



Senior Housing Income Tax Credit

Tax Expenditure Evaluation • June 2025 • 2025-TE6

| | |
|-------------------------|--------------------|
| Tax Type: | Income tax |
| Expenditure Type: | Credit |
| Statutory Citation: | § 39-22-544, C.R.S |
| Year Enacted: | 2022 |
| Repeal/Expiration Date: | December 31, 2024 |
| Revenue Impact (2022): | \$73.9 million |

Purpose given in statute or enacting legislation? Yes

The Senior Housing Credit was enacted in 2022 to provide assistance to Colorado seniors who are not eligible for another state tax expenditure, the Senior Homestead Property Tax Exemption. This exemption has been available in most tax years since 2002 to Colorado seniors who have owned and lived in their home for at least 10 years. However, it generally cannot be claimed by seniors who rent their homes or by senior homeowners who have owned and occupied their homes for fewer than 10 years.

The Senior Housing Credit allows Colorado seniors who have not claimed the Senior Homestead Exemption and who have federal adjusted gross incomes (AGIs) below certain thresholds to claim a refundable credit against their Colorado income tax liability—up to \$1,000 for Tax Year 2022 or \$800 for Tax Year 2024. The amount of a taxpayer's credit is adjusted based on their AGI, with higher credit amounts allowed for taxpayers with lower incomes. Taxpayers with AGIs less than \$25,500 may claim the maximum credit amount allowed, and taxpayers with AGIs above \$75,000 or \$125,000 (depending on the year and the taxpayer type) are not eligible for the credit.

According to statute, the purpose of the Senior Housing Credit is “to provide tax relief for income-qualified seniors” and, more specifically, “to help more seniors afford the high cost of housing in Colorado” [Section 39-22-544(1)(b), C.R.S.]. We found that the credit provided financial assistance to a significant number of Colorado seniors in Tax Year 2022 and is likely to be particularly helpful for seniors with lower incomes. Additionally, the relative proportion of seniors receiving substantial assistance from the credit is likely higher among seniors of color and in certain areas of the state. We also found that the 2024 version of the credit is likely to provide many taxpayers with less assistance than the 2022 credit.

- The credit provided financial assistance to an estimated 120,000 Colorado seniors in Tax Year 2022, including a substantial number who received the maximum credit amount.
- The extent to which the Senior Housing Credit assisted seniors with housing costs is dependent on each senior's individual situation. However, the credit is likely to be particularly helpful for seniors with low incomes. Additionally, seniors who received both the Property Tax, Rent, Heat (PTC) Rebate and

the Senior Housing Credit likely received substantial additional benefit from the credit compared with the rebate alone.

- The relative proportion of seniors potentially benefitting from the credit is higher among seniors of color and in areas of the state that have lower average housing costs and in which a higher proportion of seniors rent their homes and have lower incomes.
- Some seniors who claimed the Senior Homestead Exemption would have received greater monetary benefit from the Senior Housing Credit but were unable to claim the Senior Housing Credit because the Senior Homestead Exemption is applied automatically to seniors' property tax bills in most cases.
- Although data for the 2024 version of the Senior Housing Credit is not yet available, it appears that the 2024 credit may not provide as much assistance as the 2022 credit for many seniors. Specifically, the 2024 version of the credit provides smaller credit amounts to many taxpayers than the 2022 version, with the exception of some joint filers. Additionally, the 2024 credit is not adjusted for inflation or increases in housing costs, so the credit's relative value is lower in 2024 compared with 2022.

Policy Considerations

If the General Assembly decides to extend the Senior Housing Credit to additional tax years, legislators may want to consider whether to make adjustments to the credit to account for one or more factors identified in this report that likely reduce the value of the credit for some taxpayers. Specifically, inflation and increases in housing costs are likely to degrade the credit's value to seniors over time. Additionally, seniors who could qualify for either the Senior Housing Credit or the Senior Homestead Exemption may not receive the maximum tax benefit for which they are eligible.

Senior Housing Income Tax Credit

Background

The Senior Housing Income Tax Credit (Senior Housing Credit) was enacted in 2022 to provide assistance to Colorado seniors who are not eligible for another state tax expenditure, the Senior Property Tax Exemption (also known as the Senior Homestead Exemption). The Senior Homestead Exemption has been available in most tax years since 2002 to Colorado seniors who have owned and lived in their home for at least 10 years. However, it generally cannot be claimed by seniors who rent their homes or by senior homeowners who have owned and occupied their homes for fewer than 10 years, including seniors who owned a previous home for at least 10 years but have since moved. For Tax Years 2025 and 2026 only, statute also allows a similar benefit for seniors who qualified for the Senior Homestead Exemption in 2020 or later but lost eligibility because they later moved.

The Senior Housing Credit allows Colorado seniors who have not claimed the Senior Homestead Exemption and who have federal adjusted gross incomes (AGIs) below certain thresholds to claim a refundable credit against their Colorado income tax liability—up to \$1,000 for Tax Year 2022 or \$800 for Tax Year 2024. The credit was initially enacted for a single income tax year—2022. During the 2024 legislative session, legislators enacted a bill that extended the credit to one additional income tax year—2024—with some modifications to the original credit. Our analysis of the credit’s effectiveness generally focuses on the version of the credit available in Tax Year 2022 because Department of Revenue (Department) data on Tax Year 2024 claims of the Senior Housing Credit were not available yet at the time of our review.

