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Fiscal Note

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Prime Sponsors: Sen. Hansen; Rankin Bill Status: Senate Appropriations
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Bill Topic: 2023 AND 2024 PROPERTY TAX

- Summary of Fiscal Impact:
State Revenue [] TABOR Refund [x]
State Expenditure [x] Local Government [x]
State Transfer [] Statutory Public Entity []

The bill reduces property tax assessment rates and taxable valuations for the 2023 and 2024 tax years, and requires that the state government reimburse local governments for a portion of the resulting property tax revenue reductions. It decreases local government revenue and increases state expenditures through FY 2024-25.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced bill. Due to time constraints, this analysis is preliminary and will be updated following further review and if any additional information is received.

Table 1
State Fiscal Impacts Under SB 22-238

Table with 4 columns: Category, Budget Year FY 2022-23, Out Year FY 2023-24, Out Year FY 2024-25. Rows include Revenue, Expenditures (General Fund, School Finance, Total Expenditures), Transfers, and Other Budget Impacts (GF Reserve).

*Expenditures for the state share of school finance may be paid from the General Fund, the State Education Fund, the State Public School Fund, or a combination of these.

Summary of Legislation

The bill makes changes to property tax assessment, and requires that a portion of the resulting revenue reduction be reimbursed to local governments, as discussed below.

Property tax assessment. The bill makes the following changes to property tax assessment rates for the 2023 property tax year:

- the assessment rate for all **residential** property is reduced to **6.765 percent**, from 6.95 percent for single family property and from 6.80 percent for multifamily property; and
- the assessment rate for **nonresidential** property, other than oil and gas, agricultural, and renewable energy producing property, is reduced to **27.9 percent** from 29.0 percent.

When determining 2023 assessed values, the bill directs assessors to apply assessment rates to the actual value of residential property, less \$15,000, and to the actual value of improved commercial property, less \$30,000, so long as these subtractions do not cause the valuation for assessment of the property to fall below \$1,000.

The bill makes the following changes to property tax assessment rates for the 2024 property tax year:

- the assessment rate for **multifamily residential** property is reduced to **6.80 percent** from 7.15 percent;
- the assessment rate for **agricultural** and **renewable energy producing** property is reduced to **26.4 percent** from 29.0 percent; and
- the assessment rate for **single family residential property** is set at a level to be determined by the state property tax administrator, such that the projected total revenue reduction attributable to the changes in the bill is \$700 million over the 2023 and 2024 property tax years.

Backfill. The bill requires that each county treasurer calculate the 2023 property tax revenue reduction to local governments in their county, other than school districts, as a result of the changes to property tax assessment in the bill. Calculations are submitted to the property tax administrator, who may request additional information to verify their accuracy. Upon receipt of the correct amount for each county, the state treasurer will reimburse local governments as follows:

- for local governments in counties with over 300,000 people, 65 percent of the revenue reduction;
- for local governments in counties with up to 300,000 people and where total assessed values for property taxation grew by at least 10 percent between 2022 and 2023, 90 percent of the revenue reduction; and
- for local governments in counties with up to 300,000 people and where total assessed values for property taxation grew by less than 10 percent between 2022 and 2023, 100 percent of the revenue reduction.

The bill designates the first \$240 million of the backfill above as a TABOR refund mechanism to refund a portion of the state's FY 2022-23 TABOR surplus. The refund mechanism will be used only if the FY 2022-23 surplus is sufficient to first fully fund the current law 2023 property tax exemptions for seniors and disabled veterans, and the income tax rate reduction for tax year 2023. Any backfill required in the bill that exceeds the TABOR refund obligation, or that exceeds the \$240 million limit

on the amount of TABOR refunds to be paid using this mechanism, is paid instead from the General Fund.

Assumptions

2023 property tax impact. Based on the December 2021 Legislative Council Staff (LCS) forecast for assessed values, the bill is expected to reduce 2023 assessed values by \$7.8 billion, or 4.9 percent. The reduced assessed values are assumed to reduce property tax revenue for local governments that levy fixed mills, including most counties, municipalities, and special districts. School districts are assumed to experience reductions in revenue generated from their total program mills, as well as from override mills in districts where voters have approved fixed mill overrides.

