



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado’s Legislature

SB 26-116: PROPERTY TAX MODIFICATIONS

Prime Sponsors:

Sen. Weissman
Rep. Zokaie

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Summary Information

Overview. The bill allows statutory municipalities to levy a lodging tax, creates requirements of assessors using the income approach to value lodging property, extends the qualified-senior primary residence property tax benefit, increases the business personal property tax exemption threshold to \$60,000, and discontinues local reimbursements for business personal property tax exemptions.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Expenditures
- State Revenue
- TABOR Refunds
- Local Government

Appropriations. For FY 2026-27, the bill requires a net decrease in appropriations of \$12.3 million to multiple departments.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	\$0
State Expenditures	-\$12.3 million	-\$12.5 million
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$0
Change in State FTE	0.0 FTE	0.0 FTE

**Table 1A
 State Expenditures**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	-\$16.7 million	-\$16.7 million
School Finance	\$4.4 million	\$4.2 million
Total Expenditures	-\$12.3 million	-\$12.5 million

The state share of school finance costs may be paid from the General Fund, the State Education Fund, the State Public School Fund, or a combination of these sources.

**Table 1B
 Change in TABOR Refunds**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28
Qualified-Senior Residence Property Tax Benefit	\$0	\$7.3 million
Six-Tier Sales Tax Refund	\$0	-\$7.3 million
Net Change in TABOR Refunds	\$0	\$0

Summary of Legislation

The bill makes the following changes to municipal lodging taxes and to property taxes.

- The bill allows statutory municipalities to levy a lodging tax with voter approval. Like the current lodging tax allowed for counties, the allowable rate is capped at 6 percent. New taxes under the bill will be collected and enforced by the Department of Revenue, which may retain up to 3 $\frac{1}{3}$ percent of collections to cover the department's administrative costs.
- Beginning January 1, 2027, bill prohibits statutory municipalities from imposing taxes on lodging or the business of providing lodging, except for lodging taxes. For municipalities that currently impose a tax on lodging, including an occupation tax, the municipality is allowed to continue to levy the tax but may not increase the rate, or expand the base, or materially alter the permitted uses of the tax unless a municipal lodging tax is adopted.
- The bill requires county assessors using the income approach to value lodging property to include rental and resort fee income generated by the property from all units connected to the property, including those that are separately owned like condominium units.
- The bill extends the qualified-senior primary residence assessed value reductions and associated required state reimbursements to local governments, which are set to expire after property tax year 2026 under current law.
- The bill increases the statutory business personal property tax exemption threshold to \$60,000 beginning for property tax year 2027. Under the bill, the exemption threshold will no longer be adjusted biennially for inflation as under current law. The bill also discontinues reimbursements to local governments for the business personal property tax exemption beginning April 2027.

Background

County Lodging Tax

Counties in Colorado may impose a lodging tax up to 6 percent on the purchase price of rooms and accommodations that are subject to state sales tax. The tax is reported and remitted to the Department of Revenue. The Department of Revenue is allowed to retain up to $3\frac{1}{3}$ percent of lodging tax revenue to pay for its cost of collection, administration, and enforcement. Lodging tax revenue may be used for advertising and marketing local tourism, housing and childcare for the tourism-related workforce, facilitating and enhancing visitor experiences, public infrastructure maintenance or improvements, or enhancing public safety measures, as governed by statute and local policy. For lodging taxes created or expanded after January 1, 2022, at least 10 percent of the revenue must be used for the purpose of advertising and marketing local tourism. There are currently 19 counties that levy a lodging tax. The specific counties and lodging tax rates are reported by the [Department of Revenue on form DR 1003](#).

