



Reduce Property Taxes and Retain State Revenue

Placed on the ballot by the legislature • Passes with a majority vote

Proposition HH, if approved, would:

- lower property taxes owed for homes and businesses for at least ten years, compared to what would be owed under current law;
- allow the state to retain money that would otherwise be refunded to taxpayers under the Taxpayer’s Bill of Rights (TABOR) through at least 2032;
- authorize the state legislature to retain revenue after 2032 without further voter approval, if property tax decreases equivalent to those in the measure are maintained;
- allow the retained revenue to be spent on education, reimbursements to local governments for some of their reduced property tax revenue, and rental assistance programs;
- distribute TABOR refunds to taxpayers in equal amounts for tax year 2023 only; and
- create a new limit on the growth of property tax revenue for most local governments.

What Your Vote Means

YES A “yes” vote on Proposition HH lowers property taxes owed, allows the state to keep additional money that would otherwise be refunded to taxpayers, temporarily changes how taxpayer TABOR refunds are distributed, and creates a new property tax limit for most local governments.

NO A “no” vote on Proposition HH maintains current law for property taxes, TABOR refunds, and state and local government revenue limits.

For more information on these provisions, see the following:

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Reduce Property Taxes and Retain State Revenue

Summary and Analysis of Proposition HH

Overview of Proposition HH

What does Proposition HH do?

Proposition HH reduces property taxes owed, resulting in smaller increases in property taxes beginning in 2023, while allowing the state to keep additional revenue that would otherwise be refunded to taxpayers.

The measure lowers property taxes by reducing the portion of a property’s market value that is subject to taxes, allowing seniors who have qualified for the existing homestead exemption to receive the same benefit at a new home, and creating a new limit on property tax revenue for most local governments. It requires that local governments exceeding the limit either go through a public process to waive the limit or lower tax rates to stay below the limit.

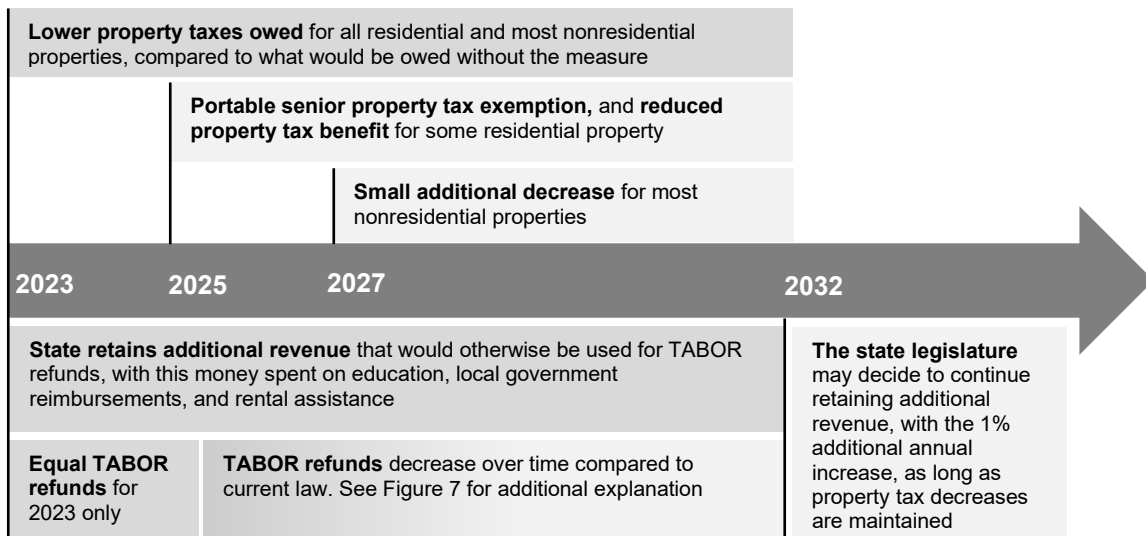
The measure creates a new cap on state revenue that grows by the same rate as the existing cap, plus an additional 1 percentage point each year. The revenue retained from the new cap is used to fund education, reimburse local governments for a portion of the lost property tax revenue, and provide rental assistance.

How long will the changes under the measure last?

