

Proposition __: Property Tax Assessment Rates

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

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

- 2 • lower residential and nonresidential property tax assessment rates, beginning in
3 the 2025 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 Proposition __ reduces
8 assessment rates beginning in property
9 tax year 2025, and specifies state
10 reimbursements for local governments
11 each year for lost property tax revenue
12 due to the measure. These rate reductions
13 would replace smaller reductions in a new
14 law scheduled to take effect in property
15 tax year 2024.

16 **NO**

17 A “no” vote on Proposition __ means that
18 assessment rates in the measure do not
19 take effect. A “no” vote on both
20 Proposition _ and Amendment _ allows a
21 new law to take effect that provides
22 smaller reductions in assessment rates
23 beginning in tax year 2024 and imposes a
24 new property tax revenue limit.

25 **Summary and Analysis of Proposition __**

26 **What does the measure do?**

27 Beginning in property tax year 2025, Proposition __ lowers property taxes compared to what
28 would be owed without the measure. The measure lowers the assessment rates used to
29 calculate property taxes to 5.7 percent for residential properties and 24 percent for all
30 nonresidential properties, except for mines and oil and gas properties. Taxes for property tax
31 year 2025 are paid in 2026.

32 The measure specifies that the state annually reimburse local governments for lost property
33 tax revenue as a result of the measure, although legislation is needed for these
34 reimbursements to be paid.

1 Passing this measure would also cause a new law, Senate Bill 24-233¹ not to take effect. This
 2 new law modifies property tax assessment rates and creates a property tax revenue limit. The
 3 interaction between Amendment __, Proposition __, and Senate Bill 24-233 is described in
 4 more detail below.

5 **What are property taxes?**

6 In Colorado, there is no state property tax. Only local governments, which include counties,
 7 school districts, cities, towns, and special districts, impose and collect property taxes. Local
 8 governments use the revenue to fund public schools and local services such as road
 9 maintenance, police departments, fire protection, water and sewer infrastructure, parks, and
 10 libraries.

11 **How are property taxes calculated?**

12 Figure 1 illustrates how property taxes are calculated. Property taxes are paid on a portion of
 13 a property's actual value. This portion is known as the taxable value, or assessed value, and is
 14 calculated by taking the property's value, subtracting a portion of residential and commercial
 15 values in some cases, and then multiplying by an assessment rate. The taxable value is then
 16 multiplied by the local tax rate (known as a mill levy) to determine the taxes due. The
 17 assessment rate is set by the state and varies based on the type of property. Mill levies are
 18 set by the local government where the property is located.