Qualified Senior Primary Residence Property Tax Benefit

[Senate Bill 24-111](#) created a property tax benefit for qualifying senior homeowners who have previously qualified for the constitutional senior homestead exemption but who are currently ineligible for it. The bill created an equivalent benefit by reducing the assessed value of qualified-senior primary residence properties, or by subtracting an amount equal to 50 percent of the first \$200,000 in actual value from the value of the property before the assessment rate is applied. The subtraction is limited to the lesser of \$100,000 or the amount that reduces a property's assessed value to \$1,000. Senior homeowners must apply to county assessors for the classification. Under current law, the benefit is available for the 2025 and 2026 property tax years (PTY) only. Based on preliminary data from the Division of Property Taxation, there were about 2,350 classifications confirmed for PTY 2025 for a total benefit of \$1.6 million for FY 2025-26. Based on an analysis of senior homeowners using U.S. Census data, utilization of the property tax benefit was about 4 percent of eligible households for PTY 2025.

Business Personal Property Tax Reimbursement

Businesses with personal property valued at less than a set amount are exempt from paying business personal property taxes. [House Bill 21-1312](#) increased the business personal property tax exemption from \$7,900 to \$50,000 and established a mechanism to reimburse local governments each year for the reduction in their property tax revenue. The exemption threshold is required to be adjusted for inflation every two years. For annual reimbursements, county assessors and treasurers estimate the reduced property tax based on the actual value of the property exempted under the bill for the 2021 property tax year, and adjusted by a growth factor as calculated by the Division of Property Taxation. From FY 2021-22 to FY 2024-25, the state has paid between \$16.7 million and \$19.5 million in reimbursements each year.

State Revenue

Municipal Lodging Tax

If voters approve municipal lodging taxes allowed under the bill, General Fund revenue will be collected and retained by the Department of Revenue to cover the cost of collecting, enforcing, and administering the taxes. The amount retained by the department is capped at 3½ percent and counts toward the state’s TABOR limit. As described in the State Expenditure section, the estimated annual cost for each new lodging tax is about an estimated \$10,000.

State Expenditures

On net, the bill decreases State Expenditures by \$12.3 million in FY 2026-27 and \$12.5 million in FY 2027-28 and future years. State expenditures are summarized in Table 2A and detailed below.

Table 2A
State Expenditures

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28
Business Personal Property Tax Exemption Reimbursements	-\$16.8 million	-\$16.7 million
Net School Finance	\$4.4 million	\$4.2 million
Department of Revenue	\$0.1 million	\$0
Total Expenditures	-\$12.3 million	-\$12.5 million

Business Personal Property Tax Reimbursements

The bill decreases General Fund expenditures by an estimated \$16.8 million in FY 2026-27 and \$16.7 million in FY 2027-28, and similar amount in future years, by eliminating reimbursements to local governments for reductions in property tax revenue under House Bill 21-1312.

Department of Revenue

The bill increases state General Fund expenditures in the Department of Revenue by \$94,297 in FY 2026-27, \$13,526 in FY 2027-28, and \$8,702 in subsequent years. The bill requires GenTax programming for the bill’s allowable municipal lodging taxes. The fiscal note assumes a one-time expenditure for 300 hours of GenTax programming billed at \$244.19 per hour, and 150 hours each of ISD programming support and user acceptance testing, billed at \$41 per hour. The bill ongoing workload in the Office of Research and Analysis related to reporting. In FY 2027-28 only, the bill requires a one-time cost of \$4,786 for form changes in the Department

of Personnel and Administration using reappropriated funds. Future costs for the department will depend on the number of municipalities that adopt lodging taxes, and may result in higher costs than shown in Table 2B. When approved by municipal governments and local voters, each new lodging tax will raise annual costs for the department by an estimated \$10,000.

**Table 2B
 State Expenditures
 Department of Revenue**

Cost Component	Budget Year FY 2026-27	Out Year FY 2027-28
GenTax Programming	\$73,257	\$0
ISD Programming Support	\$6,150	\$0
User Acceptance Testing	\$6,150	\$0
Office of Research and Analysis	\$8,740	\$8,740
Form Changes (DPA)	\$0	\$4,786
Total Costs	\$94,297	\$13,526

School Finance

The bill increases state school finance expenditures on net beginning with the 2027 property tax year. Overall, the bill decreases property tax revenue for school district local share total program mill levies due to the business personal property tax exemption provisions in the bill. Under current law, the state pays reimbursements for the business personal property tax exemption to local governments, including school districts, from the state General Fund. Eliminating reimbursements will have offsetting impacts on the state budget overall by reducing state General Fund expenditures for reimbursements. However, a \$4.4 million increase in state expenditures for school finance is required.