Most changes under Proposition HH remain in effect through state budget year 2031-32, and may be extended by the state legislature for future budget years without further voter approval. If extended, the state may continue to retain additional revenue in future years, as long as the state legislature extends property tax reductions equal to or greater than those in the measure. The amount the state is allowed to retain grows each year, and continues to grow if the measure is extended.

In addition, if Proposition HH passes, another state law distributes refunds under the Taxpayer’s Bill of Rights (TABOR) in equal amounts in tax year 2023 only. Figure 1 shows the measure’s changes through at least 2032.

Figure 1
Proposition HH Timeline



Impacts on Taxpayers

How does Proposition HH impact taxpayers?

The measure primarily impacts taxpayers in two ways: by reducing the amount owed in property taxes and by changing the amount of TABOR refunds. Figure 2 summarizes the impacts of Proposition HH on various taxpayers, compared to what would happen if Proposition HH does not pass. Each of these impacts is described in more detail later in this analysis.

In 2023, providing equal TABOR refunds to all taxpayers will increase refunds for low-income and middle-income taxpayers, while higher-income taxpayers will receive a lower refund than under current law. Property taxes for all property owners will be lower than they would be if Proposition HH is not approved. For some higher-income homeowners, the reduction in TABOR refunds in 2023 may offset the savings from lower property taxes.

In 2024 and through at least 2032, TABOR refunds will decrease or be eliminated for taxpayers at all income levels, depending on state revenue collections each year. These future decreases in TABOR refunds may offset or exceed property tax savings under Proposition HH for property owners, depending on the value of their property.

Figure 2
Summary of Taxpayer Impacts
Compared to current law

All Taxpayers – TABOR Refunds	
2023	
<ul style="list-style-type: none"> - Income less than \$99,000: TABOR refunds increase - Income greater than \$99,000: TABOR refunds decrease 	
2024 through 2032	
<ul style="list-style-type: none"> - TABOR refunds decrease, and could be eliminated, for all taxpayers - To see how state revenue affects the amount of the decrease, see Figure 7 	
Property Owners – all changes are for 2023 through 2032 unless otherwise noted	
Primary residence, multifamily property	<ul style="list-style-type: none"> - Reduction in property taxes compared to what would be owed otherwise
Seniors	<ul style="list-style-type: none"> - Same reduction in property taxes as for primary residences - Beginning in 2025: Seniors who have qualified for the homestead exemption can receive the same benefit if they purchase and move to a new home
Other single-family residential properties (second homes, rental properties, etc.)	<ul style="list-style-type: none"> - 2023 and 2024: Same reduction in property taxes as primary residences - Beginning in 2025: Smaller property tax reduction than primary residences
Nonresidential properties	<ul style="list-style-type: none"> - Reduction in property taxes, compared to what would be owed otherwise, for most property types - Amount of reduction depends on type of property
Renters	
<ul style="list-style-type: none"> - Do not directly benefit from property tax decreases - Additional funding for rental assistance to qualifying renters 	



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Changes to Property Taxes

How does Proposition HH change property taxes?

Proposition HH lowers the property taxes owed by property owners, compared to what would be owed without the measure. Property values have increased significantly in most areas of the state, resulting in higher property taxes owed. The measure results in a smaller increase in property taxes than under current law.

In Colorado, there is no state property tax. Only local governments collect property tax. Property taxes are paid on a portion of a property's value. This portion is known as the taxable value or assessed value, and is calculated by multiplying the value by the assessment rate. To lower property taxes, the measure:

- lowers assessment rates for residential property and most nonresidential property and subtracts a set amount from most properties' values before applying the new assessment rates;
- allows a senior aged 65 and older who has previously qualified for the senior homestead exemption to receive the same property tax benefit in any home they purchase and live in as their primary residence, beginning in 2025;
- distinguishes owner-occupied primary residences and multifamily properties from other residential properties, resulting in a larger subtraction for primary residences and multifamily properties than other properties, beginning in 2025; and
- establishes a limit on local government property tax revenue growth, including methods to lower tax rates to comply with the limit or to waive the limit. This limit is discussed further below.