19 **Figure 1**

20 **Example Residential Property Tax Calculation for 2023**

21 Property value of \$500,000, taxed at 80 mills, 6.7% assessment rate

22 **(Property value – Value subtraction) × Assessment rate = Taxable value**

23 $(\$500,000 - \$55,000) \times 6.7\% = \$29,815$ taxable value

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

25 $\$29,815 \times 0.08 = \$2,385$ owed

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

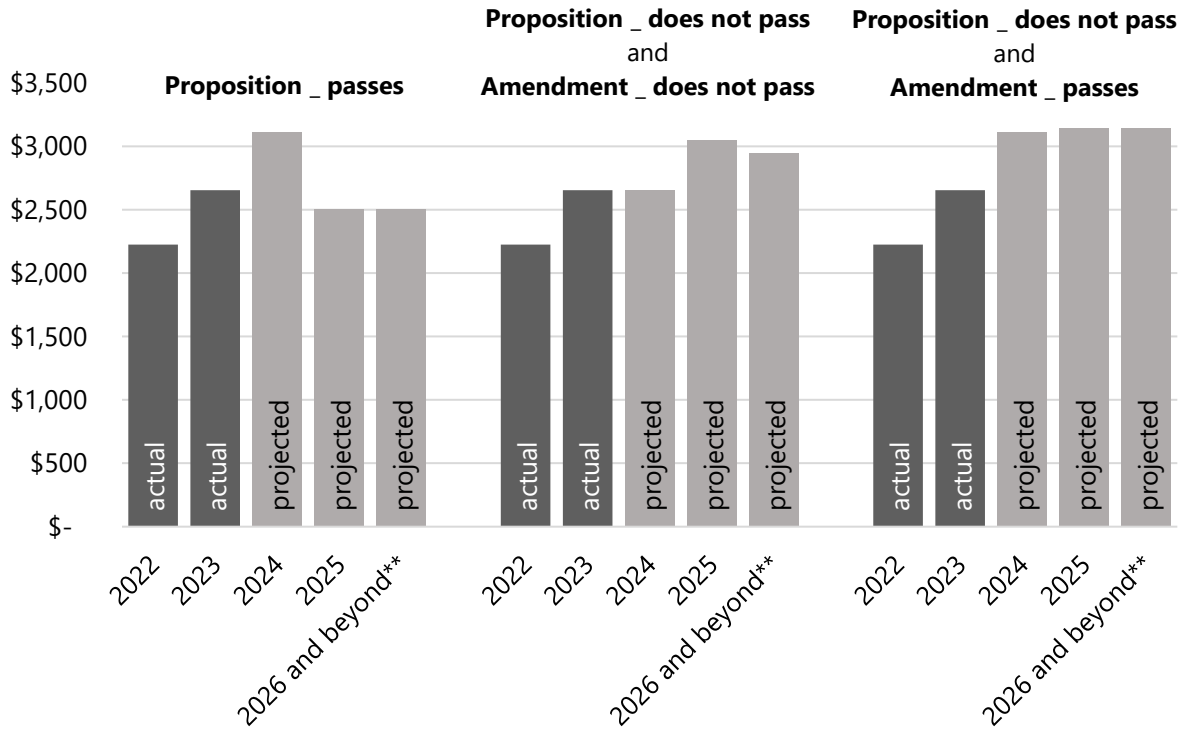
27 If this measure passes, it will replace assessment rate cuts scheduled to begin in 2024 with
 28 bigger reductions, starting in tax year 2025. Rates will temporarily increase in 2024 to the
 29 assessment rates that were in law prior to the passage of Senate Bill 24-233, which is
 30 discussed further below, before decreasing to the rates specified in this measure in 2025. If
 31 this measure fails and Amendment __ passes, assessment rates will increase to the rates that
 32 were in law prior to the passage of Senate Bill 24-233.

33 Figure 2 shows example residential property taxes as impacted by the possible ballot
 34 outcomes from this measure and Amendment __ for a typical home in the state, including
 35 the increase in taxes most property owners experienced in 2023 with rising property values.

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

1
2

Figure 2
Example Taxes on a Single Family Home*



3
4
5
6
7
8
9
10

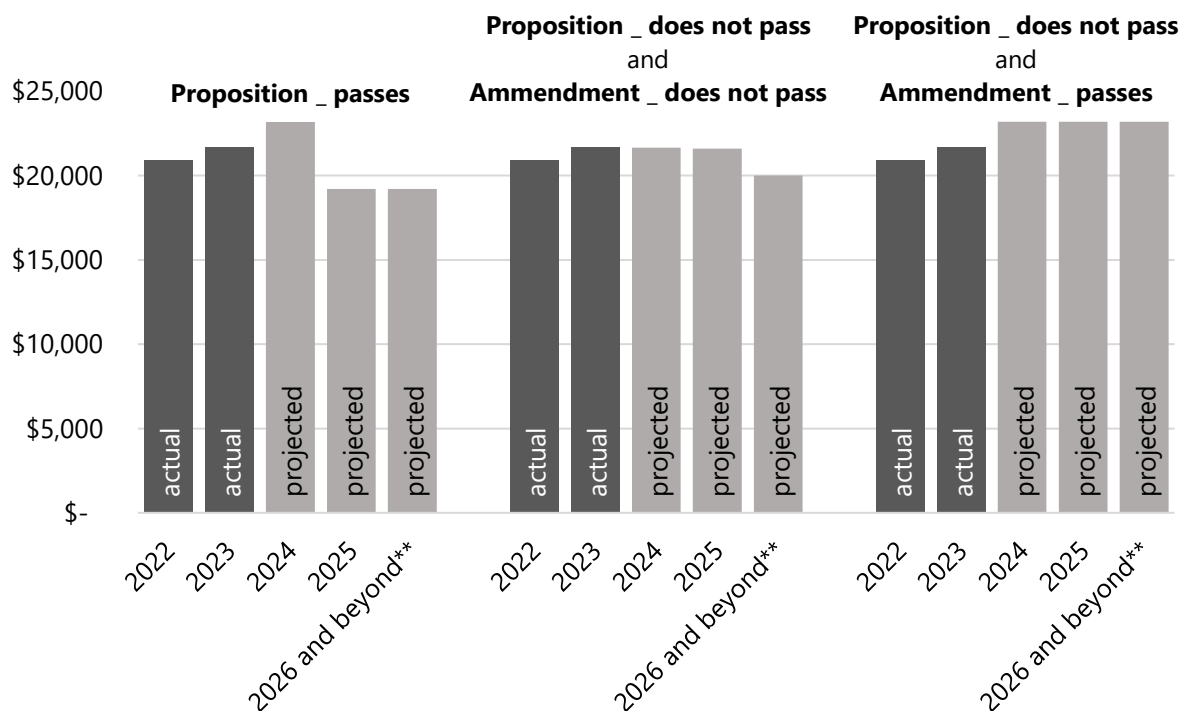
*Example assumes 40 school district mills and 40 non-school district mills. Assumes a property valued at \$400,000 in 2022, \$550,000 in 2023, and no growth in the 2025 reassessment year. Actual property taxes will depend on local mill levies and property value.