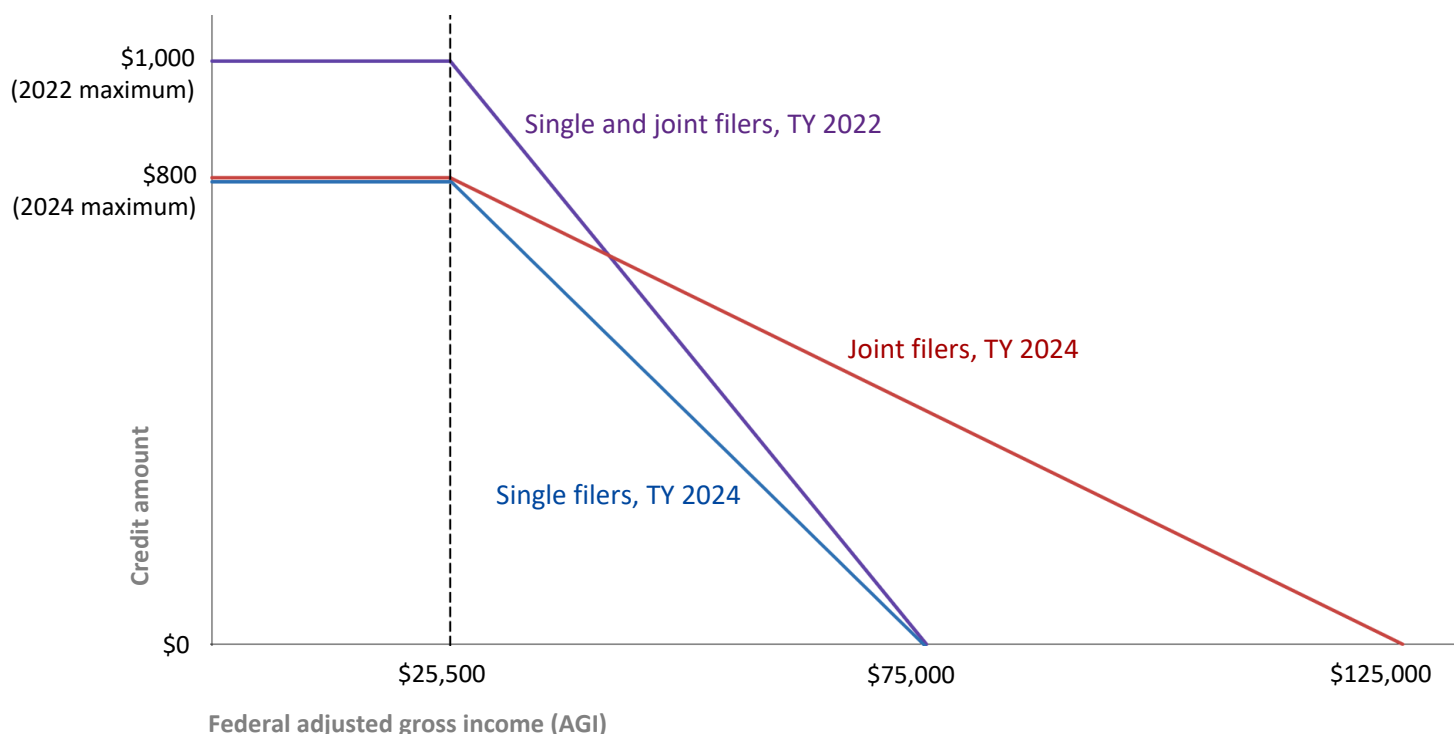
In order to qualify for the Senior Housing Credit, a taxpayer must be at least 65 years old at the end of the income tax year, and they must live in Colorado for at least part of the year. The credit is apportioned for part-year residents claiming the credit for Tax Year 2024 based on the portion of their income that is subject to Colorado income tax. Part-year residents claiming the credit during Tax Year 2022 received the full amount of the credit without apportionment. If the amount of the taxpayer’s credit exceeds their income tax liability, the remaining credit amount is refunded to the taxpayer.

As shown in Exhibit 1, the amount of a taxpayer’s credit is adjusted based on their AGI, with higher credit amounts allowed for taxpayers with lower incomes. Taxpayers with AGIs less than \$25,500 may claim the maximum credit amount allowed. Starting with AGIs of at least \$25,500, the taxpayer’s credit amount decreases incrementally for every additional \$500 in income. Taxpayers with AGIs above a certain threshold—\$75,000 or \$125,000, depending on the year and the taxpayer

type—are not eligible for the credit. Notably, seniors who qualify for the credit and have also received the Property Tax, Rent, and Heat Rebate (also known as the PTC Rebate)—granted to seniors with very low incomes who incur property tax, rent, and/or heating expenses and apply for the rebate with the Department—for the same tax year are eligible for the maximum amount of the Senior Housing Credit regardless of their AGI.

Exhibit 1

Senior Housing Credit^{1, 2, 3} Amount by Federal Adjusted Gross Income



Source: Office of the State Auditor analysis of Section 39-22-544(4) and (4.5), C.R.S.

¹Credit amounts decrease incrementally by \$10 (in Tax Year 2022), \$8 (for single taxpayers in Tax Year 2024), or \$4 (for joint taxpayers in Tax Year 2024) for every additional \$500 in AGI for taxpayers with AGIs of at least \$25,500.

²Credit amounts for individuals who are married but file separate income tax returns are not depicted. In Tax Year 2022, these filers could receive a maximum credit of \$500 each, and the credit amount for taxpayers with AGIs of at least \$25,500 decreased by \$5 for each additional \$500 in AGI. In Tax Year 2024, the maximum credit allowed for married filing separate returns was \$400, with the credit amount decreasing by \$4 for each additional \$500 in AGI.

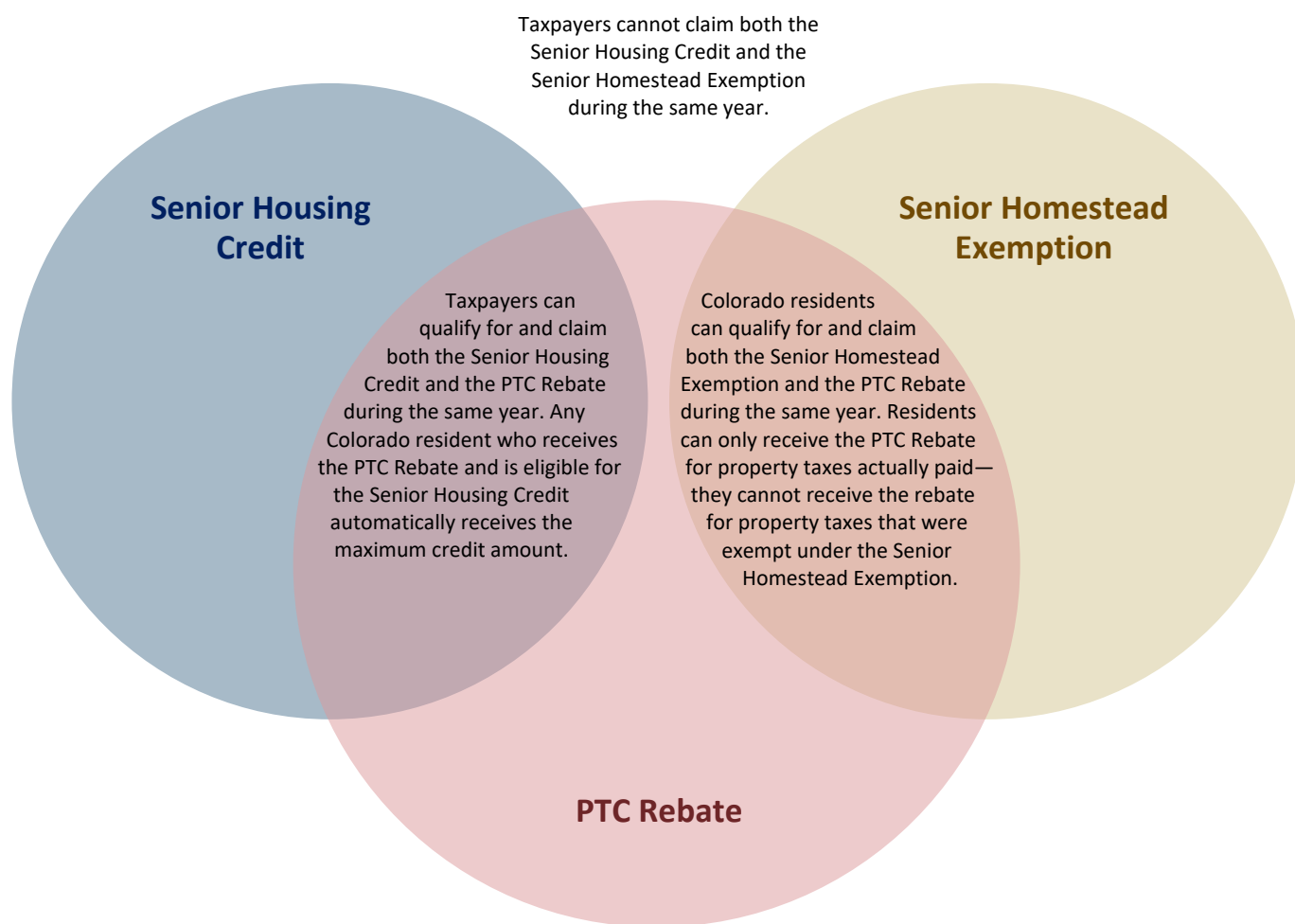
³Seniors who qualify for both the Senior Housing Credit and the PTC Rebate are eligible to receive the maximum credit amount regardless of their AGI.

