

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

1 **Referendum E is a proposed amendment to the Colorado Constitution that:**

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

6 **Summary and Analysis**

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

16 The dollar amount of the tax reduction will vary among homeowners depending
17 upon the local property tax rate, the home's value, and the amount of the exemption. Table
18 1 provides examples of how Referendum E reduces property taxes based on the average
19 statewide property tax rate and the current exemption level.

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

	Average Taxes Without Referendum E	Average Taxes With Referendum E	Average Tax Reduction	Percent Tax Reduction
21 Home Value				
22 \$100,000	\$600	\$300	\$300	50%
23 \$150,000	\$900	\$450	\$450	50%
24 \$200,000	\$1,200	\$600	\$600	50%
25 \$300,000	\$1,800	\$1,200	\$600	33%
26 \$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 disabled by the federal
3 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, fewer 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 all local governments for the reduction in property
14 tax revenue resulting from Referendum E.

15
16 **Arguments For**

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

22 2) The money that Referendum E saves qualifying veterans can improve their
23 quality of life. Despite existing government benefits, veterans still have unmet financial
24 needs that are tied to their disability. Unlike most other citizens, 100-percent permanently
25 disabled veterans do not have the opportunities to improve their quality of life through
26 employment and other means. Referendum E is an opportunity for the state to at least
27 partially offset this economic disadvantage.

28 **Arguments Against**

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

36 2) Because veterans were federal employees, the responsibility to meet the financial
37 needs of veterans rests with the federal government. By creating a new state program for
38 a small group of veterans, Referendum E interferes with the balance of benefits set by the

1 federal government. In addition, the recent focus on international conflicts may also lead
2 voters to believe the state is providing a benefit to only those veterans who were injured
3 in a combat zone when in fact the injury may have resulted while on call or during a time
4 at which the United States was not at war.

5 **Estimate of Fiscal Impact**

6 Referendum E increases state expenditures because it requires the state to reimburse
7 local governments for reduced property tax collections. The state estimates that roughly
8 2,200 disabled veterans will qualify for the exemption and the average property tax
9 reduction per veteran will be \$466. Thus, the impact to the state will be slightly more than
10 \$1 million, beginning with the 2008 budget year.