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Fiscal Note

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| Drafting Number: | LLS 24B-0020 | Date: | August 26, 2024 |
| Prime Sponsors: | Rep. Garcia Sen. Cutter | Bill Status: | House Finance |
| | | Fiscal Analyst: | Elizabeth Ramey 303-866-3522 elizabeth.ramey@coleg.gov |

Bill Topic: **VALUATION ASSESSMENT REDUCTION RESIDENTIAL PROPERTY**

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| Summary of Fiscal Impact: | <input type="checkbox"/> State Revenue | <input type="checkbox"/> State Transfer | <input checked="" type="checkbox"/> Local Government |
| | <input type="checkbox"/> State Expenditure | <input type="checkbox"/> TABOR Refund | <input type="checkbox"/> Statutory Public Entity |

The bill makes changes to the value reductions for residential property in non-school local government entities starting in property tax year 2025. The bill may decrease and increase local property tax revenue, depending on the area.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced bill. Due to time constraints, this analysis is preliminary and may be updated following further review and any additional information received.

Summary of Legislation

The bill makes changes to value reductions for residential property starting with property tax year 2025.

Current law. Under current law, for property tax year 2025 and for local government entities other than school districts, the residential assessment rate of 6.40 percent is applied to the actual value of the property, with no subtraction from actual value applied. For property tax year 2026 and all later years, for local government entities other than school districts, the residential assessment rate is 6.95 percent applied to the actual value of the property minus 10 percent of the property’s actual value, up to \$70,000, or an amount that reduces assessed value to be \$1,000. Beginning with property tax year 2027, the \$70,000 maximum is increased annually by inflation.

Under HB24B-1005. The bill changes the subtraction from actual value beginning in 2025, and ties the subtraction to the median actual value of residential property for each county, as determined by the county assessor in the most recent assessment cycle. The subtraction from actual value in the bill is as follows:

- For properties with an actual value under 70 percent of the county median residential property value, the subtraction is 15 percent of 70 percent of the county median residential property value, or;

- For properties with an actual value of at least 70 percent of the county median residential property value, the subtraction is equal to the difference between 15 percent of 70 percent of the county median residential property value and 9 percent of the amount of actual value above 70 percent of the county median residential property value.

Assumptions

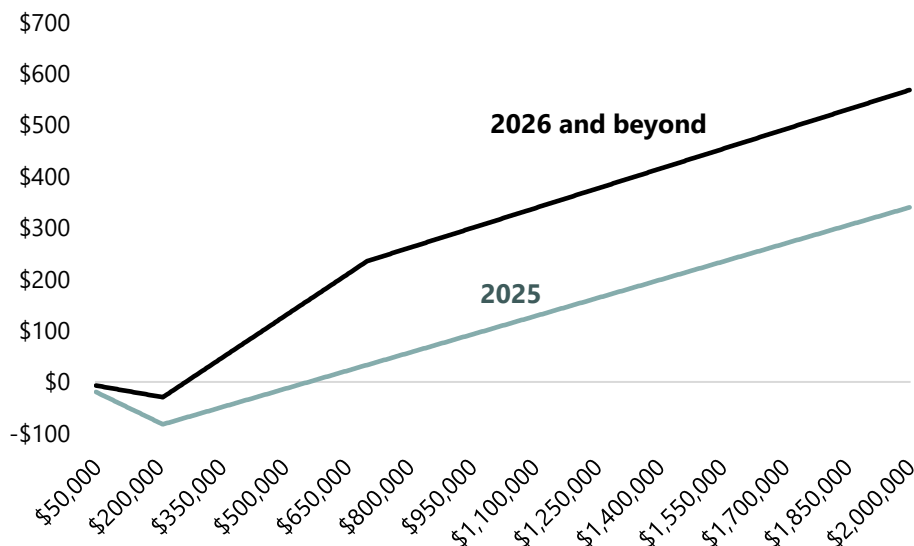
Figure 1 shows the change in property taxes owed under HB 24B-1005 for residential properties of different values ranging from \$50,000 to \$2.0 million, for a representative non-school local government, assuming a combined school and non-school mill levy of 82, which is similar to the statewide average mill levy in 2023, and a county median residential property value of \$300,000.

In property tax year 2025, properties with actual values up to \$560,000 would experience property tax savings under the bill, with subtractions from actual value up to \$31,500, while those valued above \$560,000 would experience additions to actual value and property tax increases relative to current law under Senate Bill 24-233.

In property tax year 2026 and beyond, properties with actual values up to \$265,000 would experience property tax savings, with subtractions from actual value up to \$31,500, while those valued above \$265,000 would experience higher property taxes.

It should be noted that property tax savings and value thresholds at which those savings occur would vary significantly with variations in county median residential property values. Further, residential real property includes a wide swath of property types including apartment complexes, nursing homes, single family homes, townhomes, condominiums, mobile homes, parking lots, and parking spaces so that the county median residential property value, with wide variations in the median actual values of these different classifications.

Figure 1
Change in Residential Property Tax by Actual Value Under HB 24B-1005*



* Assumes a total school and non-school mill levy of 82 and a median residential property value of \$300,000.

Senate Bill 24-233. In 2024, [SB 24-233](#) was passed by the General Assembly in 2024 and signed by the Governor. It sets assessment rates for 2024 and future property tax years. The bill becomes law only if voters do not approve a measure at the 2024 general election that lowers assessment rates. Fiscal impacts are presented relative to current law, which is assumed to include SB 24- 233.

Local Government

Beginning with property tax year 2025 taxes payable in 2026, the bill changes property tax revenue to local governments other than school districts compared with current law. The bill may increase property tax revenue to some local governments while increasing revenue to others. The bill has an indeterminate impact on local government revenue in property tax year 2025, and is likely to increase property tax revenue for the majority of local governments starting in property tax year 2026, depending on the mix of residential real property types and values above and below 70 percent of the county median residential property value.

The bill will also increase workload and expenditures for staff and computer programming for county assessors to update systems and processes to reflect the new formula for value subtractions under the bill.

Technical Note

While the fiscal note assumes that value subtractions will apply in property tax year 2025, this change cannot be implemented by county assessors until property tax year 2026. Additionally, some types of residential property such as separately deeded residential parking spaces would have an assessed value below zero with the subtraction allowed in the bill. It is unclear how these properties would be taxed under the bill.

Effective Date

The bill takes effect only if SB 24-233 takes effect, in which case the bill takes effect upon the Governor's proclamation of the results of the 2024 General Election. SB 24-233 takes effect only if voters do not approve ballot measures that either reduce valuations for assessment and/or require voter approval for retaining property tax revenue that exceeds a limit.

State and Local Government Contacts

Counties
Local Affairs

County Assessors
Property Tax Division

Information Technology

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).