As with other income tax credits, taxpayers may claim the Senior Housing Credit on their Colorado income tax return credit schedule. However, the credit may also be claimed via the application for the PTC Rebate. Many individuals who receive the PTC Rebate do not have a Colorado income tax liability and may, therefore, not be required to file a Colorado income tax return. Since seniors who receive the PTC Rebate are also likely to be eligible for the Senior Housing Credit due to their low incomes, allowing them to claim the credit via the rebate application provides them with an easier way to access the credit than filing an income tax return for the sole purpose of receiving the credit.

Exhibit 2 provides a summary of how the Senior Housing Credit, the Senior Homestead Exemption, and the PTC Rebate interact.

Exhibit 2

Summary of Overlap of the Senior Housing Credit, Senior Homestead Exemption, and PTC Rebate



Source: Office of the State Auditor analysis of Section 39-22-544(3)(a)(II)(C), (3)(b)(II)(C), (4)(c), and (4.5)(d), C.R.S.; and the Department of Revenue's DR 0104PTC Application.

Tax expenditures that are intended to alleviate housing costs for seniors are somewhat common in other states. We identified 24 other states with such tax expenditures that apply to property taxes and 3 other states with similar income tax expenditures. Characteristics of these tax expenditures vary. For example, some are limited to seniors with incomes below certain thresholds, like Colorado's Senior Housing Credit, and some are not. Additionally, although a significant number of property tax expenditures for seniors are limited to homeowners, a few states have found ways to extend their senior property tax expenditures to seniors who do not own their homes. For example,

Alaska and Illinois provide renters with direct payments or grants in lieu of a reduction in property taxes.

According to statute, the purpose of the Senior Housing Credit is “to provide tax relief for income-qualified seniors” and, more specifically, “to help more seniors afford the high cost of housing in Colorado” [Section 39-22-544(1)(b), C.R.S.].

Additionally, the section of statute that authorizes the credit acknowledges that many seniors are ineligible for the Senior Homestead Exemption, which suggests that the credit is specifically intended to assist seniors who are not eligible for the Senior Homestead Exemption—those who have owned their homes for fewer than 10 years, who rent their homes, or have housing arrangements other than home ownership. We did not identify a data source that would enable us to estimate how many Colorado seniors have owned their homes for fewer than 10 years. However, based on American Community Survey (ACS) data for 2019 through 2023, we estimate that about 19 percent of senior households in Colorado rent their home. Although older Coloradans are more likely to be homeowners than younger adults, they are also more likely to be living on fixed incomes than younger generations. Additionally, the Department’s income tax return data indicates that the average AGI for taxpayers at least 65 years old in Tax Year 2020 was over \$30,000 less than the average AGI for taxpayers between 45 and 64 years old, and 60 percent of senior taxpayers had AGIs less than \$75,000.

Technical Note

The calculation of federal adjusted gross income (AGI) can be complicated. AGI includes certain types of income, such as wages, business income, and pensions, and does not include other types of income, such as life insurance proceeds and worker’s compensation. Whether a given type of income is included in AGI can also vary depending on taxpayers’ unique circumstances. The types of income that individuals must report to the American Community Survey (ACS) largely overlap with the types of income that are included in AGI, but there are some differences—capital gains from a home sale, for example, are not included in income for purposes of the ACS but may be included in AGI. Therefore, income estimates in this report that are based on ACS data are an approximation of AGI rather than an exact representation.

Statute establishes that our office will measure the effectiveness of this credit in achieving its statutory purpose “based on the number of taxpayers who have claimed the [credit].” [Section 39-22-544(1)(c), C.R.S.]. We also developed the following performance measure in order to provide additional insight on how well the credit is meeting its purpose: **To what extent does the Senior Housing Credit provide assistance with housing costs for seniors who are not eligible for the Senior Homestead Exemption?**

Evaluation Results

The Senior Housing Credit provided financial assistance to a significant number of Colorado seniors in Tax Year 2022 and is likely to be particularly helpful for seniors with lower incomes. Additionally, the relative proportion of seniors receiving substantial assistance from the credit is likely higher among seniors of color and in areas of the state that have lower average housing costs and in which a higher proportion of seniors rent their

homes and have lower incomes. We also found that the 2024 version of the credit is likely to provide many taxpayers with less assistance than the 2022 credit.

The credit provided financial assistance to an estimated 120,000 Colorado seniors in Tax Year 2022, including a substantial number who received the maximum credit amount. We were not able to determine how many seniors were potentially eligible for the credit, so are not able to determine what percentage of the eligible population claimed the credit. A total of 85,800 taxpayers (including both joint and single filers) claimed the credit via their Colorado income tax returns, and the Department issued credits to an additional 8,500 seniors who applied for the PTC Rebate. Exhibit 3 summarizes credit claims in Tax Year 2022 by taxpayer type.

