

IN THE KNOW: HOMESTEAD EXEMPTIONS

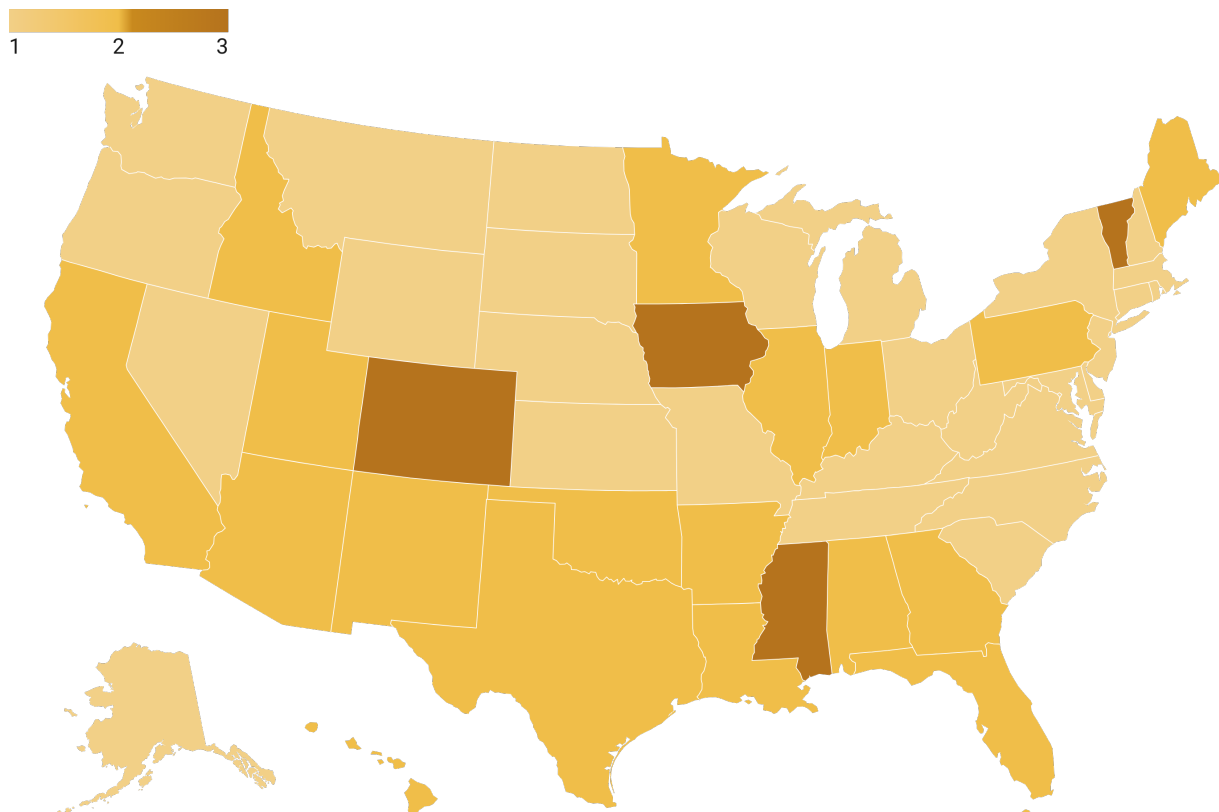
There are multiple ways to reduce property taxes. Creating a homestead exemption is one way to accomplish this goal.

A homestead exemption reduces the taxable value of a person's home. For example, if someone has a home valued at \$500,000, and then takes advantage of a \$50,000 homestead exemption, that individual would only have to pay property taxes on \$450,000 of their home's value. **To find out more about how property taxes are calculated, you can read this [In the Know](#) on property taxes.**

Twenty-two states offer a homestead exemption to all homeowners. As seen in the map below, most, 18, only provide a homestead exemption if the property is the person's primary residence. This means that owners of second and third homes can only claim a homestead exemption for one of their properties. By limiting the benefit to a person's primary home, policymakers are able to target the benefit and increase equity.

Primary Homestead Exemption

1 = no homestead exemption. 2 = a homestead exemption that is only for primary residences. 3 = there is a homestead exemption but it is available for more than just prime residences.



Importantly, of the many ways to reduce property taxes, homestead exemptions are one of the few progressive options. Exemptions typically provide greater value for owners of middle- and lower-value properties.

The progressivity of homestead exemptions is particularly notable when compared to assessment rate cuts, which is another popular way to reduce property taxes. The chart below examines the impact of an assessment rate cut versus a homestead exemption for a middle- and a high-value home. While property taxes are reduced for both homeowners, the homestead exemption provides a relatively greater benefit for the homeowner of the middle value property.

Home Value	Baseline Property Taxes	% change in property taxes with an assessment rate reduction and no exemptions	% change in property taxes with a homestead exemption and no assessment rate reduction
	<i>7.15% Assessment Rate & No Exemptions</i>	<i>7% Assessment Rate & No Exemptions</i>	<i>7.15% Assessment Rate & \$25,000 Homestead Exemption</i>
\$500,000	\$3,575	-2% (\$75)	-5% (\$179)
\$2,000,000	\$14,300	-2% (\$300)	-1.25% (\$179)

Key Facts

- As a result of [SB24-233](#), Colorado offers all homeowners a homestead exemption for the share of their property taxes paid to their city, county, fire district, and other special districts. This exemption is equal to 10 percent of a person’s home value, up to \$700,000. The average [value](#) of a home in Colorado is approximately \$550,000.
- For older adults who qualify for the senior homestead exemption, this new exemption through SB24-233 provides additional tax reductions.
- The homestead exemption provided through SB24-233 is available for all residential properties, including second or third homes. This results in a higher benefit for those with greater wealth.