Some levies are not expected to generate less revenue from reduced assessed values. These include metropolitan district and school district bonded indebtedness mills, which are typically structured to generate a certain amount of revenue regardless of the tax base. School district override mills are assumed not to generate less revenue if the school district is already at its statutory override revenue cap, or where voters have approved overrides to generate fixed dollar amounts or inflation-adjusted dollar amounts.

Based on these assumptions, the bill is expected to reduce 2023 property tax revenue by \$500 million.

2023 backfill. The bill is expected to reduce 2023 property tax revenue to local governments other than school districts by a total of \$276 million. The parameters in the bill are expected to require the state to reimburse local governments for \$203 million, or 74 percent of the total. Based on the March 2022 LCS forecast, the projected FY 2022-23 TABOR surplus is expected to be sufficient to allow the full backfill amount to be refunded as a TABOR refund mechanism, with no impact on FY 2023-24 General Fund expenditures.

2024 residential assessment rate. The bill directs the state property tax administrator to calculate the single family residential assessment rate for property tax year 2024 such that the cumulative revenue reduction over two years as a result of the bill totals \$700 million. Based on the December 2021 LCS forecast and the assumptions stated above, the single family residential assessment rate is expected to be set at 6.922 percent for 2024.

State Expenditures

The bill increases state expenditures by an estimated \$183.1 million in FY 2023-24 and \$73 million in FY 2024-25, and increases state agency workload, as discussed below.

School finance. The bill decreases property tax collections from school district total program mills, requiring an equivalent increase in the state share of total program funding for school finance. The increased state aid obligation is estimated at \$183 million in FY 2023-24 and \$73 million in FY 2024-25, offsetting equivalent reductions in local share revenues for the 2023 and 2024 property tax years, respectively. School finance expenditures may be paid from the General Fund, the State Education Fund, the State Public School Fund, or a combination of these. If the General Assembly sets the budget

stabilization factor at a higher level than it otherwise would as a result of the revenue decrease, then the impact on state expenditures will be less than estimated.

Property tax backfill. The bill potentially increases General Fund expenditures in FY 2023-24 to reimburse non-school district local governments for their property tax year 2023 revenue reductions that result from the bill. Under the March 2022 LCS forecast, the FY 2022-23 TABOR surplus is projected to reach \$1.6 billion, sufficient to fully refund the homestead exemptions for seniors and disabled veterans, the income tax rate reduction, and the total amount of the property tax backfill required under this bill. If the FY 2022-23 TABOR surplus is less than estimated, up to the entire backfill amount (approximately \$203 million), will be paid from the General Fund in FY 2023-24.

Division of Property Taxation. General Fund expenditures in the Department of Local Affairs' Division of Property Taxation are expected to increase by \$138,500 in FY 2023-24 only, and division workload is expected to increase through FY 2024-25. Expenditures are for enhancements to the portal used by county treasurers to submit property tax information and will occur in the Office of Information Technology using reappropriated DOLA funds.

The bill requires the property tax administrator to review revenue backfill submissions from county treasurers and calculate the single family residential assessment rate for 2024. The division is also responsible for training and educating assessors and publishing materials used for property valuation and assessment, which will require updates as a result of the bill. This workload increase can be accomplished within existing appropriations.

Other Budget Impacts

FY 2022-23 TABOR refunds. The bill has no net impact on the amount required to be refunded to taxpayers under TABOR, but changes the mechanisms used to refund the projected FY 2022-23 surplus to taxpayers in FY 2023-24. Under current law and the March 2022 LCS forecast, the following mechanisms are expected to be used to refund a \$1.6 billion surplus:

- \$169 million via the homestead exemption for seniors and disabled veterans;
- \$132 million via the temporary income tax rate reduction from 4.55 percent to 4.50 percent; and
- \$1.26 billion via the six-tier sales tax refund mechanism.

Under the bill, \$203 million would be refunded via the property tax reductions in the bill and reimbursed from the state TABOR surplus to affected local governments. The amount refunded via the six-tier sales tax refund mechanism would be correspondingly reduced by \$203 million to \$1.06 billion.

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve beginning in FY 2022-23. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by \$20,775 in FY 2023-24, which will decrease the amount of General Fund available for other purposes.

