

Initiative 108: Property Tax Assessment Rates

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

1 Initiative 108 proposes amending the Colorado statutes to:

- 2 • lower residential and nonresidential assessment rates, beginning in the 2025
3 property tax year; and
- 4 • reimburse local governments for lost property tax revenue each year.

5 What Your Vote Means

6 YES

7 A “yes” vote on Initiative 108 reduces
8 assessment rates beginning in property
9 tax year 2025, and reimburses local
10 governments each year for lost property
11 tax revenue due to the measure. These
12 rate reductions would replace reductions
13 in a new law scheduled to take effect in
14 property tax year 2024.

15 NO

16 A “no” vote on Initiative 108 allows a new
17 law to take effect that lowers assessment
18 rates beginning in property tax year 2024
19 and creates a new property tax revenue
20 limit.

21 Summary and Analysis of Initiative 108

22 What does the measure do?

23 Beginning in property tax year 2025, Initiative 108 lowers the property taxes owed by
24 property owners, compared to what would be owed without the measure. The measure
25 lowers the assessment rates used to calculate property taxes to 5.7 percent for residential
26 properties and 24 percent for all nonresidential properties, except for mines and oil and gas
27 properties. Taxes for property tax year 2025 are paid in 2026.

28 The measure requires that the state annually reimburse local governments for lost property
29 tax revenue as a result of the measure. It also specifies that state education funding from the
30 State Education Fund cannot be reduced as a result of the measure.

31 Passing this measure would also repeal a new law, Senate Bill 24-233,¹ related to property
32 tax assessment rates and limits. The interaction between Initiative 50, Initiative 108, and
33 Senate Bill 24-233 is described in more detail below.

¹ <https://leg.colorado.gov/bills/sb24-233>

1 **What are property taxes?**

2 In Colorado, there is no state property tax. Only cities, counties, school districts, and special
3 districts impose and collect the tax annually, and use the revenue to fund public schools and
4 local services such as road maintenance, police departments, fire protection, water and
5 sewer infrastructure, parks, and libraries.

6 **How are property taxes calculated?**

7 Figure 1 illustrates how property taxes are calculated. Property taxes are paid on a portion of
8 a property's actual value. This portion is known as the taxable value, or assessed value, and is
9 calculated by multiplying the property value by the assessment rate. The taxable value is
10 then multiplied by the local tax rate (known as a mill levy) to determine the taxes due. The
11 assessment rate is set by the state and varies based on the type of property. Mill levies are
12 set by the local government where the property is located.