Online Calculation Tool:

To see how the combination of the property tax changes and TABOR refund changes impact a taxpayer in your area, please visit <https://hhcalc.apps.coleg.gov/> or scan the QR code below:



Figure 3 estimates the potential impact of these changes on property types and values in 2023 and 2024, based on a forecast of property values and an estimated average mill levy. These changes continue through 2032 unless otherwise noted. The impact on an individual property owner depends on the type and value of the property and the tax rates for the local governments where the property is located. Tables with the exact assessment rates and subtractions for different property classes are available in the fiscal impact statement here: <https://leg.colorado.gov/bluebook>

Figure 3
Average Property Tax Impacts as a Result of Proposition HH*

	Property Value	Average Change in Property Tax**		
		2023	2024	2025-2032
Residential Property				
Primary residences and multifamily properties	\$100,000	-\$167 to -\$177	-\$212 to -\$223	Further reductions in 2025
	\$350,000	-\$179 to -\$239	-\$276 to -\$331	Beginning in 2025, there will be a smaller reduction for non-primary residences, and a larger reduction for qualifying seniors
	\$500,000	-\$186 to -\$276	-\$314 to -\$396	
	\$700,000	-\$195 to -\$326	-\$364 to -\$483	
	\$1,000,000	-\$208 to -\$400	-\$440 to -\$613	
Nonresidential Property				
Lodging and commercial	\$1,000,000	-\$34 to -\$847	-\$802 to -\$1,550	Further reductions in 2024, 2027, 2029, 2031
Industrial, natural resources, state-assessed properties	\$1,000,000	-\$35 to -\$873	-\$802 to -\$1,550	Further reductions in 2024, 2027, 2029, 2031
Agriculture and renewable energy producing property	\$1,000,000	-\$0 to -\$795	-\$0 to -\$709	Further reduction in 2031
Renewable energy agricultural land	\$1,000,000	-\$0 to -\$795	-\$3,139 to -\$3,726	Continues through 2032
Vacant land	\$1,000,000	-\$35 to -\$873	-\$0 to -\$778	Continues through 2032
Oil and gas and mines	\$1,000,000	No change	No change	No change through 2032

* This example shows the estimated reduction in property taxes owed for a hypothetical property, based on a 2022 statewide average levy of 69.745 mills, which excludes mill levies that are expected to decrease from 2022 to 2023 even if Proposition HH does not pass. Estimates are based on preliminary 2023 assessed values by county. The actual change in property tax will depend on local tax rates, property values, and local government policy.

** Property tax savings will depend on whether or not local governments waive the new revenue limits created by Proposition HH. The high end of the range reflects the savings if local governments do not waive the limit. The low end of the range reflects the savings if local governments waive the limit.



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Retained State Revenue

What is the state’s revenue limit, known as the TABOR limit?

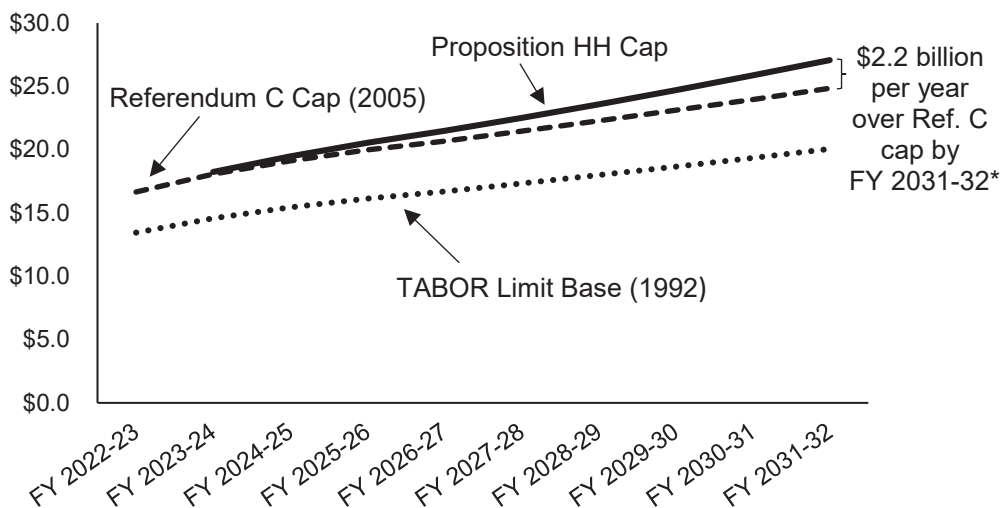
The Colorado Constitution includes a section, “The Taxpayer’s Bill of Rights,” commonly known as TABOR, that limits the amount of money that the state government can collect and spend or save each year. Voter approval is required to retain money above the TABOR limit. If money is collected above the limit, the excess must be refunded to taxpayers. This is called a TABOR refund.