Exhibit 3

Summary of Senior Housing Credit Claims by Taxpayer Type, Tax Year 2022

| Claim Method | Taxpayer Type | Number of Claimants | Average Credit Amount |
|---|----------------------|---------------------|-----------------------|
| Income tax return | Single filers | 60,068 | \$788 |
| Income tax return | Joint filers | 25,695 | \$704 |
| PTC Rebate application | Unknown ¹ | 8,515 | \$1,000 |
| All | All | 94,278 | \$784 |
| Estimated number of individuals benefitting from the credit: ² 119,973 | | | |

Source: Office of the State Auditor analysis of Department of Revenue data.

¹PTC Rebate recipients must specify on their application whether they are applying as a single individual or a married couple. However, the Department was unable to provide this data.

²We estimated the number of individuals benefitting from the credit by multiplying the number of credit claims via income tax returns filed jointly by 2, then adding the number of claims by single filers and the number of claims granted via the PTC Rebate application.

Additionally, a total of 52,000 taxpayers received the maximum allowable credit amount of \$1,000, representing an estimated 62,600 individual seniors when factoring in joint filers (a little over half of all recipients). Of these, about 8,500 taxpayers claimed the credit via the PTC Rebate application, and all of these taxpayers received the maximum credit amount of \$1,000. Exhibit 4 provides a summary of the credit claims in Tax Year 2022 by taxpayer AGI. As shown, the average credit amount for taxpayers with AGIs up to \$25,500 was \$992, and the average amount decreases as AGI increases. Taxpayers in the highest AGI range, from \$50,000 to \$75,000, received the lowest credit amounts, averaging \$261 per taxpayer.

Exhibit 4

Summary of Senior Housing Credit Claims by Federal AGI, Tax Year 2022

| Federal AGI | Number of Claimants | Average Credit Amount |
|-----------------------------|---------------------|-----------------------|
| Up to \$25,500 ¹ | 52,933 | \$992 ² |
| \$25,500 to \$49,999 | 21,892 | \$746 |
| \$50,000 to \$75,000 | 19,453 | \$261 |
| All | 94,278 | \$784 |

Source: Office of the State Auditor analysis of Department of Revenue data.

¹Data on federal AGI for PTC Rebate recipients is not available. However, since the PTC Rebate was only available for seniors with incomes below \$22,858 in Tax Year 2022, we have included all PTC Rebate recipients in the group with federal AGI up to \$25,500.

²Although taxpayers with AGIs in this range were generally eligible for the maximum credit amount of \$1,000 in Tax Year 2022, some taxpayers claimed amounts lower than this, which reduced the average credit amount below \$1,000. For example, taxpayers who were married but chose to file separately were each eligible for a maximum of \$500.

Additionally, some taxpayers may have claimed a smaller credit amount than they were eligible for, possibly due to misunderstanding how the credit works. Department staff noted that they do not correct taxpayer returns in cases where an eligible taxpayer claims a smaller credit amount than they are eligible for.

The extent to which the Senior Housing Credit assisted seniors with housing costs is dependent on each senior's individual situation, but the credit is likely particularly helpful for seniors with low incomes. Exhibit 5 presents four different hypothetical taxpayer scenarios with varying income and varying rent amounts and provides the percentage of annual rent and number of days' rent covered by the credit. As shown, the credit offsets the largest portion of rent for taxpayers with lower incomes and lower rents and provides a smaller benefit for moderate income taxpayers with relatively higher rents.

Technical Note

In this section of the report, we use rent as a proxy for housing costs because a significant portion of Senior Housing Credit claimants are likely renters, as opposed to homeowners, and data on rent is widely available. Although we have not presented data on mortgages, the broad conclusions reached in this section regarding the credit's benefit to renters with different rent amounts are also applicable to homeowners who received the Senior Housing Credit and have different mortgage amounts.

Exhibit 5**Comparison of Hypothetical Taxpayer Scenarios: Varying Income and Varying Rent Amounts**

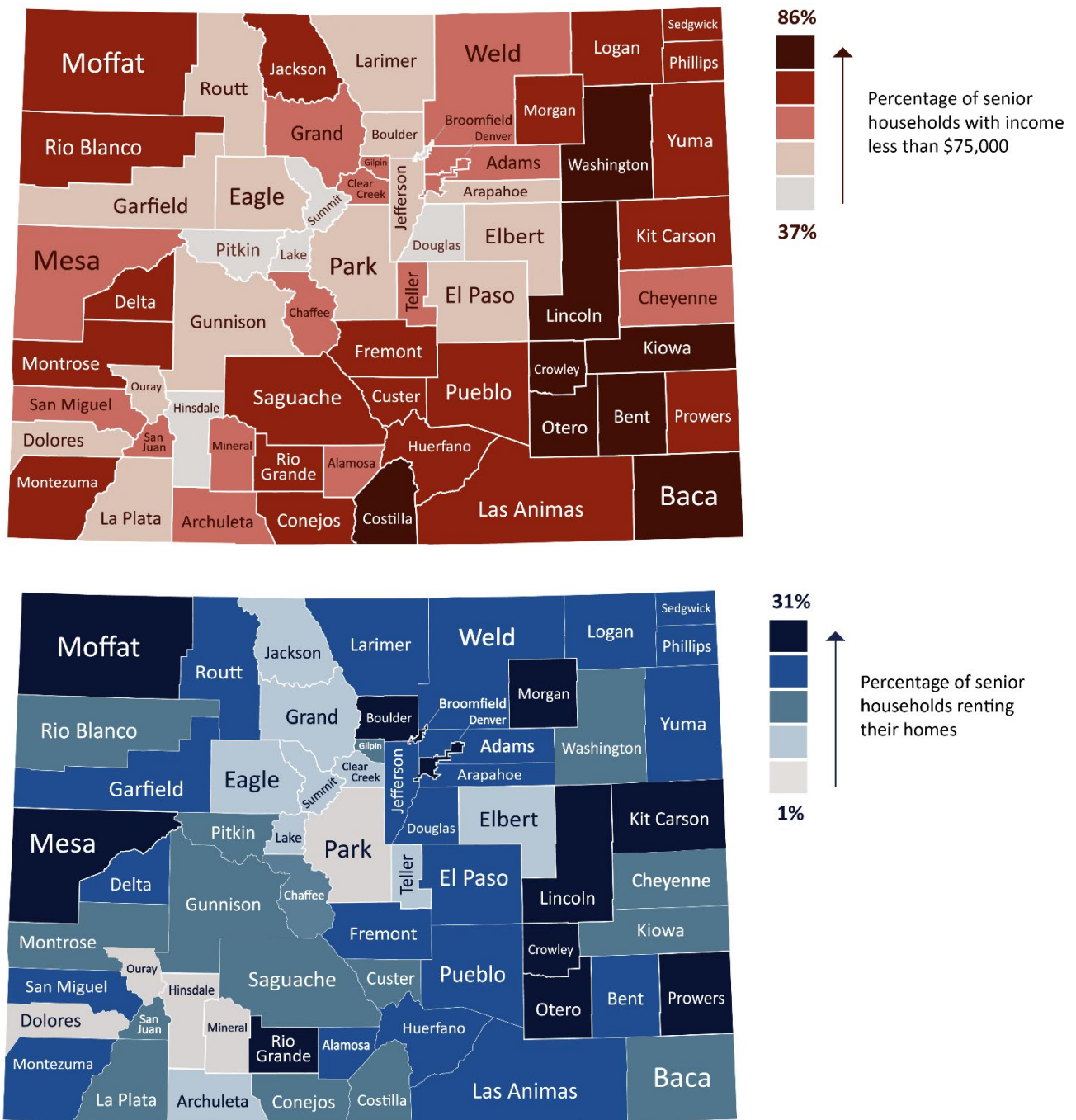
| | Scenario 1: Low income, low rent | Scenario 2: Low income, high rent | Scenario 3: Moderate income, low rent | Scenario 4: Moderate income, high rent |
|--|--|---|---|--|
| AGI | \$30,000 | \$30,000 | \$65,000 | \$65,000 |
| Credit amount | \$900 | \$900 | \$200 | \$200 |
| Monthly rent | \$700 | \$1,500 | \$700 | \$1,500 |
| Annual rent | \$8,400 | \$18,000 | \$8,400 | \$18,000 |
| Credit amount as percentage of annual rent | 11% | 5% | 2% | 1% |
| Number of days' rent covered by credit | 39 | 18 | 9 | 4 |

