

State tax data courtesy Retirement Living Information Center. Visit RetirementLiving.com for a complete rundown of taxes in Colorado.

Guide to Taxes on Retirees, 2009–2010 Colorado Summary

The Centennial State is a tax-friendly destination for retirees. It has a single, low state income-tax rate of 4.64% of federal taxable income. Taxpayers 55 to 64 years old can exclude up to \$20,000 of Social Security and qualified retirement income from state income taxes; those 65 and older can exclude up to \$24,000. Real estate taxes are assessed at a portion of the property's actual value (7.96% in 2008). Full-time residents 65 and older may qualify for a homestead exemption of up to 50% of their property value, up to a maximum reduction of \$200,000.

STATE SALES TAX is 2.9% (food and prescription drugs exempt). Many cities and counties have their own rates which are added to the state rate. Total could be as high as 9.9%.

EXEMPTIONS FOR RETIREMENT INCOME: Taxpayers 55-64 years old can exclude a total of \$20,000 for Social Security, state and local pensions, federal civil service pensions, military pensions and private pensions. Those 65 and over can exclude up to \$24,000 from the same pension programs. All out-of-state government pensions qualify for the pension exemption. The total exclusion may not be more than indicated from all exempt sources. However, Social Security/Railroad Retirement income not taxed by the federal government is not added back to adjusted gross income for state income tax purposes.

PROPERTY TAXES: The county assessor determines the value of property using a market, cost or income approach. For 2008 property taxes on real estate are assessed at 7.96% of the property's actual value. You can determine your property tax bill by multiplying the assessed value by the local tax rate. A homestead exemption is available for qualifying seniors and the surviving spouse of a senior who previously qualified. Seniors must be least age 65. It allows 50% (up to a maximum reduction of \$200,000) in actual value of a primary residence to be exempt. The state pays the tax on the exempted value. The person must have owned and lived in the home for at least 10 years. This exemption has now been extended to qualifying disabled veterans.

Full-year Colorado residents age 65 or older or disabled, or a surviving spouse age 58 or older, may qualify for the Property Tax/Rent/Heat Rebate and/or the Property Tax Deferral. Qualified applicants can receive a rebate of up to \$600 of the property tax and \$192 of their heating expenses paid during the year, either directly or as part of their rent payments, by filing the Property Tax/Rent/Heat Rebate form.

INHERITANCE AND ESTATE TAXES: There is no inheritance tax, and the Colorado estate tax does not apply to decedents whose date of death is on or after January 1, 2005.

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