Currently, a portion of this money is refunded through property tax reductions, including those for seniors, veterans with a disability, and Gold Star surviving spouses, and the remainder is distributed as a tiered sales tax refund using the state income tax return. For last year only, part of the TABOR refund was distributed to taxpayers through checks in the amount of \$750 for a single filer and \$1,500 for a joint filer, rather than through the tiered system. Flat refunds provide larger amounts for lower-income taxpayers and smaller refunds for higher-income taxpayers when compared with the tiered refund system.

What happens to the state revenue limit if Proposition HH passes?

Proposition HH creates a new cap on the amount of money the state may retain over its revenue limit that is higher than the current cap established by Referendum C in 2005. Proposition HH allows the state to retain additional revenue up to the new cap, which grows by population growth and inflation, plus 1 percentage point, each year. The measure allows the state to retain an estimated \$170 million in state budget year 2023-24 and \$360 million in state budget year 2024-25. The state is allowed to retain increasing amounts through at least 2032, depending on revenue collections (see Figure 7 for more information). Figure 4 shows the new cap over the next ten years.

Figure 4
Proposition HH Cap on State Revenue
Dollars in billions



* Assumes inflation through 2025 from the June 2023 Legislative Council Staff forecast and 2.5 percent annual inflation for 2025 to 2031. Population growth projections from the Colorado State Demography Office.

How will the retained revenue be spent?

The retained money will be used for the following purposes:

- up to 20 percent to reimburse eligible local governments for lost property tax revenue;
- up to \$20 million each year for rental assistance; and
- the remaining funds to reimburse school districts for reduced property tax revenue as a result of the measure, and for education-related programs, estimated at \$125 million in state budget year 2024-25, and up to \$2.16 billion in state budget year 2031-32.

Over ten years, local reimbursements are expected to decrease, rental assistance will reach its \$20 million annual limit, and the amount retained by the state will increase. As a result, the amount allocated to education funding will increase, assuming consistent revenue growth. The new education funding cannot replace current General Fund spending for public school finance.

Changes to TABOR Refunds

How does the measure impact TABOR refunds in the short term?

2023 TABOR refunds. A separate state law changes the way that refunds are distributed for tax year 2023 only if Proposition HH passes. The text of that law, House Bill 23-1311, is available here: <https://leg.colorado.gov/bluebook>

Under current law, TABOR refunds to taxpayers are typically distributed through the state income tax, based on the taxpayer's adjusted gross income. Under Proposition HH, the refunds are distributed in an equal amount for each taxpayer, estimated at \$898 for single filers and \$1,796 for joint filers. Figure 5 shows the change in the refund amount projected for tax year 2023 under Proposition HH. The actual amounts refunded will depend on the final state revenue amount for the 2022-23 budget year.

Figure 5
2023 TABOR Refunds Under Proposition HH
For a single filer; amounts double for joint filers

Adjusted Gross Income	Percent of Taxpayers*	Refund Amount		Change in Refund
		Current Law	Under Prop. HH	
Up to \$50,000	35%	\$628	\$898	+\$270
\$50,001 to \$99,000	27%	\$838	\$898	+\$60
\$99,001 to \$157,000	18%	\$964	\$898	-\$66
\$157,001 to \$218,000	9%	\$1,146	\$898	-\$248
\$218,001 to \$278,000	4%	\$1,233	\$898	-\$335
\$278,001 and up	7%	\$1,984	\$898	-\$1,086

* Totals may not sum due to rounding.



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2024 and 2025 TABOR refunds. In 2024 and 2025, TABOR refunds are expected to decrease, compared to what would be distributed under current law. Refunds will be distributed based on a taxpayer’s adjusted gross income. Figure 6 shows the change in the refund amount forecasted for tax year 2024 and 2025 under Proposition HH. The actual amounts refunded will depend on state revenue collections in future budget years.