13 **Figure 1**

14 **Example Property Tax Calculation**

15 Property value of \$500,000, taxed at 100 mills, 7.15% assessment rate

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

17 $\$500,000 \times 7.15\% = \$35,750$ taxable value

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

19 $\$35,750 \times 0.100 = \$3,575$ owed

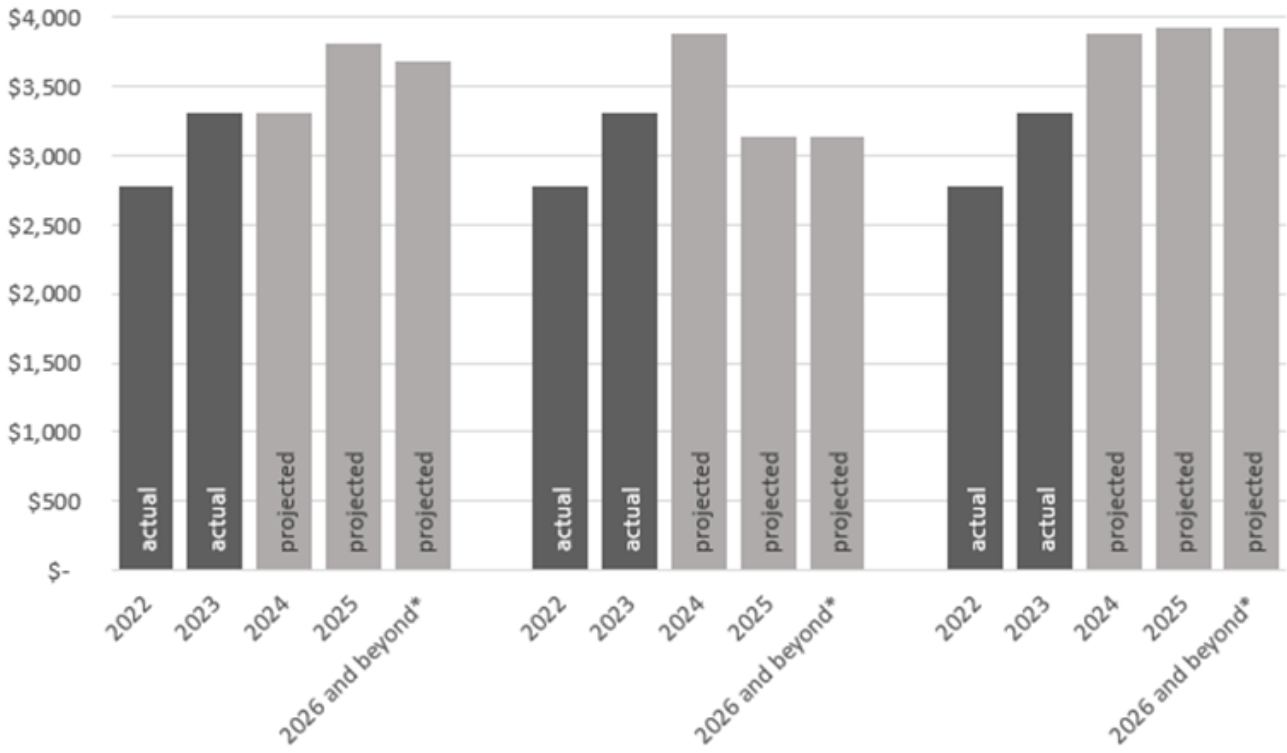
20 **How does the measure impact property taxpayers?**

21 If this measure passes, it will replace assessment rate cuts scheduled to begin in 2024 with
22 bigger reductions, starting in tax year 2025. Rates will temporarily increase in 2024 to the
23 assessment rates that were in law prior to the passage of Senate Bill 24-233, which is
24 discussed further below. If this measure fails and Initiative 50 passes, assessment rates will
25 permanently increase to the rates that were in law prior to the passage of Senate Bill 24-233.

26 Figure 2 shows example residential property taxes as impacted by the possible ballot
27 outcomes from this measure and Initiative 50 for a typical home in the state, including the
28 increase in taxes most property owners experienced in 2023 with rising property values.

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Figure 2
Example Taxes on a Single Family Home*



Initiative 108 fails
Initiative 50 fails

Initiative 108 passes
Initiative 50 passes or fails

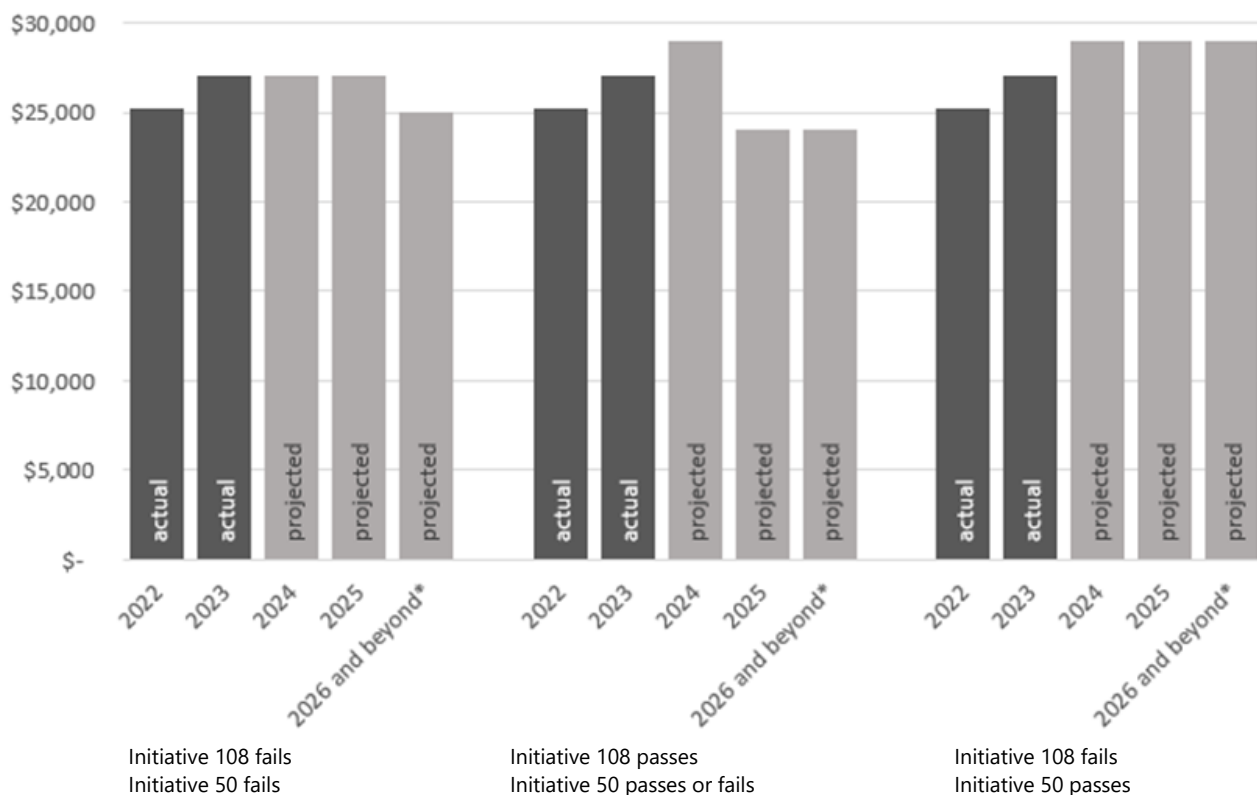
Initiative 108 fails
Initiative 50 passes