Local Government

The bill decreases local government revenue and increases county government expenditures through FY 2024-25 as discussed below. All local governments that levy property taxes, including counties, municipalities, school districts, and special districts, are affected.

Local revenue. The bill is expected to decrease local government revenue by net amounts of \$114 million for property tax year 2023 and \$127 million for property tax year 2024. These amounts represent the net impacts of reduced property tax revenue, increased state aid to school districts, and the state reimbursement to local governments as required in the bill. These three components are summarized in Table 2.

**Table 2
 Local Government Revenue Impacts of SB 22-238**

	FY 2023-24 <i>Property Tax Year 2023 Collected in 2024</i>	FY 2024-25 <i>Property Tax Year 2024 Collected in 2025</i>
Property Tax Revenue	(\$500 million)	(\$200 million)
School Districts – State Aid	\$183 million	\$73 million
State Backfill to Other Locals*	\$203 million	-
Net Revenue Impact	(\$114 million)	(\$127 million)

**Reimbursements to counties, municipalities, and special districts only.*

Property tax revenue. Estimates of the property tax revenue reduction assume the December 2021 LCS forecast for assessed valuations by school district, prorated to counties according to each school district’s share of county assessed valuation for the 2021 property tax year. The fiscal note assumes weighted average mill levies by county for the 2020 property tax year published in the Division of Property Taxation’s annual report, except that school district total program mills are adjusted where required under current law enacted in House Bill 21-1164. As discussed in the Assumptions section of this fiscal note, revenue reductions are shown for:

- all county mills;
- all municipal mills;
- all special district mills, except those levied by metropolitan districts;
- school district total program mills; and
- school district override mills in districts where voters have approved fixed mill overrides, except in districts where override revenue is constrained by the statutory override revenue cap.

The bill requires that the property tax administrator set the single family residential assessment rate for 2024 at the level projected to result in a \$700 million revenue reduction over the two-year period. Accordingly, a smaller-than-expected reduction in 2023 property tax revenue would result in a correspondingly larger reduction in 2024 property tax revenue, and vice-versa.

State aid to school districts. Table 2 shows the state aid requirement expected to result from reduced school district local share revenue. This amount corresponds to the expected state expenditure for school finance discussed in the State Expenditures section above. If the General Assembly sets the

budget stabilization factor at a higher level than it otherwise would in response to the property tax revenue reduction in this bill, then state aid revenue to school districts will be less than estimated.

State backfill to other local governments. The bill requires that the state government reimburse county treasurers for the 2023 property tax revenue reduction experienced by local governments other than school districts. The total amount of the backfill for all districts estimated at \$203 million and is determined at the county level.

- Nine counties are projected to have populations over 300,000 and receive a 65 percent backfill, including: Adams; Arapahoe; Boulder; Denver; Douglas; El Paso; Jefferson; Larimer; and Weld.
- Ten counties with population under 300,000 are projected to experience assessed value growth over 10 percent in 2023 after the changes to property tax assessment in this bill and receive a 90 percent backfill, including: Chaffee; Eagle; Elbert; Grand; Gunnison; Lake; Montrose; Park; San Miguel; and Summit.
- The remaining 45 counties have population under 300,000 and are projected to experience assessed value growth under 10 percent in 2023 after the changes to property tax assessment in this bill. These counties are expected to receive a 100 percent backfill for the tax reductions experienced by their local governments other than school districts.

County government expenditures. The bill increases workload for county assessors' offices to implement and administer the property assessment changes in the bill, and for county treasurers' offices to calculate, report, and distribute the backfill to affected local governments within their counties. Some costs will be incurred to accomplish software modifications, likely \$10,000 or less per instance.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Counties	County Assessors
Information Technology	Legislative Council Staff Economists
Local Affairs	Municipalities
Property Taxation	School Districts
Special Districts	Treasury

Appendix A
2023 Revenue Reduction and Backfill by County Under SB 22-238
Revenue Reduction to All Local Governments in County
Backfill to All Local Governments in County, Except School Districts
Omits State Aid to School Districts (See Appendix B)