Source: Office of the State Auditor analysis of Section 39-22-544, C.R.S., supported by American Community Survey data.

The relative proportion of seniors potentially benefitting from the credit is higher in certain areas of the state—those with lower average housing costs and in which a higher proportion of seniors rent their homes and have lower incomes. The Department does not publish information on where credit recipients live in the state. However, based on the percentage of seniors who meet the income requirements and rent their home, there are certain areas of the state where a greater proportion of seniors likely qualify for the credit. Exhibit 6 maps the estimated percentage of seniors renting their homes and, since the 2022 version of the credit is limited to seniors with AGIs less than \$75,000, the estimated percentage of seniors with incomes below \$75,000 in each county. For example, counties such as Moffat, Otero, and Rio Grande have comparatively high percentages of seniors renting their homes and with incomes below \$75,000.

Exhibit 6

Estimated Percentage of Colorado Seniors¹ with Incomes Below \$75,000² and Estimated Percentage of Seniors Renting, by County, 2019-2023



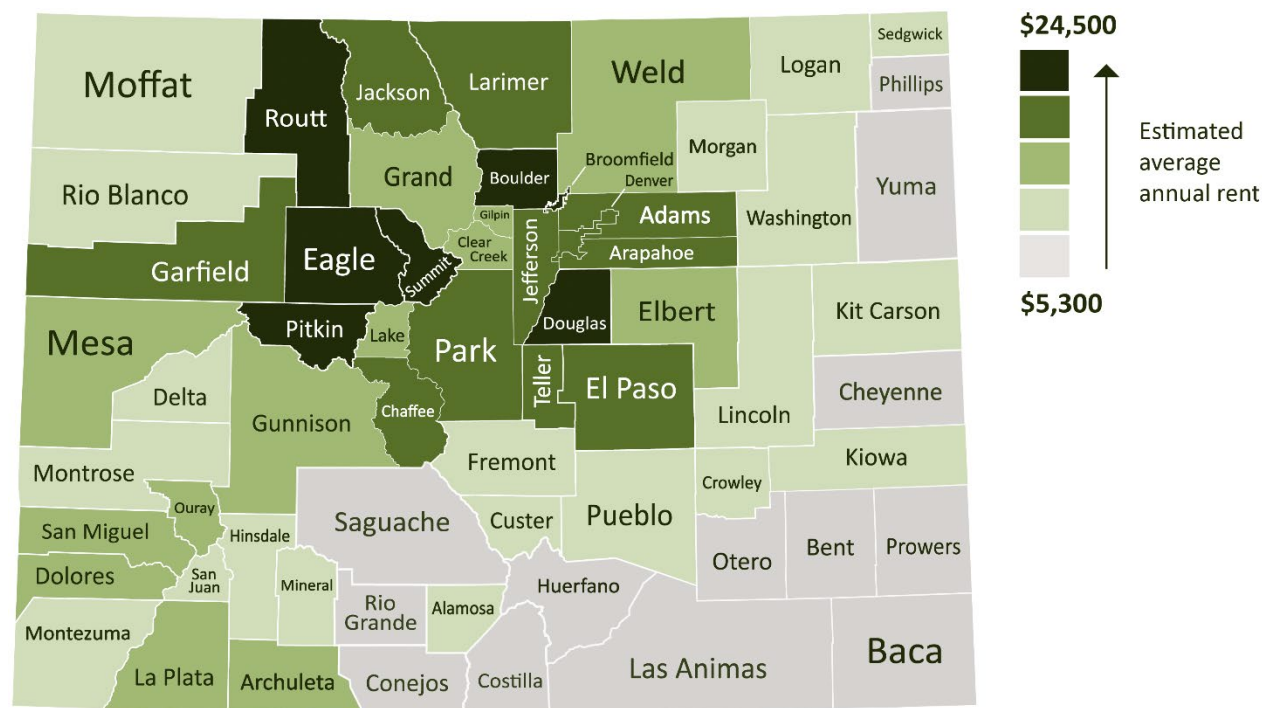
Source: Office of the State Auditor analysis of the U.S. Census Bureau's American Community Survey 5-Year Estimates, 2019-2023.

¹ACS data on rentership and household income is reported per household, and senior households are those with "householders" (heads of household) who are at least 65 years old. Therefore, this data may not include seniors with certain living circumstances, such as living in the homes of younger family members who reported a householder under 65 years old.