**Property taxes will still increase when property value increases.

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

1
2

Figure 3
Example Taxes on a Commercial Property*



3 ***Example assumes 40 school district mills and 40 non-school district mills. Assumes a**
 4 **property valued at \$900,000 in 2022 and \$1 million in 2023 and future years. Actual**
 5 **property taxes will depend on local mill levies and property value.**

6 **Property taxes will still increase when property value increases.

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

8 Local governments will collect less property tax revenue than they would have collected
 9 without the measure. The measure directs the state to reimburse local governments for lost
 10 property tax revenue; however, legislation is needed in order for reimbursements to be paid.
 11 The measure does not specify which local governments are eligible for reimbursement, or
 12 how revenue loss is calculated. Reimbursements would shift a portion of local government
 13 funding from local property tax collections to state General Fund dollars, which primarily
 14 come from existing state income and sales taxes.

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

16 Depending on how the measure is implemented, it will result in the state spending between
 17 \$630 million and \$1.7 billion to make up a portion of reduced local property tax revenue in
 18 the first year. These reimbursements will limit other areas of state spending for state services
 19 such as health care, K-12 schools, human services, and the judicial and corrections systems.

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

2 Under current law, the state covers the difference between local school district tax revenue,
3 most of which is property tax, and an amount determined by a state formula for each school
4 district. By reducing local property tax revenue for school districts, Proposition __ requires
5 the state to pay more to school districts to make up the difference, estimated to be
6 \$630 million in 2025. This must be paid without reducing the amount spent from the state's
7 dedicated fund for education, the State Education Fund. In 2024 only, the state portion of
8 school finance is expected to decrease.

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

11 In addition, the state is currently implementing a new formula for allocating funding to
12 school districts. By reducing property tax collections, this measure will stop the
13 implementation of the new formula. This would result in less money for most school districts
14 than under the new formula.

15 **What is Senate Bill 24-233 and how do Amendment __ and Proposition __ interact**
16 **with it?**

17 In May 2024, the state legislature passed a bill, Senate Bill 24-233, that only goes into effect
18 if both Amendment __ and Proposition __ do not pass. Among other things, the bill:

- 19 • lowers assessment rates from what they would otherwise be for residential and some
20 non-residential property, beginning in 2024;
- 21 • creates a subtraction from a home's value that further reduces assessed value for
22 property tax year 2024, and an ongoing subtraction equal to 10 percent of a home's
23 value, up to \$70,000, beginning in 2025; and
- 24 • creates a 5.5 percent property tax limit on non-school local governments that are not
25 already subject to other property tax revenue limits.

26 The different ways Amendment __ and Proposition __ interact with Senate Bill 24-233 are
27 detailed in Figure 4. For more information about Amendment __ and how it interacts with
28 SB 24-233, see page __.

1
2

Figure 4
Potential Outcomes of Amendment __ and Proposition __

	Amendment __ Passes	Amendment __ Fails
Proposition __ 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 Proposition __ beginning in 2025. • The 4 percent statewide property tax revenue limit in Amendment __ goes into effect. • The 5.5 percent local 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 reduced by Proposition __ beginning in 2025. • No new property tax revenue limit, either from Amendment __ or Senate Bill 24-233.
Proposition __ Fails	<ul style="list-style-type: none"> • Because neither Senate Bill 24-233 nor Proposition __ goes into effect, assessment rates continue at higher rates. • The 4 percent statewide property tax revenue limit in Amendment __ goes into effect. • The 5.5 percent local limit in Senate Bill 24-233 does not go into effect. 	<ul style="list-style-type: none"> • Senate Bill 24-233 goes into effect: <ul style="list-style-type: none"> ○ Assessment rates are lowered beginning in 2024. Most rates are lower than they would be without SB 24-233, but higher than if Proposition __ had gone into effect. ○ The 5.5 percent local limit in Senate Bill 24-233 goes into effect. • The 4 percent statewide property tax revenue limit in Amendment __ does not go into effect.