County	2023 Revenue Reduction	Backfill Percentage	State Backfill
Adams	(\$43.9 million)	65%	\$17.3 million
Alamosa	(\$1.1 million)	100%	\$0.6 million
Arapahoe	(\$46.2 million)	65%	\$17.0 million
Archuleta	(\$1.6 million)	100%	\$1.1 million
Baca	(\$0.5 million)	100%	\$0.3 million
Bent	(\$0.4 million)	100%	\$0.3 million
Boulder	(\$34.6 million)	65%	\$13.3 million
Broomfield	(\$8.2 million)	100%	\$5.2 million
Chaffee	(\$2.0 million)	90%	\$0.8 million
Cheyenne	(\$0.1 million)	100%	\$0.1 million
Clear Creek	(\$1.0 million)	100%	\$0.8 million
Conejos	(\$0.5 million)	100%	\$0.3 million
Costilla	(\$0.5 million)	100%	\$0.2 million
Crowley	(\$0.3 million)	100%	\$0.2 million
Custer	(\$0.6 million)	100%	\$0.4 million
Delta	(\$2.1 million)	100%	\$1.3 million
Denver	(\$66.7 million)	65%	\$20.3 million
Dolores	(\$0.2 million)	100%	\$0.1 million
Douglas	(\$28.4 million)	65%	\$10.9 million
Eagle	(\$9.1 million)	90%	\$5.1 million
Elbert	(\$2.0 million)	90%	\$1.2 million
El Paso	(\$44.8 million)	65%	\$9.7 million
Fremont	(\$3.0 million)	100%	\$1.5 million
Garfield	(\$4.2 million)	100%	\$3.2 million
Gilpin	(\$0.8 million)	100%	\$0.6 million
Grand	(\$3.0 million)	90%	\$1.9 million
Gunnison	(\$2.7 million)	90%	\$1.6 million
Hinsdale	(\$0.2 million)	100%	\$0.1 million
Huerfano	(\$0.8 million)	100%	\$0.6 million
Jackson	(\$0.1 million)	100%	\$0.1 million
Jefferson	(\$61.8 million)	65%	\$19.6 million
Kiowa	(\$0.1 million)	100%	\$0.1 million
Kit Carson	(\$0.9 million)	100%	\$0.6 million
Lake	(\$1.2 million)	90%	\$0.8 million
La Plata	(\$2.5 million)	100%	\$1.8 million
Larimer	(\$31.8 million)	65%	\$11.6 million
Las Animas	(\$0.7 million)	100%	\$0.4 million
Lincoln	(\$0.5 million)	100%	\$0.3 million
Logan	(\$1.5 million)	100%	\$0.9 million
Mesa	(\$8.4 million)	100%	\$4.4 million

Appendix A (cont.)
2023 Revenue Reduction and Backfill by County Under SB 22-238
Revenue Reduction to All Local Governments in County
Backfill to All Local Governments in County, Except School Districts
Omits State Aid to School Districts (See Appendix B)

County	2023 Revenue Reduction	Backfill Percentage	State Backfill
Mineral	(\$0.2 million)	100%	\$0.1 million
Moffat	(\$1.4 million)	100%	\$0.8 million
Montezuma	(\$1.3 million)	100%	\$0.7 million
Montrose	(\$3.6 million)	90%	\$2.1 million
Morgan	(\$2.8 million)	100%	\$1.7 million
Otero	(\$1.0 million)	100%	\$0.6 million
Ouray	(\$0.6 million)	100%	\$0.4 million
Park	(\$2.2 million)	90%	\$1.4 million
Phillips	(\$0.5 million)	100%	\$0.3 million
Pitkin	(\$5.9 million)	100%	\$4.3 million
Prowers	(\$0.8 million)	100%	\$0.5 million
Pueblo	(\$13.7 million)	100%	\$8.1 million
Rio Blanco	(\$0.9 million)	100%	\$0.8 million
Rio Grande	(\$1.0 million)	100%	\$0.5 million
Routt	(\$3.2 million)	100%	\$2.5 million
Saguache	(\$2.5 million)	100%	\$2.4 million
San Juan	(\$0.2 million)	100%	\$0.1 million
San Miguel	(\$1.9 million)	90%	\$1.4 million
Sedgwick	(\$0.3 million)	100%	\$0.2 million
Summit	(\$6.4 million)	90%	\$4.4 million
Teller	(\$2.0 million)	100%	\$1.3 million
Washington	(\$0.4 million)	100%	\$0.3 million
Weld	(\$27.4 million)	65%	\$11.4 million
Yuma	(\$0.9 million)	100%	\$0.6 million
Total	(\$500.1 million)		\$203.3 million