²For Tax Year 2022, the Senior Housing Credit is only available to seniors with AGIs below \$75,000. However, for Tax Year 2024, the credit is available for taxpayers filing jointly with AGIs below \$125,000. Since this map does not include taxpayers with incomes between \$75,000 and \$125,000, the map more accurately estimates eligibility for the credit for Tax Year 2022 than for Tax Year 2024.

Average rent also varies significantly between counties, as shown in Exhibit 7; counties in the south and east regions of Colorado have comparatively low rents, while those in the more populous Front Range or in some mountainous areas have comparatively high rents.

Exhibit 7
Estimated Average Annual Rent, by County, 2019-2023



Source: Office of the State Auditor analysis of the United States Census Bureau’s American Community Survey 5-Year Estimates, 2019-2023.

Examining Exhibits 6 and 7 together provides an overview of what seniors in each county may be experiencing with respect to the Senior Housing Credit. For example, a greater proportion of seniors living in Moffat or Otero county may receive significant assistance from the credit because these counties have relatively high percentages of senior renters and high percentages of seniors with AGIs less than \$75,000, combined with relatively low rents. In comparison, it is likely that a much smaller portion of seniors in Summit County receive significant assistance from the credit—a smaller number of seniors in Summit County rent their homes, and the county has a comparatively lower percentage of seniors with incomes in the credit’s income eligibility range. However, for seniors who have lower incomes and live in Summit County, the credit may be particularly important, as their budgets are likely to be tighter than seniors with similar incomes in counties with lower average rent.

The Senior Housing Credit may be particularly helpful for seniors of color and seniors who are at risk of losing their housing. For example, a Colorado Fiscal Institute (CFI) analysis of 2017 data found that seniors of color were less likely to be eligible for the Senior Homestead Exemption than white seniors: “60 percent of older white households qualify for the [Senior Homestead

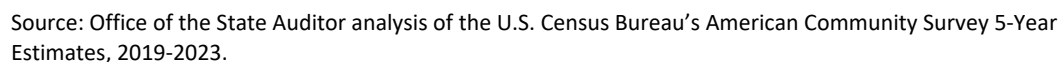
Exemption], but only 40 percent of older [B]lack households and just 21 percent of older Latinx households qualify.” In part, this may be due to a smaller proportion of Black and Latino households owning their homes; for example, CFT’s analysis showed that 72 percent of older Latino households do not own their home, compared with just 18 percent of older white households. Additionally, ACS data indicates that a higher percentage of households of color (with the exception of Asian households) have incomes below \$75,000 than white households in Colorado. For example, about 51 percent of Latino households and 57 percent of Black or African American households have incomes below \$75,000, compared with 38 percent of white households. Since the 2022 version of the Senior Housing Credit is available to all seniors with AGIs in this range who have not received the Senior Homestead Exemption, a substantial number of seniors of color likely qualify for the credit. The credit can help to provide seniors of color with financial assistance that they would not otherwise receive from the State if they are not eligible for the Senior Homestead Exemption because they do not own their home.

Additionally, for seniors who are at risk of losing their housing, the Senior Housing Credit may provide some assistance in staving off homelessness. For example, Generations Journal reported that poverty and the lack of affordable housing are two of the fundamental causes of homelessness. This credit does not impact the cost of housing, but, as discussed, it can make housing marginally more affordable by providing seniors with additional funds.

Seniors who received both the PTC Rebate and the Senior Housing Credit likely received substantial additional benefit from the credit compared with the rebate alone. Since statute specifies that PTC Rebate recipients who qualify for the credit can receive the maximum allowable credit amount of \$1,000, we also examined how the credit is likely to impact these taxpayers. In Tax Year 2022, the Department issued PTC Rebate amounts averaging \$502 per applicant. For an applicant receiving a PTC Rebate in this amount, a Senior Housing Credit amount of \$1,000 would have roughly tripled the amount of financial benefit provided by the State. Additionally, for seniors with AGIs that are low enough to qualify for the PTC Rebate, an extra \$1,000 could represent a substantial increase in income. For example, for a senior with an AGI of \$15,000, an additional \$1,000 would represent an estimated 7 percent increase in gross income and could, therefore, make a significant difference in the senior’s ability to pay for housing.

Exhibit 8 shows the estimated percentage of senior households that have very low incomes and may be eligible for the PTC Rebate in each Colorado county, based on ACS data collected between 2019 and 2023. Counties in the south and east of the state generally have higher percentages of seniors who may be eligible for the PTC Rebate, while counties in the center of the state have relatively low percentages of these seniors.

Estimated Percentage of Senior Households with Incomes Less than \$20,000, 2019-2023



Some seniors who claimed the Senior Homestead Exemption would have received greater monetary benefit from the Senior Housing Credit but were unable to claim the Senior Housing Credit because the Senior Homestead Exemption is applied automatically to seniors' property tax bills in most cases. As discussed, taxpayers may claim either the Senior Housing Credit or the Senior Homestead Exemption in any given tax year—not both. However, some taxpayers who qualified for the Senior Homestead Exemption would also have met the requirements for the Senior Housing Credit and, in theory, could have elected not to take the Senior Homestead Exemption if they wished to claim the Senior Housing Credit instead.

For some seniors who could have qualified for either tax benefit, the Senior Housing Credit would have provided a greater monetary benefit than the Senior Homestead Exemption. The amounts of both the credit and the exemption vary depending on each taxpayer's individual circumstances—the credit, depending on the taxpayer's AGI, and the exemption, depending on the amount of property value exempted from the value of the taxpayer's residence and the mill levy (property tax rate) on the property. In Property Tax Year 2022, the Senior Homestead Exemption reduced property taxes on about 269,000 senior residences, and the average value of the exemption was \$584. As a point of comparison, both single and joint taxpayers would have received a Senior Housing Credit of \$590 or more in Income Tax Year 2022 if their AGIs were less than \$46,000. Thus, for a taxpayer receiving the average value of the Senior

Homestead Exemption, the Senior Housing Credit would have provided a greater monetary benefit if the taxpayer's AGI were less than \$46,000. We were unable to determine how many taxpayers' credit amounts would have been greater than the value of their exemptions; however, it is likely that this may have been the case for a substantial number of taxpayers.