Figure 6
Projected Change in TABOR Refunds for 2024 and 2025 Under Proposition HH
For a single filer; amounts double for joint filers

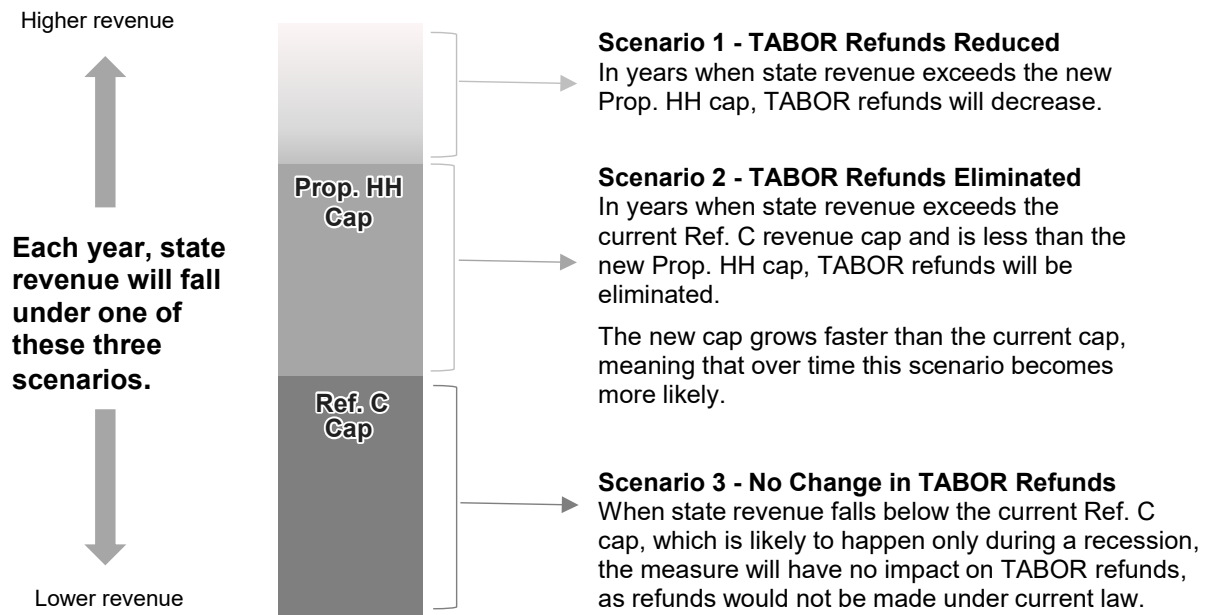
Adjusted Gross Income	Percent of Taxpayers*	Refund Amount		Change in Refund
		Current Law	Under Prop. HH	
2024 Refunds				
Up to \$52,000	35%	\$357	\$326	-\$31
\$52,001 to \$103,000	27%	\$476	\$434	-\$42
\$103,001 to \$163,000	17%	\$548	\$500	-\$48
\$163,001 to \$226,000	9%	\$651	\$594	-\$57
\$226,001 to \$289,000	4%	\$701	\$639	-\$62
\$289,001 and up	7%	\$1,128	\$1,028	-\$100
2025 Refunds				
Up to \$53,000	35%	\$336	\$269	-\$67
\$53,001 to \$105,000	27%	\$448	\$358	-\$90
\$105,001 to \$167,000	17%	\$515	\$412	-\$103
\$167,001 to \$231,000	9%	\$612	\$490	-\$122
\$231,001 to \$297,000	4%	\$659	\$527	-\$132
\$297,001 and up	7%	\$1,060	\$848	-\$212

* Totals may not sum due to rounding.

How does the measure impact TABOR refunds in the long term?

The measure’s impact on TABOR refunds over the long term depends on population growth, inflation, and state revenue collections. Absent future policy changes, state revenue collections are largely driven by economic activity. Figure 7 shows scenarios for state revenue collection and the impact on TABOR refunds. The changes in Proposition HH are in place until 2032, but the measure allows the state legislature to extend them without additional voter approval.

Figure 7
Scenarios for TABOR Refund Changes



Note: Figure 7 is not to scale.

Changes for Local Governments

How does the measure impact local governments?

Revenue for local governments will decrease compared to what local governments are authorized to collect under current law, due to the new property tax revenue limit and reduced property taxes. Some reductions will be partially offset by reimbursements from the state.