4 *Example assumes 50 school district mills and 50 non-school district mills. Assumes a property valued at
5 \$400,000 in 2022 and \$550,000 in 2023 and future years. Actual property taxes will depend on local mill
6 levies and property value. Property taxes will still increase when property value increases.

7 Figure 3 shows example taxes for a commercial property in each of these scenarios. While
8 examples are not provided in this analysis, Initiative 108 also lowers assessment rates for
9 vacant land, state assessed, and industrial properties, beginning in 2025.

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Figure 3
Example Taxes on a Commercial Property*



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*Example assumes 50 school district mills and 50 non-school district mills. Assumes a property valued at \$870,000 in 2022 and \$1 million in 2023 and future years. Actual property taxes will depend on local mill levies and property value. Property taxes will still increase when property value increases.

6 **How does this measure impact local governments?**

7 Local governments will collect less property tax revenue than they would have collected
8 without the measure, but will instead be reimbursed by the state for losses under the
9 measure each year. The state will calculate the amount of revenue loss for local governments
10 under the measure. The measure does not specify which local districts are eligible for
11 reimbursement, or how revenue loss is calculated. Reimbursements will shift a portion of
12 local government funding from local property tax collections to state General Fund dollars,
13 which primarily comes from existing state income and sales taxes.

14 **How does this measure impact the state budget?**

15 Depending on how the measure is interpreted, it could result in the state spending up to \$X
16 billion to reimburse these local districts, or about X percent of the most recent state General
17 Fund budget. These reimbursements will limit other areas of state spending, as the General
18 Fund is the primary source of funding for state services such as health care, K-12 schools,

1 human services, the judicial and corrections systems. [The numbers in this section will be
2 included in the second draft.]

3 **How does the measure impact school funding?**

4 Under current law, the state covers the difference between local school district tax revenue,
5 most of which is property tax, and an amount determined by a state formula for each school
6 district. By reducing local property tax revenue for schools, Initiative 108 requires the state to
7 pay more to schools to make up the difference, estimated to be at least \$X million annually
8 beginning in 2025. This must be paid without reducing the amount spent from the state's
9 dedicated fund for education, known as the State Education Fund. In 2024 only, the state
10 portion of school finance is expected to decrease.

11 For some school districts that collect property taxes outside the school funding formula,
12 lower assessment rates will reduce revenue collected from these taxes.

13 In addition, the state is currently rolling out a new formula for allocating funding to school
14 districts, which may be paused if school district property tax revenue is lower than a level set
15 in state law. By reducing property tax collections, this measure may contribute to a pause in
16 the implementation of the new formula. This would result in less money for most school
17 districts than under the new formula.

18 **What is Senate Bill 24-233 and how do Initiatives 50 and 108 interact with it?**

19 The state legislature recently passed a bill, Senate Bill 24-233, that only goes into effect if
20 both Initiative 50 and Initiative 108 fail. Among other things, the bill:

- 21 • lowers assessment rates for residential and some non-residential property, beginning in
22 2024; and
- 23 • creates a 5.5 percent property tax limit on non-school local governments that are not
24 already subject to other property tax revenue limits.