Most taxpayers who could have received a greater benefit from the Senior Housing Credit than the Senior Homestead Exemption likely were not able to claim the credit instead of the exemption. In order to receive the Senior Homestead Exemption, seniors must submit an application to their county assessor's office. Once they are approved for the exemption, the exemption stays in place for future property tax years unless the property's ownership or occupancy changes; in other words, after the first year in which it is claimed, the Senior Homestead Exemption is applied automatically, provided that the senior's living situation remains unchanged. According to Division of Property Taxation (Division) staff, if a senior who had previously received the Senior Homestead Exemption wished to opt out of the exemption in order to be eligible for the Senior Housing Credit, they must contact their county assessor's office in order to have the exemption removed from their property tax bill. However, according to Department staff, taxpayers reported that while certain counties allowed taxpayers to retroactively opt out of the Senior Homestead Exemption in order to qualify for the Senior Housing Credit in Tax Year 2022, other counties did not allow this. Additionally, according to Division staff, seniors who called into the Division for guidance on this topic were generally "not interested in withdrawing their exemption after they realized they would have to reapply if they wanted the exemption again and that the income tax credit is not currently a long term or permanent program." Therefore, it appears that even if seniors could have received a greater monetary value from the Senior Housing Credit than the Senior Homestead Exemption, the difficulty of opting out of the exemption and the temporary nature of the credit may have dissuaded many seniors from attempting to claim the credit in lieu of the exemption.

Technical Note

The Senior Homestead Exemption allows eligible seniors to subtract up to 50 percent of the first \$200,000 (generally, \$100,000) of actual value of their primary residence when calculating the amount of property tax owed. Therefore, eligible seniors residing in any residential property with an actual value of at least \$200,000 would receive the maximum possible value of the exemption. We estimated that the average residential property in Colorado had an actual value of about \$454,000 in Property Tax Year 2022.

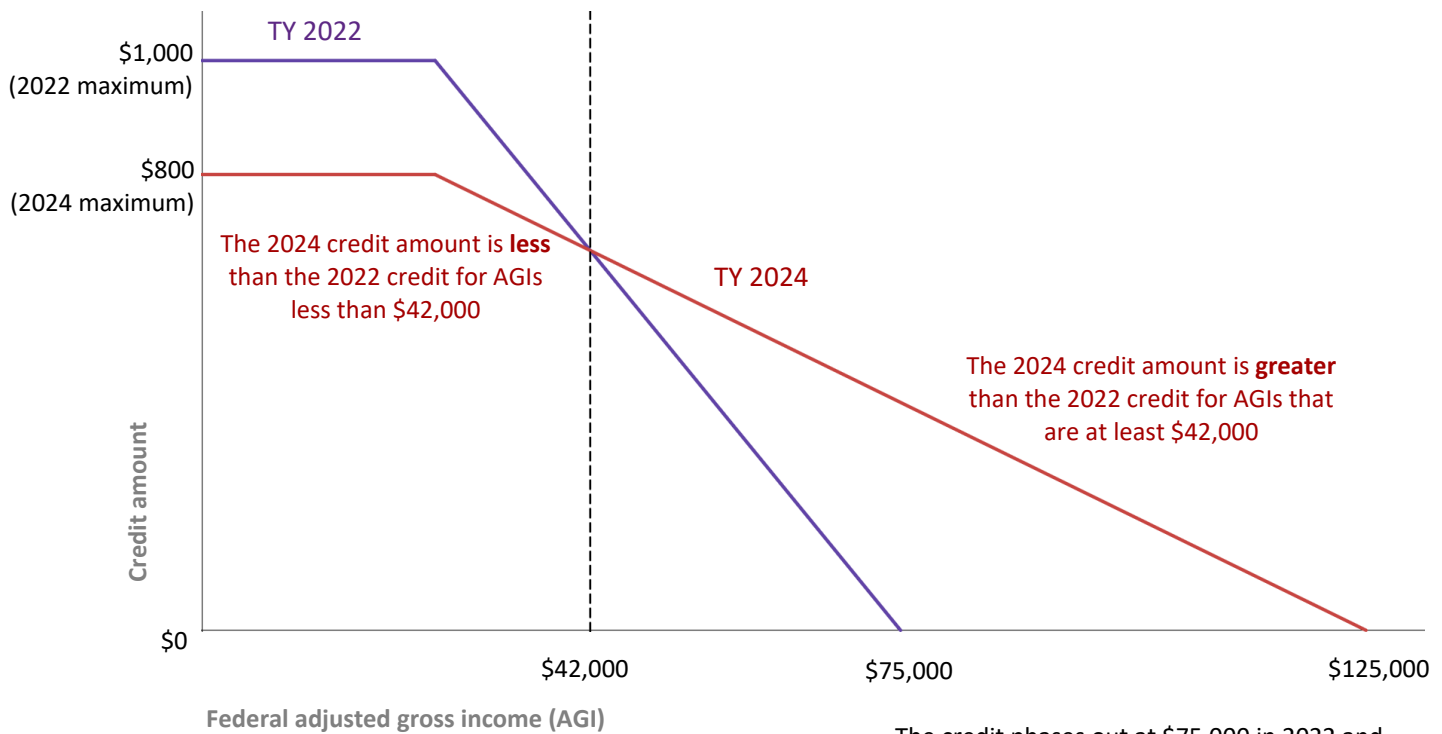
Data for the 2024 version of the credit is not yet available. However, it appears that the 2024 credit may not provide as much assistance as the 2022 credit for many seniors. There are a number of factors that are likely to reduce the relative value of the version of the credit available in Tax Year 2024 for many taxpayers:

- **The 2024 version of the credit provides smaller credit amounts to many taxpayers than the 2022 version, with the exception of some joint filers.** The maximum value of the 2024 credit is \$800, compared with the \$1,000 maximum value of the 2022 credit. Additionally, for any given AGI, the amount of the credit for single filers is less in 2024 than it would have been in 2022. For example, a single filer with an AGI of \$28,000 would have received a credit of \$940 in 2022 compared with \$752 in 2024, and a single filer with an AGI of \$63,000 would have received a credit of \$240 in 2022 compared with \$192 in 2024.

However, for joint filers, the credit amount for a given AGI is less in 2024 compared with 2022 only for AGIs less than \$42,000. For joint filers with AGIs of \$42,000 or higher, the 2024 credit is higher than it would have been in 2022. This is because the 2022 credit was limited to taxpayers with AGIs below \$75,000, whereas the 2024 credit is available for joint filers with AGIs up to \$125,000. This increase in the income eligibility range for joint filers results in a lengthened phase-out of the 2024 credit for these filers, so that the 2024 credit is greater for larger AGIs in 2024 than it would have been in 2022, as shown in Exhibit 9. For example, a joint filer with an AGI of \$28,000 would have received a credit of \$940 in 2022 compared with \$776 in 2024. However, a joint filer with an AGI of \$63,000 would have received a credit of \$240 in 2022 compared with \$496 in 2024, and a joint filer with an AGI of \$85,000 would not have qualified for the credit in 2022 but would receive a credit of \$320 in 2024.