Appendix B
2023 Change in Local Share of School Finance Under SB 22-238
Total Program Mills Only; Omits Override Mills
Reduced Local Share Revenue is Backfilled by an Equivalent State Aid Increase

School District	2023 Local Share Reduction	School District	2023 Local Share Reduction
Academy	(\$4.27 million)	Durango	(\$0.68 million)
Agate	(\$0.02 million)	Eads	(\$0.03 million)
Aguilar	(\$0.02 million)	Eagle County	(\$2.14 million)
Akron	(\$0.08 million)	East Grand	(\$0.69 million)
Alamosa	(\$0.42 million)	East Otero	(\$0.25 million)
Archuleta County	(\$0.63 million)	Eaton	(\$0.28 million)
Arickaree	(\$0.02 million)	Edison	(\$0.01 million)
Arriba-Flagler	(\$0.04 million)	Elbert	(\$0.03 million)
Aspen	(\$0.61 million)	Elizabeth	(\$0.44 million)
Ault-Hiland	(\$0.25 million)	Ellicott	(\$0.07 million)
Aurora	(\$6.25 million)	Englewood	(\$1.03 million)
Bayfield	(\$0.11 million)	Estes Park	(\$0.61 million)
Bennett	(\$0.23 million)	Falcon	(\$2.38 million)
Bethune	(\$0.01 million)	Florence	(\$0.21 million)
Big Sandy	(\$0.04 million)	Fountain	(\$0.30 million)
Boulder Valley	(\$10.99 million)	Fowler	(\$0.05 million)
Branson	(\$0.02 million)	Frenchman	(\$0.05 million)
Briggsdale	(\$0.02 million)	Fort Lupton	(\$0.39 million)
Brighton	(\$3.41 million)	Fort Morgan	(\$0.59 million)
Brush	(\$0.36 million)	Genoa-Hugo	(\$0.03 million)
Buena Vista	(\$0.35 million)	Gilcrest	(\$0.26 million)
Buffalo	(\$0.03 million)	Gilpin County	(\$0.11 million)
Burlington	(\$0.21 million)	Granada	(\$0.01 million)
Byers	(\$0.07 million)	Greeley	(\$3.47 million)
Calhan	(\$0.08 million)	Grover	(\$0.02 million)
Campo	(\$0.01 million)	Gunnison	(\$0.81 million)
Cañon City	(\$0.82 million)	Hanover	(\$0.02 million)
Centennial (Costilla County)	(\$0.06 million)	Harrison	(\$0.92 million)
Center	(\$0.07 million)	Haxtun	(\$0.05 million)
Cheraw	(\$0.01 million)	Hayden	(\$0.14 million)
Cherry Creek	(\$8.32 million)	Hinsdale County	(\$0.08 million)
Cheyenne County	(\$0.02 million)	Hi Plains	(\$0.03 million)
Cheyenne Mountain	(\$0.87 million)	Hoehne	(\$0.06 million)
Clear Creek	(\$0.27 million)	Holly	(\$0.05 million)
Colorado Springs	(\$5.30 million)	Holyoke	(\$0.12 million)
Commerce City	(\$1.58 million)	Huerfano County	(\$0.23 million)
Cotopaxi	(\$0.13 million)	Idalia	(\$0.01 million)
Creede	(\$0.09 million)	Ignacio	(\$0.02 million)
Cripple Creek	(\$0.19 million)	Jefferson County	(\$18.50 million)
Crowley County	(\$0.08 million)	Johnstown-Milliken	(\$0.46 million)
DeBeque	(\$0.01 million)	Julesburg	(\$0.07 million)
Deer Trail	(\$0.06 million)	Karval	(<\$0.01 million)
Del Norte	(\$0.16 million)	Keenesburg	(\$0.40 million)
Delta	(\$0.88 million)	Kim	(\$0.01 million)
Denver	(\$31.77 million)	Kiowa (Elbert County)	(\$0.05 million)
Dolores County	(\$0.06 million)	Kit Carson (Lincoln County)	(\$0.01 million)
Dolores (Montezuma County)	(\$0.12 million)	Lake County	(\$0.41 million)
Douglas County	(\$11.97 million)	Lamar	(\$0.21 million)

