

Initiative 27: Property Tax Assessment Rate Reduction

Placed on the ballot by citizen initiative • Passes with a majority vote

1 **Proposition ? proposes amending the Colorado statutes to:**

- 2 • lower the property tax assessment rate for multi-family housing and lodging
3 properties; and
4 • allow the state to retain money above constitutional spending limits if it is
5 used to fund existing property tax exemptions.

6 *The description of the measure in this voter information guide differs from the language in*
7 *the ballot question because a law that changed the effect of the measure was passed by the*
8 *state legislature after the ballot question was written.*

9 **What Your Vote Means**

YES 10 A “yes” vote on the
11 measure lowers property
12 tax assessment rates for
13 multi-family housing and lodging
14 properties. It does not impact assessment
15 rates for other types of residential and
16 nonresidential property.

NO A “no” vote on the measure
retains the current assessment
rates for lodging and multi-family housing
properties.

Summary and Analysis for Proposition ?

1 What happens if Proposition ? passes?

2 Proposition ? will lower property tax assessment rates for multi-family housing
 3 and lodging properties, as shown in Table 1. Through state budget year
 4 2026-27, the measure also allows the state to retain \$25.0 million per year in
 5 revenue above the constitutional limit if it is used to fund existing reimbursements
 6 to local governments for property tax exemptions for seniors and veterans with a
 7 service-related disability.

8 Table 1. Assessment Rate Changes Under Proposition?

Type of Property	Without Proposition?			With Proposition? Starting in 2022
	2021	2022 and 2023	2024	
Multi-family Properties	7.15%	6.8%	7.15%	6.5%
Lodging Properties	29%	29%	29%	26.4%

9 The following classes of property are not impacted by the measure:

- 10 • other residential properties, including single-family homes;
- 11 • agricultural land;
- 12 • mines and oil and gas properties; and
- 13 • other nonresidential properties, such as commercial property, industrial
 14 property, natural resources, and vacant land.

**15 Why is this description of Proposition ? different from the ballot question and
 16 text of the measure?**

17 The effect of Proposition ? changed due to a law passed by the state legislature
 18 during the 2021 session. Specifically:

- 19 • Proposition ? was initially written to permanently lower the assessment rates
 20 for all residential property and most nonresidential property.
- 21 • Senate Bill 21-293, enacted in June, established new categories of property
 22 so that the lower residential assessment rate in Proposition ? (6.5 percent)
 23 applies only to multi-family housing properties, and the lower nonresidential
 24 assessment rate (26.4 percent) applies only to lodging properties.

25 Senate Bill 21-293 also temporarily lowers assessment rates for residential,
 26 agricultural, and renewable energy properties for 2022 and 2023, after which the
 27 rates return to 2021 levels. Proposition ? does not affect these temporary rate
 28 reductions, with the exception of multi-family housing and lodging properties.

1 **What are property taxes?**

2 Residential and nonresidential property owners pay property taxes on a portion
 3 of their property’s value. Nonresidential property includes commercial, industrial,
 4 agricultural, and oil and gas property, vacant land, natural resources, and mines.
 5 Cities, counties, school districts, and special districts impose and collect the tax
 6 annually, and use the revenue to fund public schools and local services such as
 7 road and street maintenance, police departments, fire protection, water and
 8 sewer infrastructure, parks, and libraries.

9 **How are property taxes calculated?**

10 Figure 1 illustrates how property taxes are calculated. Property taxes are paid on
 11 a portion of a property’s actual value. This portion is known as the taxable value,
 12 or assessed value, and is calculated by multiplying the actual value by the
 13 assessment rate. The actual value of a property is determined by the county
 14 assessor or state property tax administrator; the assessment rate is a percentage
 15 set in state law. The taxable value is then multiplied by the local tax rate (known
 16 as a mill levy) to determine the taxes due. One mill equals \$1 for every \$1,000 of
 17 taxable value.

18 **Figure 1. Property Tax Calculation**

19 *Example: Property value of \$300,000, taxed at 100 mills, using 2021 assessment rates.*

20 **Taxable value = Property value × Assessment rate**

21

22 Residential	\$300,000	×	7.15%	= \$21,450 taxable value
23 Nonresidential	\$300,000	×	29%	= \$87,000 taxable value

24 **Property taxes = Taxable value × Tax rate (Mills/1000)**

25 Residential	\$21,450	×	0.100	= \$2,145 owed
26 Nonresidential	\$87,000	×	0.100	= \$8,700 owed

27 **How does Proposition ? impact property taxpayers?**

28 Compared to what would be owed without the measure, Proposition ? reduces
 29 property taxes for most owners of the following types of property:

- 30 • **Multi-family housing properties**, which include those with more than
 31 one housing unit such as duplexes, triplexes, or properties with four or more
 32 units, but do not include condominiums; and
- 33 • **Lodging properties**, which include hotels, motels, and bed and breakfasts.

34 The actual impact on an individual property owner will depend on several factors,
 35 including the local jurisdictions in which their property is located and the actual
 36 value of their property.

37 **How does Proposition ? impact local governments?**

38 Proposition ? reduces property tax revenue to most local governments,
 39 compared to what would be collected without the measure, and may impact local
 40 services such as education, fire protection, police, transportation, and libraries.

