

# State Property Tax Circuit Breaker Policies

COLORADO LEGISLATIVE OVERSIGHT COMMITTEE CONCERNING TAX  
POLICY

September 7, 2023

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# Introduction to ITEP

## The Institute on Taxation and Economic Policy (ITEP)

- Non-profit
- Non-partisan research organization
- Federal, state, and local tax policy issues

### **Mission:**

Ensure elected officials, media, and general public have access to accurate, timely, and straightforward information that allows them to understand the effects of current and proposed tax policies with an emphasis on tax-incidence analysis.

# Overview

1. Why Circuit Breakers Exist & How They Work
2. Options for a More Robust Program in Colorado
3. Policy Design and Considerations

# Property Tax Circuit Breakers

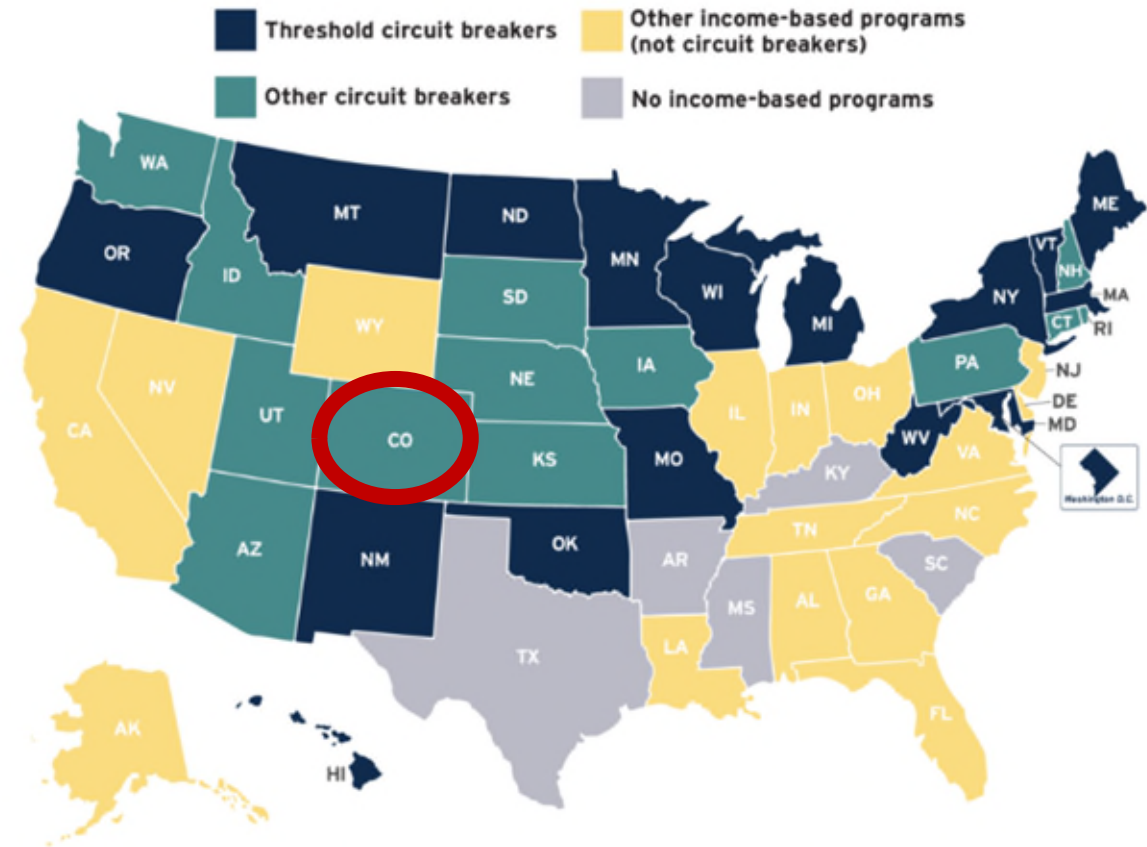
- **Best Option for Property Tax Affordability**
  - Help protect households from property tax “overload”
  - “Overload” is when property tax bill exceeds a percentage of taxpayer’s income
  - Targeted
- **Residential Property Taxes Are Regressive**
  - Low-income taxpayers pay a greater share of their income in property tax than the wealthy
- **“Ability to Pay”**
  - Property taxes are based on home value, not income
  - Circuit breakers help correct this

# Circuit Breakers in the U.S.

## COLORADO

Property Tax/Rent/Heat Credit (PTC) Rebate

**FIGURE 1.** Circuit Breakers and Other Income-Based Property Tax Programs in 2023



Note: Threshold style circuit breakers are calculated based on the degree to which property taxes exceed a certain percentage of income. Other circuit breakers take a variety of forms but achieve a broadly similar purpose with credits, rebates, or exemptions that increase as income declines. Other income-based programs include and even broader range of deferrals, exemptions, and caps under which income is a factor in determining eligibility. Many states have more than one program and are shaded as follows: states with threshold circuit breakers are shaded green even if they also have other types of programs; among the remaining states with income-based programs, states are shaded blue if they have a circuit breaker or yellow if they do not.

