

**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 disabled veterans by exempting a portion of the
- 3 value of their home from property taxation; and
- 4 ♦ defines a 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 and the home's value. Table 1 provides examples of how
 18 Referendum E reduces property taxes 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 Without Proposal	Average Taxes 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 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 **Argument For**

16 1) Colorado needs to do more to help veterans who have sacrificed their health for
17 our nation and state. Many other 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 these veterans for
20 their service.

21 2) The money that Referendum E saves qualifying veterans can improve their
22 quality of life. Many of these veterans live on government benefits and must pay for
23 assistance with daily tasks that people without disabilities do for themselves. In addition,
24 some veterans incur expenses when a home is adapted to accommodate their disability.
25 The state should do what it can to at least partially offset this economic disadvantage.

26 **Argument Against**

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

34 2) Care of veterans is a legal and financial responsibility of the federal government.
35 By creating a new state financial program for a small group of veterans, Referendum E
36 interferes with the balance of benefits set by the federal government. It also ties a
37 Colorado program to conditions and circumstances set by the federal government, which

1 may change or may not reflect the specific veterans the referendum is intended to help. For
2 example, under Referendum E, a veteran's property taxes could be reduced regardless of
3 whether the disability resulted from an injury in war time, in a combat zone, or simply
4 while on call.

5 **Estimate of Fiscal Impact**

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