Expanding the business personal property tax exemption threshold to \$60,000 will reduce local share property tax revenue by an additional \$0.2 million, requiring an equivalent increase in the state aid obligation.

The state school finance obligation will be partially offset by an increase in local share total program property tax revenue under the lodging property tax valuation provisions in the bill as detailed in the Local Government section.

**Table 2C
 State School Finance Expenditures**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28
BPPT Reimbursement Offset	\$4.4 million	\$4.4 million
BPPT Exemption Expansion	\$0	\$0.2 million
Lodging Valuation Property Tax	\$0	-\$0.4 million
Net School Finance Expenditures	\$4.4 million	\$4.2 million

The state share of school finance costs may be paid from the General Fund, the State Education Fund, or the State Public School Fund, or a combination of these sources.

Qualified-Senior Primary Residence Reimbursements

In years when the state refunds revenue collected in excess of the TABOR limit, the property tax valuation reduction in the bill is accounted as a TABOR refund mechanism and does not require General Fund expenditures. In years when the state does not refund a TABOR surplus, the bill requires General Fund expenditures in the amount of the reimbursement. Based on the December LCS forecast of state revenue, there is sufficient revenue in the forecast period for the property tax reductions to be reimbursed as a TABOR refund. In future years, the value of the qualified-senior primary residence reimbursements are expected to increase significantly with higher utilization of the tax benefit, up to an estimated \$60 million if 75 percent of the estimated number of eligible households in the state utilize the credit.

Department of Local Affairs, Division of Property Taxation

The bill minimally reduces workload in the division by eliminating reviewing and reporting responsibilities related to the business personal property tax exemption reimbursements beginning in FY 2026-27.

Treasurer

The bill has mixed impacts on workload for the State Treasurer’s office. The bill minimally reduces workload for the State Treasurer’s office by eliminating duties related to issuing reimbursement warrants to local governments for the business personal property tax exemption. The bill minimally increases workload for the State Treasurer’s office by extending the assessed value reductions for qualified-senior primary residence homeowners and providing reimbursements for reduced property taxes to local governments.

TABOR Refunds

TABOR Refund Mechanisms

The bill does not change the amount required to be refunded under TABOR but will shift the amount refunded through various refund mechanisms, as shown in Table 1B on page 2. The bill would require an estimated \$7.3 million in FY 2027-28 that would otherwise be refunded via the six-tier sales tax refund mechanism to instead be refunded via property tax reductions, paid via reimbursements to local governments. A forecast of TABOR revenue is not available beyond FY 2027-28.

If the state does not refund a TABOR surplus, the bill increases General Fund expenditures to reimburse local governments for exempted property taxes, and reduces the amount otherwise available for the General Fund budget. The value of the reimbursements is expected to increase in future years with increased utilization of the qualified-senior primary residence property classification as noted in the State Expenditures section.

Local Government

Local Revenue

On net, the bill decreases local revenue for property tax jurisdictions, as shown in Table 3. Decreased revenue in aggregate will lessen over time and could begin to increase on net if and when municipal lodging taxes are adopted. For municipalities, the bill conditionally increases revenue for statutory cities and towns that adopt new lodging taxes.

**Table 3
 Local Revenue**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28
Municipal Lodging Taxes	Not estimated	Not estimated
Property Tax (see Table 4)	\$0	\$1.4 million
School Finance	\$4.4 million	\$4.2 million
Business Personal Property Tax Reimbursements	-\$16.8 million	-\$16.7 million
Total Net Revenue	-\$12.4 million	-\$11.0 million

Municipal Lodging Tax

The bill conditionally increases lodging tax revenue for statutory municipalities that impose a lodging tax with voter approval under the bill.