Source: Institute on Taxation and Economic Policy (ITEP) analysis of state tax forms, statutes, and agency websites, as well as information found in the Lincoln Institute of Land Policy and George Washington Institute of Public Policy's "Significant Features of the Property Tax" database.

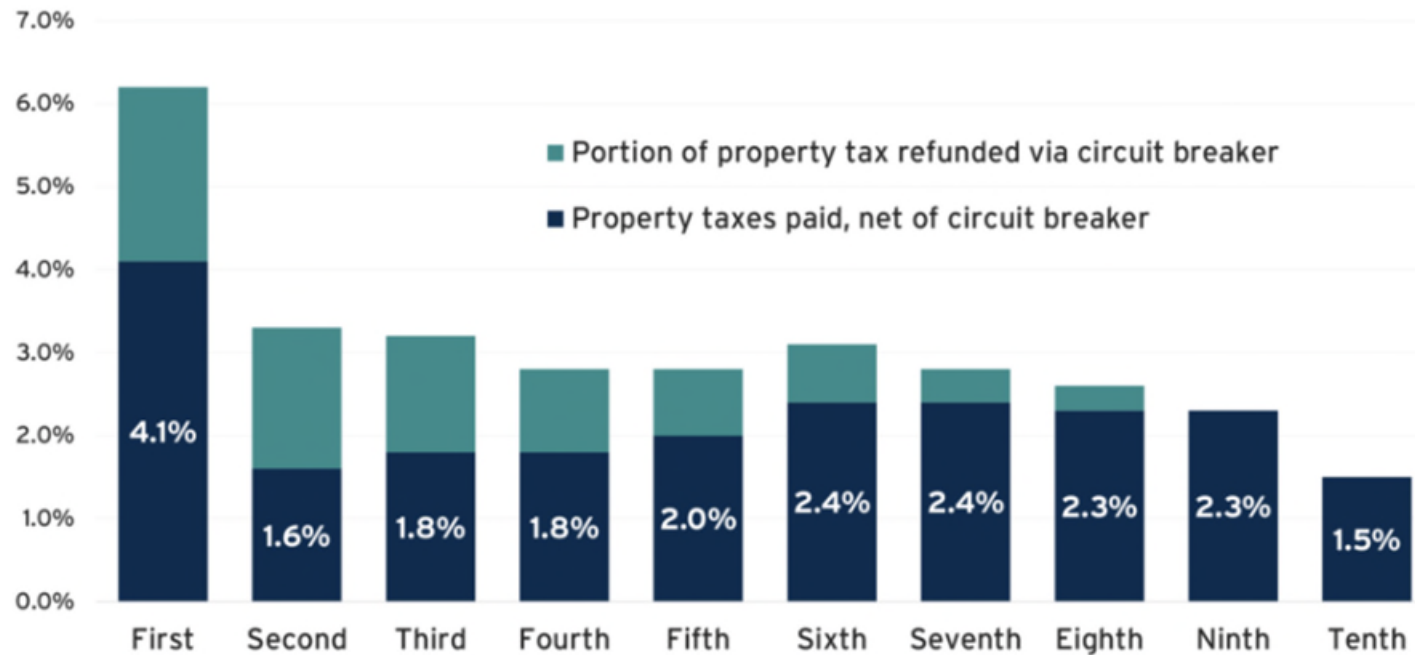
# Options for Reform...

- **Expand Eligibility**
  - Cover younger homeowners and renters
  - 13 states offer their programs to non-seniors
- **Raise Income Eligibility Levels**
  - Current levels: \$16,925 for Single Filers / \$22,858 for MFJ
- **Restructure Calculation to Threshold-Style Circuit Breaker**

# Restructure Calculation to Threshold-Style Circuit Breaker

**FIGURE 2. Circuit Breakers Meaningfully Improve Property Tax Fairness**

*Minnesota property taxes as a share of income, by income group*



Source: Minnesota Department of Revenue, 2021 Minnesota Tax Incidence Study.

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# Additional Policy Design Questions

- Should the credit be limited to homeowners, or extended to renters as well?
- Should the credit be available only to senior citizens or to taxpayers or all ages?
- What cap should be imposed on the credit?
- What should be the maximum income level for eligibility?
- What percentage of income should be considered an “overloaded” property tax bill?
- Should the maximum income level, or credit be indexed to inflation?
- How can homeowners and renters be made aware of these programs?
- How best to administer the credit?



# Circuit Breakers >>> Alternatives

- Homestead Exemptions
  - Broad
  - Oftentimes flat dollar amount
- Growth Caps on Assessed Value
  - Favor wealthy, rapidly appreciating home values
  - Young families fare poorly

# Summary

- **Circuit Breakers Stand Apart**

- Address “ability to pay” issue
- Offers cut to those who need it most
- Promote property tax affordability
- More precise than less targeted alternatives

- See our full report for more:

- [Preventing an Overload: How Property Tax Circuit Breakers Promote Housing Affordability](#)