Appendix B (cont.)
2023 Change in Local Share of School Finance Under SB 22-238
Total Program Mills Only; Omits Override Mills
Reduced Local Share Revenue is Backfilled by an Equivalent State Aid Increase

School District	2023 Local Share Reduction	School District	2023 Local Share Reduction
Las Animas (Bent County)	(\$0.10 million)	Pueblo County	(\$1.75 million)
La Veta	(\$0.10 million)	Rangely	(\$0.02 million)
Lewis-Palmer	(\$1.17 million)	Ridgway	(\$0.12 million)
Liberty	(\$0.01 million)	Rifle	(\$0.18 million)
Limon	(\$0.13 million)	Roaring Fork	(\$1.77 million)
Littleton	(\$3.25 million)	Rocky Ford	(\$0.11 million)
Lone Star	(\$0.02 million)	Salida	(\$0.42 million)
Mancos	(\$0.08 million)	Sanford	(\$0.02 million)
Manitou Springs	(\$0.26 million)	Sangre de Cristo	(\$0.04 million)
Manzanola	(\$0.01 million)	Sargent	(\$0.07 million)
Mapleton	(\$1.57 million)	Sheridan	(\$0.43 million)
McClave	(\$0.02 million)	Sierra Grande	(\$0.13 million)
Meeker	(\$0.10 million)	Silverton	(\$0.05 million)
Mesa Valley	(\$4.34 million)	South Conejos	(\$0.07 million)
Miami-Yoder	(\$0.04 million)	South Routt	(\$0.09 million)
Moffat County	(\$0.56 million)	Springfield	(\$0.08 million)
Moffat (Saguache County)	(\$0.09 million)	Steamboat Springs	(\$0.51 million)
Monte Vista	(\$0.17 million)	Strasburg	(\$0.16 million)
Montezuma County	(\$0.37 million)	Stratton	(\$0.03 million)
Montrose County	(\$1.33 million)	St. Vrain	(\$6.09 million)
Mountain Valley	(\$0.05 million)	Summit County	(\$1.46 million)
North Conejos	(\$0.07 million)	Swink	(\$0.05 million)
Northglenn-Thornton	(\$5.95 million)	Telluride	(\$0.33 million)
North Park (Jackson County)	(\$0.07 million)	Thompson	(\$3.95 million)
Norwood	(\$0.01 million)	Trinidad	(\$0.18 million)
Otis	(\$0.03 million)	Valley (Logan County)	(\$0.48 million)
Ouray	(\$0.11 million)	Vilas	(\$0.01 million)
Parachute	(\$0.03 million)	Walsh	(\$0.03 million)
Park County	(\$0.32 million)	Weldon	(\$0.06 million)
Peyton	(\$0.08 million)	Westcliffe	(\$0.23 million)
Plainview	(\$0.01 million)	West End (Montrose County)	(\$0.03 million)
Plateau (Logan County)	(\$0.04 million)	West Grand	(\$0.09 million)
Plateau Valley (Mesa County)	(\$0.04 million)	Westminster	(\$1.57 million)
Platte Canyon	(\$0.27 million)	Widfield	(\$1.05 million)
Platte Valley (Sedgwick County)	(\$0.04 million)	Wiggins	(\$0.13 million)
Platte Valley (Weld County)	(\$0.06 million)	Wiley	(\$0.03 million)
Poudre	(\$6.93 million)	Windsor	(\$1.59 million)
Prairie	(\$0.01 million)	Woodland Park	(\$0.61 million)
Primero	(\$0.01 million)	Woodlin	(\$0.03 million)
Pritchett	(\$0.03 million)	Wray	(\$0.11 million)
Pueblo City	(\$2.82 million)	Yuma	(\$0.14 million)
Total			(\$183.2 million)