25 The different ways Initiatives 50 and 108 interact with Senate Bill 24-233 are detailed in
26 Figure 4. For more information about Initiative 50 and how it interacts with SB24-233, see
27 page __.

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Figure 4
Potential Outcomes of Initiative 50 and 108

	Initiative 50 Passes	Initiative 50 Fails
Initiative 108 Passes	<ul style="list-style-type: none"> • Because Senate Bill 24-233 does not go into effect, assessment rates go up in 2024. However, they are permanently reduced by Initiative 108 beginning in 2025. • The 4 percent statewide property tax limit in Initiative 50 goes into effect. • The 5.5 percent limit in Senate Bill 24-233 does not go into effect. 	<ul style="list-style-type: none"> • Because Senate Bill 24-233 does not go into effect, assessment rates go up in 2024. However, they are permanently reduced by Initiative 108 beginning in 2025. • No new property tax limit, either from Initiative 50 or Senate Bill 24-233.
Initiative 108 Fails	<ul style="list-style-type: none"> • Because neither Senate Bill 24-233 nor Initiative 108 goes into effect, assessment rates continue at higher permanent rates. • The 4 percent statewide property tax limit in Initiative 50 goes into effect. • The 5.5 percent limit in Senate Bill 24-233 does not go into effect. 	<p><u>Senate Bill 24-233 goes into effect:</u></p> <ul style="list-style-type: none"> • Assessment rates are lowered beginning in 2024. Beginning in 2025, these rates are generally lower than under current law, but higher than if Initiative 108 had gone into effect. • The 5.5 percent limit in Senate Bill 24-233 goes into effect. • The 4 percent limit in Initiative 50 does not go into effect.

3 **How do the assessment rates in Initiative 108 compare to ones in Senate Bill 24-233?**

4 Senate Bill 24-233 lowers the assessment rates starting in 2024, whereas Initiative 108 lowers
 5 rates beginning in 2025. Initiative 108 lowers assessment rates to 5.7 percent for residential
 6 properties and 24 percent for all nonresidential properties, except for mines and oil and gas
 7 properties. Senate Bill 24-233 includes temporary tax cuts for tax years 2024 and 2025 and
 8 then beginning in 2026, sets the permanent assessment rates at:

- 9
- 6.95 percent, after a 10 percent reduction in property value, for non-school district collections on residential property;
 - 10
 - 11 • 7.15 percent for school district collections on residential property;
 - 12 • 25 percent for commercial and agricultural property; and
 - 13 • 29 percent for all other nonresidential property, except for mines and oil and gas
 - 14 properties.

- 1 • Detailed descriptions of the rates with and without Senate Bill 24-233 can be found here.
2 [Future drafts will include a link to a separate memo listing all the assessment rates in
3 each scenario]

For information on those issue committees that support or oppose the measures on the ballot at the November 5, 2024, 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/InitiativesHome.html>

4 **Arguments For Initiative 108**

- 5 1) Property taxes have soared in recent years. Beginning in 2025, the measure reduces
6 property taxes for homeowners and small business owners across the state, who are
7 already struggling with a high cost of living and growth business expenses. The measure
8 provides much needed property tax relief.
- 9 2) The measure ensures that local governments will still have the revenue they need, while
10 also providing property tax relief. Local services like public schools, firefighters, and
11 libraries will be reimbursed for lost revenue due to lower property taxes, so they can
12 continue to provide important services.

13 **Arguments Against Initiative 108**

- 14 1) The large property tax reductions will require steep cuts to important state services, local
15 services, or both. The measure requires the state to cover the reduction in property tax
16 revenue, without consideration of the significant impact it will have on state funding for
17 K-12 and higher education, human services, and health care. It is irresponsible to state
18 and local governments, and ultimately to taxpayers who rely on these services.
- 19 2) Local governments should be in control of their own finances, with local elected officials
20 accountable to taxpayers in their district. The measure lessens local control by shifting a
21 portion of local government funding from property tax revenue to potentially unreliable
22 state reimbursements, compromising local governments' ability to secure long term
23 financing and plan for the future.

24 **Fiscal Impact of Initiative 108**

25 The fiscal impact will be included in the second draft.