the first two hundred thousand dollars of actual value of residential real
19 property, as defined by law, that, as of the assessment date, is owner-occupied and is
20 used as the primary residence of the owner-occupier shall be exempt from property
21 taxation if:

22 (a) The owner-occupier is sixty-five years of age or older as of the assessment
23 date and has owned and occupied such residential real property as his or her primary
24 residence for the ten years immediately preceding the assessment date; ~~or~~

25 (b) The owner-occupier is the spouse or surviving spouse of an owner-occupier
26 who previously qualified for a property tax exemption for the same residential real
27 property under paragraph (a) of this subsection (1); OR

28 (c) FOR PROPERTY TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2007,
29 ONLY, THE OWNER-OCCUPIER, AS OF THE ASSESSMENT DATE, IS A DISABLED VETERAN.

1 (1.3) AN OWNER-OCCUPIER MAY CLAIM ONLY ONE EXEMPTION PER PROPERTY
2 TAX YEAR EVEN IF THE OWNER-OCCUPIER QUALIFIES FOR AN EXEMPTION UNDER BOTH
3 PARAGRAPH (c) OF SUBSECTION (1) OF THIS SECTION AND EITHER PARAGRAPH (a) OR
4 PARAGRAPH (b) OF SUBSECTION (1) OF THIS SECTION.

5 (1.5) FOR PURPOSES OF THIS SECTION, "DISABLED VETERAN" MEANS AN
6 INDIVIDUAL WHO HAS SERVED ON ACTIVE DUTY IN THE UNITED STATES ARMED FORCES,
7 INCLUDING A MEMBER OF THE COLORADO NATIONAL GUARD WHO HAS BEEN ORDERED
8 INTO THE ACTIVE MILITARY SERVICE OF THE UNITED STATES, HAS BEEN SEPARATED
9 THEREFROM UNDER HONORABLE CONDITIONS, AND HAS ESTABLISHED A
10 SERVICE-CONNECTED DISABILITY THAT HAS BEEN RATED BY THE FEDERAL DEPARTMENT
11 OF VETERANS AFFAIRS AS ONE HUNDRED PERCENT PERMANENT DISABILITY THROUGH
12 DISABILITY RETIREMENT BENEFITS OR A PENSION PURSUANT TO A LAW OR REGULATION
13 ADMINISTERED BY THE DEPARTMENT, THE DEPARTMENT OF HOMELAND SECURITY, OR
14 THE DEPARTMENT OF THE ARMY, NAVY, OR AIR FORCE.

15 **SECTION 2.** Each elector voting at said election and desirous of voting for or
16 against said amendment shall cast a vote as provided by law either "Yes" or "No" on the
17 proposition: "AN AMENDMENT TO SECTION 3.5 OF ARTICLE X OF THE CONSTITUTION OF
18 THE STATE OF COLORADO, CONCERNING THE EXTENSION OF THE EXISTING PROPERTY TAX
19 EXEMPTION FOR QUALIFYING SENIORS TO ANY UNITED STATES MILITARY VETERAN WHO
20 IS ONE HUNDRED PERCENT PERMANENTLY DISABLED DUE TO A SERVICE-CONNECTED
21 DISABILITY."

22 **SECTION 3.** The votes cast for the adoption or rejection of said amendment
23 shall be canvassed and the result determined in the manner provided by law for the
24 canvassing of votes for representatives in Congress, and if a majority of the electors
25 voting on the question shall have voted "Yes", the said amendment shall become a part
26 of the state constitution.