

Initiative 50: Statewide Limit on Property Tax Revenue Growth

Placed on the ballot by citizen initiative • Passes with 55 percent of the vote

1 Initiative 50 proposes amending the Colorado Constitution to:

- 2 • limit growth in total statewide property tax revenue to 4 percent each year; and
- 3 • require voter approval for governments to keep revenue over the limit.

4 What Your Vote Means

5 YES

6 A “yes” vote on Initiative 50 limits growth
7 in statewide property tax revenue
8 collected by local governments to 4
9 percent each year, unless voters allow
10 additional revenue to be retained. This
11 revenue limit would replace a new law that
12 lowers taxes owed and imposes a different
13 property tax limit.

14 NO

15 A “no” vote on Initiative 50 allows a new
16 law to take effect that lowers property
17 taxes owed and creates a different
18 property tax limit.

19 Summary and Analysis of Initiative 50

20 What does the measure do?

21 Initiative 50 limits the growth in statewide property tax revenue to no more than 4 percent
22 each year. If statewide property tax revenue is projected to increase by more than 4 percent,
23 voter approval is required for the additional revenue to be retained.

24 Passing this measure would also repeal a new law, Senate Bill 24-233,¹ related to property
25 tax assessment rates and limits. The interaction of Initiative 50, Initiative 108, and Senate Bill
26 24-233 is described in more detail below.

27 What are property taxes?

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

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

1 **How are property taxes calculated?**

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

8 **Figure 1**

9 **Example Property Tax Calculation**

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

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

12 \$500,000 × 7.15% = \$35,750 taxable value

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

14 \$35,750 × 0.100 = \$3,575 owed

15 **What happens if statewide property tax revenue exceeds the limit?**

16 In years when statewide property tax revenue is expected to be greater than 4 percent, taxes
 17 would need to be reduced to stay within the limit or local governments would need to
 18 refund excess revenue, unless voters approve keeping the additional revenue. Initiative 50
 19 does not specify how individual local governments would reduce revenue to stay within the
 20 statewide limit or how revenue over the limit would be refunded to taxpayers. These details
 21 would likely be determined by the state legislature.

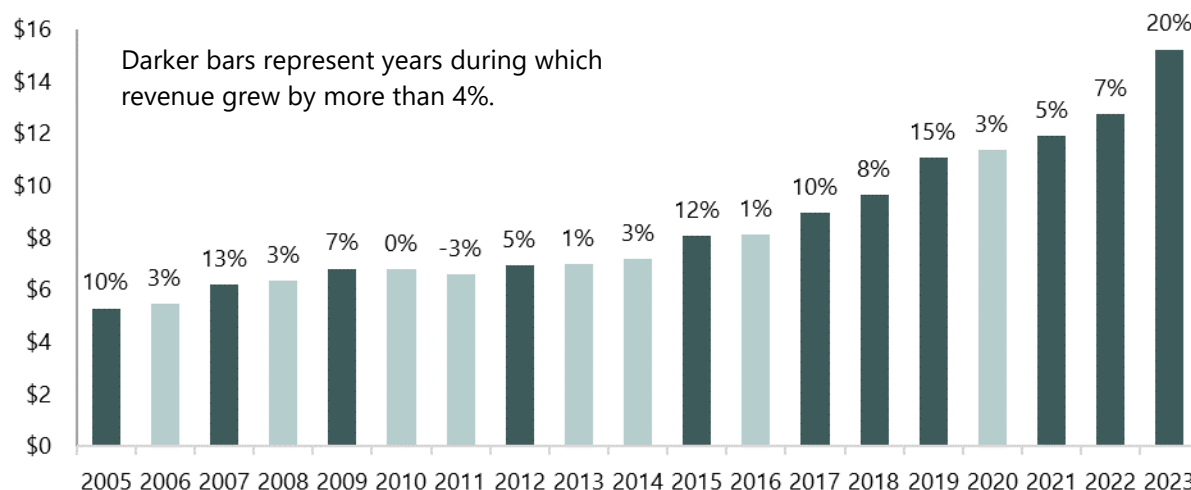
22 Initiative 50 allows the government to ask voters for approval to keep revenue when the
 23 4 percent limit is exceeded, and specifies the ballot language that must be used when asking
 24 permission from voters. If voters pass a ballot measure allowing the government to keep the
 25 additional property tax revenue, there will be no impact on taxpayers.