Cities, towns, counties, school districts, and special districts collect property taxes to fund public schools and local services such as road maintenance, police departments, fire protection, water and sewer infrastructure, parks, and libraries. Not all local governments that collect property taxes are treated the same by Proposition HH, as explained below.

Property tax revenue limit. Under Proposition HH, many local governments that are not currently subject to other local revenue limits cannot collect property tax revenue above the amount they collected in the prior year plus inflation. If a local government would exceed this limit, it may waive the limit by annually notifying the public, holding a meeting for public comment, and adopting an ordinance or resolution. Otherwise, it must lower its tax rate (mill levy) for one year or refund to taxpayers any property tax revenue collected above the limit. School districts and home rule jurisdictions are not subject to this limit.

Reimbursements. Under Proposition HH, the state reimburses local governments for some of the revenue lost due to property tax reductions. This is paid from the revenue that the state retains under the new revenue cap, and other state funds, with some limitations. Reimbursements depend on available funds, and may be reduced in years when state revenue collections fall below the Proposition HH cap.



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Reimbursements range from 65 percent to 100 percent of lost revenue, based on the type of local government, the population of the county in which the local government is located, and growth of property values in the jurisdiction. Smaller counties and those with slower property value growth generally receive higher reimbursement rates.

Most counties, cities, towns, and special districts are initially eligible for reimbursement; however, most local governments are not reimbursed if their assessed value exceeds 2022 levels by 20 percent, which is expected to happen at some point between 2023 and 2031 for most local governments. School districts are fully reimbursed through the public school funding formula, using money retained by the state.

For information on those issue committees that support or oppose the measures on the ballot at the November 7, 2023, election, go to the Colorado Secretary of State's elections center web site hyperlink for ballot and initiative information: <https://coloradosos.gov/pubs/elections/Initiatives/ballot/contacts/2023.html>

Arguments For Proposition HH

- 1) With Colorado facing a historic increase in residential property values, Proposition HH provides long-term property tax relief for homeowners and businesses. In doing so, the measure also limits the impact on local services, makes Colorado a more competitive environment for businesses, and allows seniors to downsize or move without losing the benefits of their homestead exemption.
- 2) The new property tax limit makes local taxing entities more accountable to their constituents. By requiring a public process to waive the limit, Proposition HH gives people a say in how much they are taxed while providing flexibility for local governments to retain revenue needed to provide important services.
- 3) By allowing the state to retain additional revenue, the measure benefits public schools. The state's spending cap has limited Colorado's ability to fully fund education for years. Proposition HH provides a funding source for at least ten years, using money the state already collects.
- 4) Proposition HH benefits low- and middle-income people, many of whom are renters, by providing a more equitable distribution of TABOR refunds in 2023. With recent high inflation and housing costs, this puts more money in the pockets of those who need it most.

Arguments Against Proposition HH

- 1) Proposition HH essentially increases taxes by reducing or eliminating future TABOR refunds, potentially growing the state budget by up to \$2.2 billion per year by 2032. The measure removes important taxpayer protections and gives the state legislature the power to extend the new revenue cap forever without asking voters.
- 2) Property tax relief should not come at the expense of TABOR refunds. While the measure provides some limited property tax relief, the loss to taxpayers from the reduction or elimination of TABOR refunds is likely to exceed the property tax savings over time. The measure is also costly for renters, who do not directly benefit from property tax relief and will receive lower TABOR refunds in the future.

- 3) Property taxes are a local issue, best handled by local communities. Proposition HH pushes state priorities and an unnecessary new revenue limit onto local governments and their residents, rather than letting them find solutions that work locally.
- 4) Proposition HH adds unnecessary complexity to an increasingly confusing property tax system, with new classes of property and an additional administrative burden for homeowners, seniors, county assessors, and potential homebuyers. As a result, the measure makes it harder for people to access their tax benefits and navigate the housing market, opening the door to unintended consequences.

Fiscal Impact of Proposition HH

This measure decreases local government property tax revenue, creates new state spending requirements, and reduces the amount refunded to taxpayers in years when state revenue is over the Referendum C cap, which is then available to increase state spending. These impacts are discussed below. The state budget year runs from July 1 to June 30.

Taxpayer impacts. Proposition HH impacts taxpayers in two ways by changing the amount of TABOR refunds and reducing the amount owed in property taxes.