Property Tax

The bill increases property tax on net by the amounts shown in Table 4.

**Table 4
 Property Tax Revenue**

Source	Budget Year FY 2026-27	Out Year FY 2027-28
Lodging Property Valuation	\$0	\$2,145,050
BPPT Exemption Expansion	\$0	-\$711,490
Net Property Tax Revenue	\$0	\$1,433,560

Lodging Property Valuation

The bill increases property tax revenue for Eagle and Pitkin Counties due to the inclusion of net rental income and resort fee income associated with individually and separately owned units connected to the lodging property when assessors determine value using the income approach. The bill increases property tax revenue by an estimated \$2.1 million in FY 2027-28, with larger impacts in later years as property values increase. The analysis assumes the changes to the income approach will be utilized starting with property tax year 2027 when the value of lodging property is reassessed.

Assumptions

The analysis identified about 400 condominium units in several operations in Eagle and Pitkin Counties. These operations utilize traditional hotel and motel lodging and facilities, combined with individually-owned condominium units that are part of the same building and can be rented out alongside hotel and motel rooms on the same platforms. If this business model is used elsewhere in the state, or if the bill is interpreted to extend to other types of condominium vacation rental operations with hotel-like property management business models, the fiscal impact of the bill will be greater than estimated.

The bill is estimated to increase actual values for property taxation by \$160.8 million. Estimates are based on an evaluation of the increase in value found by the county assessor for one Vail property when evaluating the net income of the property in 2017,¹ inflated to account for increases in property value and hotel rates. The increase in value for units in Pitkin County was evaluated assuming that higher rents in the county result in a proportionally higher income. The analysis is uncertain and actual impacts will depend on each business's operations, market conditions, and determinations of assessors and could vary from this analysis.

Business Personal Property Tax Exemption

The bill reduces personal property tax revenue for taxing jurisdictions across the state by an estimated \$711,490 in FY 2027-28, and by decreasing amounts in later years assuming a growing personal property value base. The impact represents the net amount of property tax estimated to be reduced by increasing the exemption by a forecast exemption threshold of \$58,000 to \$60,000 in PTY 2027.

Qualified-Senior Primary Residence Property Tax Revenue and Reimbursements

The bill's extension of the qualified senior primary residence property assessed value reduction and corresponding tax benefit has offsetting impacts on local government revenue that will not change net revenue to any jurisdiction. It decreases property tax revenue with offsetting increased state reimbursements to local government by the amounts shown in Table 1B. The bill may affect local government TABOR refunds if local voters have exempted one of, but not both of, property tax revenue and revenue received from the state government.

Business Personal Property Tax Reimbursements

The bill decreases revenue from state reimbursements for property tax revenue reductions under House Bill 21-1312 beginning for FY 2026-27 by the amounts shown in Table 3 and described in the State Expenditure section.

¹ [Lodge Props. v. Eagle Cnty. Bd. of Equalization](#)

Local Expenditures

The bill reduces workload for county assessors and county treasurers related to calculating, submitting, and issuing business personal property tax reimbursements related to the business personal property tax exemption. This workload may be offset by continuing the qualified-senior primary resident property tax reimbursements.

The bill's provisions also conditionally increase local expenditures for those statutory municipalities that pursue adoption of lodging taxes under the bill related to elections.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2026-27, the bill requires the following appropriations:

- a General Fund appropriation of \$94,297 to the Department of Revenue;
- an appropriation of \$4,424,453 for the state share of total program funding for school finance, which may be made from the General Fund, the State Education Fund, the State Public School Fund, or a combination of these; and
- a decrease in the General Fund informational appropriation to the Department of the Treasury for business personal property tax exemption reimbursements from an estimated \$16,823,815 required under current law and the December 2025 LCS forecast, to \$0 under the bill.

State and Local Government Contacts

Counties	Personnel
County Assessors	Property Tax Division
Information Technology	Revenue
Local Affairs	Special District Association
Municipalities	Treasurer

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).