Tax Time and the Colorado Senior Property Tax Exemption

Real property owners in Colorado are required to pay an *ad valorem* tax meaning "according to value" and is used to describe any tax imposed on the basis of the monetary value of the taxed item. All Colorado property taxes are paid in arrears. In January, all property owners are sent a statement of taxes due. The tax payer can elect to pay the first half of taxes due by the last day of February and the second half of the taxes due on or before June 15. The full payment option, if exercised, is due on or before April 30.

Colorado's legislature has in the past (there is no guarantee the legislature will continue this tax exemption in the future) created a credit for seniors owning real property, which in effect lowers the seniors' real property taxes. The criteria to qualify for this exemption are as follows:

1. The qualifying senior must be at least 65 years old on January 1 of the year in which he or she qualifies
2. The qualifying senior must be the owner of record and must have been the owner of record for at least ten consecutive years prior to January 1
3. The qualifying senior must occupy the property as his or her primary residence and must have done so for at least ten consecutive years prior to January 1

<u>For those who qualify</u>, 50 percent of the first $200,000 of actual value of the applicant's primary residence is exempted from taxation. The State will reimburse the county treasurer for lost revenue and the treasurer will disburse the monies to the specific taxing authorities which levy mills against a specific property. An Applicant or married couple can apply for the exemption on <u>only one property</u>. Married couples or individuals who apply for the exemption on multiple properties will be <u>denied</u>. For the purpose of the exemption, primary residence is the place at which a person's habitation is fixed and to which that person, when absent, has the intention of returning. The property must be classified by the county assessor as residential. If the senior owns a multiple-dwelling unit property, the exemption will only be granted to the unit occupied by the senior as his or her primary residence.

There are two application forms:

- Short form
- Long form

The short form is intended for the qualifying seniors who meet the requirements stated as items 1, 2 and 3. The long form is used by individuals applying as the qualifying senior who fall within certain exceptions to the occupancy and ownership requirements. <u>Exceptions</u> to the occupancy and ownership requirements are:

A. Ownership has been transferred to or purchased by a trust, corporate partnership or other legal entity solely for estate planning purposes
B. The qualifying senior or his or her spouse was or is confined to a health care facility
C. The prior residence was condemned in an eminent domain proceeding
D. The surviving spouse option: the spouse passed away prior to January 1…then the surviving spouse can still qualify if your [deceased] spouse met the requirements listed above as items 1, 2 and 3 and the short form was utilized. In addition, the surviving spouse must have legally been married to a senior who met the redemption on January 1 of the year the senior passed away. The surviving spouse could not have remarried and the surviving spouse must have occupied the residential property with the qualifying senior as his or her primary residence and must still occupy the same property.

Marketing
303.889.8460
marketing@stgco.com
www.stgco.com

Security Title Guaranty Co.

...continued from front

The application form, whether short or long, is due July 15 of the year for which the applicant is seeking exemption. The assessor can accept late applications until September 15 if the applicant can show good cause for missing the July 15 deadline. The exemption must be applied for only once, and it remains in effect for subsequent years as long as the property ownership and occupancy do not change.

Short and long forms are obtainable from the county assessor office in the county in which the property is located. Each county assessor has their own form to be completed by the applicant.

In November 2006, voters enacted an amendment to the Colorado Constitution extending the senior exemption to <u>disabled veterans</u>. Qualifying veterans are those who have a 100 percent permanent and total disability rating from the U.S. Department of Veteran's Affairs as a result of a service connected disability who have owned and occupied the property as their primary residence since January 1 (the 10 year rule does not apply for the disabled veteran).

AN INDIVIDUAL OR MARRIED COUPLE IS ONLY ENTITLED TO ONE EXEMPTION, EITHER SENIOR OR DISABLED VETERAN, AND ONLY ON ONE PROPERTY.

There are penalties for providing false information or filing more than one exemption application in any property tax year including:

A. Penalties prescribed by law for perjury in the second degree for applicants knowingly providing false information
B. Shall not be entitled to an exemption
C. Shall be required to pay an amount equal to the amount of property taxes not paid as a result of the exemption being improperly allowed
D. Shall upon conviction of perjury be required to pay an additional amount equal to twice the amount of the property taxes that would have been exempted had the application been valid from the date the invalid application was filed and until the date the applicant makes the payment
E. The penalties described above shall be deemed part of the lien of general property taxes

Within 60 days of its occurrence, the assessor must be notified of any change in the property's ownership or occupancy that would result in a loss of the exemption. If the assessor is not notified, the exemption will not be allowed. The tax not paid will be required to be paid in an amount of the taxes not paid including interest and the penalty being part of the general taxes.

On February 29, 2008, the <u>Rocky Mountain News</u> in an editorial described House Resolution 1002. Because of this proposed resolution, the legislature is considering that seniors who now receive the homestead tax exemption could move from their longtime residences and <u>take the senior tax exemption with them</u>. Under current law, if you move, you lose the exemption. The current law clearly discourages homeowners from downsizing if a spouse dies or the grown children leave home. It also reported that the main reason the seniors remain in their homes is that they don't want to lose the tax break if they move.

The State is already losing about $65 million in revenue because of the current senior tax exemption. The <u>Rocky Mountain News</u> does not recommend House Resolution 1002 as the paper feels the senior with modest means who is unduly burdened by the *ad valorem* tax can <u>defer</u> those tax payments until they die or sell the home. What the paper does <u>not</u> state is there are certain requirements and income restraints on the senior who applies for the tax deferment, as well as interest charges.

The **Security Title** May, 2008 newsletter will discuss the homestead exemption on the primary residence and the changes the legislature made during the 2007 legislative session.