Exhibit 9

Senior Housing Credit Amount¹ by Federal Adjusted Gross Income, Joint Filers



The credit phases out at \$75,000 in 2022 and at \$125,000 in 2024 for joint filers.

Source: Office of the State Auditor analysis of Section 39-22-544(4) and (4.5), C.R.S.

¹Credit amounts decrease incrementally by \$10 (in Tax Year 2022) or \$4 (in Tax Year 2024) for every additional \$500 in AGI for joint filers with AGIs of at least \$25,500.

Finally, taxpayers who are part-time Colorado residents may also receive smaller credit amounts in 2024 than they would have in 2022 because the 2024 credit is apportioned based on the portion of their income that is subject to Colorado income tax, but the 2022 credit was not apportioned in this way. For Tax Year 2022, about 2,300 claimants (2 percent) were part-year Colorado residents.

- **The 2024 credit was not adjusted for inflation or increases in housing costs, so the credit's relative value is lower in 2024 compared with 2022.** Tax credits provide the same level of assistance to taxpayers from year to year only when they are adjusted to account for price increases over time. The U.S. Bureau of Labor Statistics' Consumer Price Index (CPI), which is commonly used to measure changes in average prices over time, indicates that the cost of shelter in the 10 counties comprising the Denver metro area increased by about 12 percent between 2022 and 2024; data was not available for Colorado as a whole. Since the 2024 credit amount did not increase compared with the 2022 amount for many taxpayers, the relative value of the 2024 credit is less than the 2022 credit for many seniors whose housing costs increased during that time. Additionally, since the credit's income eligibility range—which allows seniors

to claim the maximum credit if their AGI is below \$25,500 and, for single filers, phases out the credit for AGIs of at least \$75,000—was not adjusted for inflation between 2022 and 2024, seniors whose AGIs increased solely due to inflation between 2022 and 2024 may see their credit amount decrease or become ineligible for the credit.

Policy Consideration

If the General Assembly decides to extend the Senior Housing Credit to additional tax years, legislators may want to consider whether to make adjustments to the credit to account for one or more factors identified in this report that likely reduce the value of the credit for some taxpayers. As discussed, the Senior Housing Credit was initially available for just one income tax year (2022) and was later extended to an additional tax year (2024), with some modifications. Additionally, during the 2025 legislative session, Colorado legislators considered Senate Bill 25-013, which would have extended the 2024 version of the credit to Tax Years 2025 and 2026 if it had been enacted. Since legislators have shown interest in extending the credit, we included this policy consideration to provide additional information in the event that they decide to continue the credit in future years.

- **Inflation and increases in housing costs are likely to degrade the credit's value to seniors over time.** According to the Institute of Taxation and Economic Policy, “Any feature of an income tax that is based on a fixed dollar amount will be vulnerable to inflationary effects. In many states, this means that tax breaks designed to provide low-income tax relief—including exemptions, standard deductions, and most tax credits—are worth a little bit less to taxpayers every year...” Further, “...indexing income taxes for inflation helps ensure that the tax system treats people in roughly the same way from year to year.” Since the Senior Housing Credit is intended to help seniors afford the cost of housing, the General Assembly could consider adjusting the credit amount for any future tax years based on estimated changes in housing costs. For example, the U.S. Bureau of Labor Statistics estimated that the cost of shelter in the Denver metro area increased by about 12 percent between 2022 and 2024.

In addition to adjusting credit amounts for inflation or changes in housing costs, the income levels at which different tax rates apply are also commonly adjusted in order to prevent an effect known as “bracket creep,” in which taxpayers whose incomes have increased due to inflation are pushed into a higher tax bracket and must pay a higher tax rate as a result. This same concept can also be applied to income eligibility benchmarks for tax credits; if these benchmarks are not adjusted for inflation, taxpayers whose incomes have increased due to inflation can lose eligibility for a credit or receive smaller credit amounts than they would have previously. Since the income eligibility benchmarks for the Senior Housing Credit for single filers—allowing seniors to claim the maximum credit if their AGI is below \$25,500 and phasing out the credit for AGIs of at least \$75,000—were not adjusted for inflation between 2022 and 2024, seniors filing a single return whose AGIs increased solely due to inflation between 2022 and 2024 will see their credit amount decrease or become ineligible for the credit.

Legislators are often required to account for factors beyond the impact to taxpayers when enacting or extending tax provisions, such as the State's budget needs and tax revenue forecasts; some of these factors may have impacted legislators' decisions to reduce the 2024 credit amount for certain taxpayers when compared with the 2022 credit amount. However, if the General Assembly decides to extend the Senior Housing Credit to additional tax years in the future, it may want to consider whether adding provisions to account for inflation and changes in housing prices to help to maintain the credit's value to taxpayers from one tax year to the next would be beneficial.

- **Seniors who could qualify for either the Senior Housing Credit or the Senior Homestead Exemption may not receive the maximum tax benefit for which they are eligible.** As discussed, seniors cannot receive both the Senior Housing Credit and the Senior Homestead Exemption in the same tax year. However, some seniors may be eligible for both tax benefits: those who own and have lived in their home for at least 10 years and who also have AGIs within the Senior Housing Credit's eligibility range. We determined that for any given senior, either the Senior Housing Credit or the Senior Homestead Exemption may provide a greater value, depending on the senior's individual circumstances—seniors with AGIs that are higher in the credit's eligibility range and who live in areas with high property tax levies are likely to receive greater value from the Senior Homestead Exemption, whereas those with lower AGIs living in areas with lower property tax levies are likely to receive greater value from the Senior Housing Credit. Although seniors are permitted to opt out of the Senior Homestead Exemption if they wish to claim the Senior Housing Credit instead, information provided by both the Department and the Division indicated that this may be logistically challenging. Specifically, seniors must contact their county assessor's office well in advance of the receipt of their property tax bill in order to have the Senior Homestead Exemption removed from their property. Feedback from seniors to Division staff suggested that seniors may not be willing to opt out of the Senior Homestead Exemption even if they would have benefitted more from the Senior Housing Credit because the credit is a temporary benefit, and they would need to reapply for the exemption if they wished to receive it again in the future.

If the General Assembly decides to extend the Senior Housing Credit to additional income tax years, legislators may want to consider whether to establish a more streamlined method for seniors to choose between the Senior Housing Credit and the Senior Homestead Exemption. Doing so would help ensure that seniors could receive the maximum tax benefit for which they are eligible. However, it would also likely increase the burden and cost of administering these tax benefits for the Department and the Division.

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