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

4 Senate Bill 24-233 lowers assessment rates starting in 2024, whereas Proposition __ lowers
5 rates beginning in 2025.

6 Proposition __ lowers assessment rates to 5.7 percent for residential properties and
7 24 percent for all nonresidential properties, except for mines and oil and gas properties.

8 If neither Proposition __ nor Amendment __ passes, Senate Bill 24-233 includes temporary
9 tax cuts for tax years 2024 and 2025 and then beginning in 2026, sets the permanent
10 assessment rates at:

- 11 • 6.95 percent, after reduction in property value of 10 percent or up to \$70,000, for
12 non-school district taxes on residential property;
- 13 • 7.15 percent for school district taxes on residential property;

- 1 • 25 percent for commercial and agricultural property; and
 2 • 29 percent for all other nonresidential property, except for mines and oil and gas
 3 properties.
 4 Detailed descriptions of the rates with and without Senate Bill 24-233 can be found here.
 5 [The Blue Book will include a link to a separate memo listing all the assessment rates in each
 6 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>

7 **Arguments For Proposition __**

- 8 1) Property taxes have soared in recent years, growing much faster than incomes and
 9 inflation. Beginning in 2025, the measure reduces property taxes for homeowners and
 10 small business owners across the state, who are already struggling with a high cost of
 11 living and doing business. The measure provides much needed property tax relief.
 12 2) Passing Proposition __ goes further than Senate Bill 24-233 by providing more long-term
 13 property tax relief. Even with this tax cut, local property tax revenue is still expected to be
 14 higher than before the recent spike in taxes. The measure gives policymakers the
 15 flexibility to ensure that state reimbursements are sufficient for local governments while
 16 protecting important state services.

17 **Arguments Against Proposition __**

- 18 1) The large property tax reductions in Proposition __ will require steep cuts to important
 19 state services, local services, or both. The measure's vague reimbursement requirement
 20 makes it impossible to know whether state or local services will be cut, and what
 21 programs will be lost. The measure is a heavy-handed cut and there is no way for voters
 22 to know in advance what services they are giving up.
 23 2) The measure removes local governments' control over their finances. The measure shifts
 24 a portion of local government funding from property tax revenue to unreliable state
 25 reimbursements, compromising local governments' ability to secure long term financing
 26 and plan for the future. Local governments should be in control of their own finances,
 27 with local elected officials accountable to voters in their district.

28 **Fiscal Impact of Proposition __**

29 Proposition __ decreases assessment rates for most classes of nonresidential property and
 30 for residential property beginning in the 2025 property tax year, decreasing local property
 31 tax revenue. By causing Senate Bill 24-233 not to take effect, the measure increases property
 32 taxes for the 2024 property tax year only. The measure directs the state to reimburse local
 33 districts for lost revenue due to the measure, but legislation is needed for these

1 reimbursements to occur. These impacts are discussed below. The state budget year runs
2 from July 1 to June 30.

3 **Taxpayer impacts.** The measure increases property tax revenue paid by property owners by
4 an estimated \$1 billion for property tax year 2024, compared with current law. The measure
5 reduces local property taxes by up to \$2.4 billion for property tax year 2025, by up to
6 \$2.2 billion for property tax year 2026, and by larger amounts in future years assuming
7 growth in property values. Decreased property taxes increase the amount of after-tax
8 income available for property owners to spend, save, or invest elsewhere in the economy.

9 **Local government impact.** Proposition __ increases revenue to local governments
10 statewide, on net, by \$660 million for property tax year 2024. For later years, the measure
11 decreases local government revenue, but the amount of the net decrease depends on the
12 amount of reimbursements paid by the state, if any. Depending on the reimbursements, the
13 measure will decrease revenue by between \$700 million and \$1.8 billion for property tax year
14 2025, and by between \$700 million and \$1.7 billion for property tax year 2026. The low end
15 of the range assumes complete reimbursements for all property tax revenue losses to
16 non-school local governments and represents lost revenue to school districts outside the
17 state school funding formula. The high end of the range represents no state reimbursement
18 payments to local governments beyond those to school districts required through the state's
19 school funding formula.

20 **State spending.** The measure decreases state spending in state budget year 2024-25 by
21 \$390 million, primarily for school finance but also from the elimination of relatively small
22 reimbursements for some local governments that would occur under current law.
23 Additionally, the measure will stop the implementation of the new school finance formula in
24 House Bill 24-1448, beginning in FY 2025-26, which provides additional funding to school
25 districts statewide. In state budget year 2025-26, state spending could range from
26 \$630 million for required state spending on schools, up to \$1.7 billion depending on local
27 government reimbursements under the measure as described above. In state budget year
28 2026-27, state spending will increase by between \$480 million and \$1.5 billion.