

**Referendum ? (SCR 06-1)
Property Tax Reduction for Disabled Veterans**

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

- 2 ♦ reduces property taxes for qualified disabled veterans by exempting a
- 3 portion of the value of their home from property taxation; and
- 4 ♦ defines a qualified disabled veteran as a veteran who is 100 percent disabled
- 5 due to an injury occurring while in active military service.

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 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 ? in future years. Currently, the state offers the same property tax reduction
 13 program to homeowners over the age of 65 who have lived in their homes for at least ten
 14 years. A qualifying veteran who is also eligible for a reduction in property taxes as a senior
 15 may only claim the reduction once.

16 The dollar amount of the tax reduction will vary among homeowners depending
 17 upon the local property tax rate. Table 1 shows how Referendum ? reduces property taxes
 18 based on the average statewide property tax rate.

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

20	Home Value	Average Taxes Owed Without Proposal	Average Taxes Owed With Proposal	Average Tax Reduction	Percent Tax Reduction
21	\$100,000	\$600	\$300	\$300	50%
22	\$150,000	\$900	\$450	\$450	50%
23	\$200,000	\$1,200	\$600	\$600	50%
24	\$300,000	\$1,800	\$1,200	\$600	33%
25	\$500,000	\$3,000	\$2,400	\$600	20%

1 ***Who qualifies for the tax reduction?*** Homeowners who have served in the U. S.
2 Armed Forces and are rated as 100 percent disabled by the U. S. Department of Veterans
3 Affairs qualify for the tax reduction as long as they were disabled as a result of an injury
4 received during active military service and have been honorably discharged. Nationally,
5 fewer than one percent of veterans are deemed to be 100 percent disabled. About 2,200
6 veterans are expected to qualify for the property tax reduction.

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

12 **Argument For**

13 1) Colorado needs to do more to help veterans who have sacrificed their health for
14 our nation and state. The money that fully disabled veterans save from Referendum? can
15 help improve a veteran's quality of life. Many of these veterans live on minimal
16 government benefits and must pay for assistance with simple tasks that healthy people do
17 for themselves. The state should do what it can to at least partially offset this economic
18 disadvantage. Ultimately, Referendum ? offers one way, at a modest cost, for Colorado
19 to thank these veterans for their service.

20 **Argument Against**

21 1) Referendum ? is a special interest tax break. When one group benefits
22 financially from a tax reduction, other taxpayers must pay. If the state can afford to reduce
23 taxes for certain taxpayer groups, it should reduce taxes for all taxpayers. In addition,
24 Referendum? further singles out a portion of the taxpayers it proposes to help by reducing
25 taxes for fully disabled veterans who are financially able to afford homes. Disabled
26 veterans who cannot afford a home do not benefit from this measure. If the state wishes
27 to help disabled veterans, it should provide more money and expand services for all
28 disabled veterans.

29 **Estimate of Fiscal Impact**

30 Referendum ? increases state expenditures because it requires the state to reimburse
31 local governments for reduced property tax collections. The state estimates that roughly
32 2,200 disabled veterans will qualify for the exemption and the average property tax
33 reduction per veteran will be \$466. Thus, the impact to the state will be slightly more than
34 \$1 million, beginning with the 2008 budget year.