TABOR refund changes. Proposition HH results in a change in how state revenue is returned to taxpayers in state budget year 2023-24, then reduces the amount potentially returned to taxpayers by larger amounts each year through at least state budget year 2032-33, depending on how much state revenue is collected over the Referendum C cap each year.

- For state budget year 2023-24, an estimated additional \$60 million will be refunded to taxpayers through an existing property tax refund mechanism as a result of this measure. The remaining money that would otherwise be refunded through the six-tier sales tax refund mechanism is instead refunded in equal amounts to qualifying taxpayers, as shown in Figure 5 and discussed above.
- Beginning for state budget year 2024-25, the measure will reduce revenue returned to taxpayers by an estimated \$170 million, with this reduction increasing to \$360 million for the next state budget year.

Property tax changes. The measure will also reduce property taxes owed compared with current law through changes in assessment rates and reductions in value, and possibly through the local government revenue limit, as estimated below.

- Lower assessment rates and value reductions are estimated to reduce property taxes owed statewide by \$400 million in 2024, \$960 million in 2025, and \$1,090 million in 2026. Decreases are larger in 2025 and 2026 due to scheduled increases in assessment rates and the expiration of certain value reductions that would occur if the measure does not pass.
- The local government revenue limit may decrease property taxes owed by an additional \$510 million in 2024, \$470 million in 2025, and \$520 million in 2026, depending on how many local governments waive the limit.

Local government impact. After accounting for both the reduced property tax collections and state reimbursements to school districts and other local tax jurisdictions, Proposition HH is estimated to decrease revenue to local governments statewide, on net, by at least \$240 million in 2024, \$510 million in 2025, and \$650 million in 2026.



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The revenue decreases are larger in later years due to scheduled increases in assessment rates and the expiration of certain property value reductions that would occur if the measure does not pass, and smaller reimbursements paid to local governments over time. Additionally, the local government revenue limit in the measure may decrease revenue further, as noted above in the taxpayer impacts section. Reduced revenue due to the limit is not reimbursed by the state.

The revenue impact will vary among local governments across the state, and the specific impact on each local government will depend on several factors including mill levies, local policy decisions, and the composition of properties in each local area.

The measure increases local spending for county treasurers and assessors to implement the property tax changes in the bill. County assessors will require additional staff to administer the measure's provisions.

State transfers. Proposition HH transfers \$128 million from the state's General Fund to a fund that will be used to reimburse local governments for lost property tax revenue, and transfers \$72 million to the State Public School Fund. Further, state revenue retained under the Proposition HH cap will be transferred, as estimated below:

- *Funding for rental assistance.* In state budget year 2024-25, an estimated \$8 million will be transferred to the Housing Development Grant Fund for rental assistance programs. An estimated \$18 million will be transferred in FY 2025-26. Transfers to the fund are expected to grow, but are capped at \$20 million per year.
- *Education funding.* Transfers to the State Education Fund will reach an estimated \$150 million in state budget year 2024-25, and \$270 million in state budget year 2025-26. In future years, larger amounts are expected to be transferred to the State Education Fund depending on revenue retained under the Proposition HH cap.

State spending. The measure increases state spending to reimburse local governments for a portion of their lost property tax revenue, replace lost property tax revenue to school districts, and to pay for increased workload for the state to administer the measure's provisions, as estimated below:

- *Reimbursements to local governments.* The measure increases state spending by an estimated \$130 million in state budget year 2024-25 and \$70 million in state budget year 2025-26 to reimburse local governments for lost property tax revenue. Reimbursements are limited to a certain amount of money retained under the Proposition HH cap, as well as by eligibility requirements for local governments as described above.
- *School district funding.* The measure will increase the state aid obligation for public schools by an estimated \$130 million in state budget year 2023-24, \$310 million in state budget year 2024-25, \$360 million in state budget year 2025-26, and larger amounts in future years as some nonresidential assessment rates decrease.
- *Administrative costs.* The measure will increase General Fund spending in the Department of Local Affairs by an estimated \$62,426 in state budget year 2023-24, \$195,498 in state budget year 2024-25, and \$159,779 in state budget year 2025-26 for the Division of Property Taxation to develop software systems, hire additional staff, and to update procedures, forms, manuals, and technical assistance to local governments.