1 The impact on each individual local government’s revenue and services will vary
2 across the state, depending on:

- 3 • **Mix of properties** – areas with a higher portion of multi-family housing and
4 lodging properties will be more heavily impacted.
- 5 • **Mill levies** – actual mill levies are determined at the local level. Local
6 governments could choose to ask voters to raise future mill levies. Some
7 local governments already have permission from their voters to adjust the tax
8 rate to make up for reductions in assessment rates and thus, will not
9 experience any revenue impacts.

10 Property values are growing at different rates around the state. In areas where
11 property values are growing quickly, the reduction in assessment rates will cause
12 property tax revenue overall to grow at a slower rate. In areas where values are
13 not growing quickly, this reduction could cause overall property tax revenue to
14 decrease from one year to the next.

15 **How does Proposition ? impact school funding?**

16 Public schools are funded through a combination of state and local government
17 revenue. The state pays the difference between an amount of school district
18 funding required by a formula in state law, and the amount of local tax revenue
19 generated. A reduction in property tax revenue to school districts increases the
20 amount that the state must pay to make up the difference, although actual
21 funding is determined by the state legislature. Property tax reductions from
22 Proposition ? that are not offset by additional state funding will result in lower
23 school funding for some districts. The impact will vary by district.

24 **What is the homestead property tax exemption?**

25 The homestead property tax exemption allows eligible veterans with service-
26 related disabilities and seniors to exempt 50 percent of the first \$200,000 of
27 residential property value from property taxes. The average exemption was \$584
28 in 2020.

29 In years the exemption is available, the state reimburses local governments for
30 the revenue reduction resulting from the property tax exemption. The state spent
31 \$157.9 million on local government reimbursements in state budget year
32 2020-21. In some years, the state legislature has made the exemption
33 temporarily unavailable as a budget balancing decision. The last year the
34 exemption was not available was 2011.

35 **Does the measure change the homestead property tax exemption?**

36 No. The measure does not change the homestead property tax exemption.
37 Rather, the measure allows the state to retain \$25.0 million above constitutional
38 spending limits per year through the 2026-27 state budget year if that amount is
39 spent on homestead exemptions.

For information on those issue committees that support or oppose the measures on the ballot at the November 2, 2021, election, go to the Colorado Secretary of State's elections center web site hyperlink for ballot and initiative information:

<http://www.sos.state.co.us/pubs/elections/Initiatives/InitiativesHome.html>

1 **Argument For Proposition?**

- 2 1) The measure provides targeted tax relief for important sectors of Colorado's
3 economy as they recover from the COVID-19 pandemic recession. Reducing
4 property taxes for most multi-family properties may ease pressure on rents
5 and encourage investment to address Colorado's housing shortage. In
6 addition, lodging owners may hire and retain more employees and potentially
7 reduce lodging rates, attracting additional visitors.

8 **Argument Against Proposition?**

- 9 1) Permanently reducing property tax revenue to local governments may result
10 in long-term cuts to important government services. Proposition ? could pose
11 challenges for special districts, cities, or counties that rely on property tax
12 revenue from multi-family homes or lodging properties to maintain services,
13 such as water, transportation, education, and emergency services. In
14 particular, critical fire protection needs are increasing rapidly, and not all
15 areas of the state are able to generate the funding needed to support these
16 local services.

17 **Fiscal Impact for Proposition ?**

18 This measure decreases local government property tax revenue and increases
19 state spending requirements as described below.

20 **Local government impact.** Proposition ? is expected to decrease property tax
21 revenue to local governments statewide by an estimated \$XXX beginning in
22 2023. Prior to the passage of Senate Bill 21-293, the measure was expected to
23 decrease property tax revenue to local governments by an estimated
24 \$1.03 billion, which is why this number appears in the ballot question.

25 The impact will vary among local governments across the state, and the specific
26 impact on each city, county, special district, or school district will depend on
27 several factors, including mill levies and the composition of properties in each
28 jurisdiction.

29 **State expenditures.** The measure increases state expenditures to backfill lost
30 property tax revenue to school districts. The state share of school finance is
31 estimated to increase by approximately \$XXX in state budget year 2022-23 and
32 subsequent years. Additionally, the measure will decrease state expenditures for
33 the senior and disabled veteran homestead exemption by a minimal amount, and
34 increase workload for the Division of Property Taxation to update forms and
35 training materials and respond to inquiries regarding the changes.

1 For up to six budget years, the measure allows the state to retain \$25.0 million in
 2 revenue above constitutional spending limits, for the purpose of offsetting lost
 3 local government revenue and funding state reimbursements through the
 4 homestead exemption. In years when the state collects revenue above its
 5 constitutional limit, the measure may increase the amount of funding available for
 6 the state government to save or spend and reduce the state obligation for
 7 refunds to taxpayers.

8 The state's budget year runs from July 1 through June 30.

9 **Taxpayer impacts.** The measure lowers property taxes paid by owners of multi-
 10 family housing and lodging properties. Table 2 shows the estimated property tax
 11 decrease for example property values, assuming the statewide average mill levy
 12 (XX mills) for the 2020 tax year. The actual impact on property owners will vary
 13 based on several factors, including actual future mill levies, the local jurisdictions
 14 in which the property is located, and the actual value of the property.

15 **Table 2**
 16 **Example Taxpayer Impacts – Proposition ?**
 17 *Tax Year 2022*

Example Property Value	Estimated Change in Property Taxes*	
	Multi-family Property	Lodging Property
\$XXX	-\$XX	-\$XX
\$XXX	-\$XX	-\$XX
\$XXX	-\$XX	-\$XX
\$XXX	-\$XX	-\$XX