26 The measure does not specify other details about how such an election would be conducted,
 27 such as whether a statewide vote is required or individual local governments could ask
 28 voters in their jurisdiction to keep all of their local property tax revenue.

29 **Does property tax revenue usually grow by more or less than 4 percent?**

30 Figure 2 shows how property tax revenue has grown each year since 2005. Property tax
 31 revenue has grown by more than 4 percent in 11 of the past 18 years, and decreased once in
 32 the past 18 years.

1 **Figure 2**
 2 **Historical Statewide Property Tax Revenue Growth**
 3 Dollars in Billions; Percent Change from Prior Year



4 Source: Department of Local Affairs, Division of Property Taxation. 2023 Annual Report.

5 **How will the measure impact local governments?**

6 In years when statewide property tax revenue is over the limit and voters do not allow the
 7 government to keep the additional revenue, the measure will reduce revenue collected by
 8 local governments throughout the state, compared to what they would have collected
 9 otherwise. However, the impacts on individual local governments will be uncertain until
 10 there is clarifying legislation about how revenue above the limit will be lowered or refunded,
 11 or whether voters will allow the additional revenue to be retained.

12 Lower revenue affects the ability of local governments to provide services, make required
 13 local contributions to fund state and federal programs, maintain public infrastructure, and
 14 meet prior debt obligations. This is particularly true for counties and special districts that rely
 15 almost entirely on property taxes to provide services. Cities can collect revenue from other
 16 sources like sales tax, and school districts can receive state money.

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

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

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

24 The different ways Initiatives 50 and 108 interact with SB23-233 are detailed in Figure 3. For
 25 more information about Initiative 108 and how it interacts with SB24-233, see page __.

1
2

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

6 **How does the limit in Initiative 50 compare with the limit in Senate Bill 24-233?**

7 Initiative 50 limits statewide property tax revenue to 4 percent growth, compared to the
8 prior year’s statewide revenue. The limit in Initiative 50 is applied to the prior year’s
9 statewide property tax limit, meaning that in years when revenue decreases, the growth limit
10 will be applied to that new, lower level.

11 Senate Bill 24-233 limits each local government’s property tax revenue to 5.5 percent,
12 compared to the prior year’s limit. The limit is calculated based on 2023 revenue grown by

1 5.5 percent annually, with allowances for local growth, revenue committed to bond and debt
2 payments, and for revenue from sources like oil and gas and mining.

3 Other property tax limits also exist in state law, including a constitutional limit under the
4 Taxpayer’s Bill of Rights (TABOR) and a different 5.5 percent limit on each local government’s
5 property tax revenue. Both limits can be waived with voter approval. Voters have granted
6 many local governments permission to exceed these limits.

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 Initiative 50**

- 8 1) The measure prevents another spike in property taxes, like the one that occurred in 2023.
9 This spike contributed to the rapidly rising cost of living in Colorado, which is particularly
10 challenging for seniors and those living on a fixed income. By limiting future growth in
11 property taxes, the measure lessens the future burden on taxpayers, allowing them to
12 pay lower taxes and save, spend, or invest their money as they see fit.
- 13 2) The measure adds a simple, predictable property tax revenue limit to the Colorado
14 Constitution. This limit ensures that when local governments grow, it happens in a
15 modest, sustainable way. In years with big property tax increases, the measure allows
16 flexibility to reduce or refund taxes in a way that is responsive to the state’s needs or to
17 ask voters to keep revenue collected above the limit.

18 **Arguments Against Initiative 50**

- 19 1) Despite its simple premise, this measure creates uncertainty about how it will be
20 implemented and makes property taxes anything but predictable. The measure does not
21 cap property tax growth for individual households or local governments. Instead, it
22 imposes a one size fits all cap for the entire state, and allows the state legislature to pick
23 winners and losers among taxpayers, regions, and local government services. This
24 uncertainty makes it difficult for property owners to know how much tax they will owe
25 and for local governments to know how much revenue they will collect.
- 26 2) The measure will significantly hurt the ability of local governments to provide services, as
27 they may not be able to keep up with inflation and population growth, maintain aging
28 infrastructure, meet existing debt obligations, access affordable financing for
29 construction projects, or recover from economic downturns. In particular, growth in
30 urban and resort communities may result in cuts that primarily hurt services in rural and
31 slower growth areas of the state.

32 **Fiscal Impact of Initiative 50**

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