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Fiscal Note

Drafting Number: LLS 24B-0007 Date: August 26, 2024
Prime Sponsors: Sen. Hinrichsen Bill Status: Senate Finance
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Bill Topic: AUTHORIZE LOCAL GOVERNMENT LAND VALUE TAX

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

The resolution refers a ballot measure to the November 2024 election allowing local governments to seek future voter approval to change from ad valorem taxation of property to a land value tax. The resolution conditionally increases state expenditures, increases local expenditures, and may increase or decrease local revenue if a land value tax is implemented by individual jurisdictions.

Appropriation Summary: None required.

Fiscal Note Status: The fiscal note reflects the introduced resolution.

Table 1
State Fiscal Impacts Under SCR 24B-001

Table with 4 columns: Category, Sub-category, Budget Year FY 2025-26, and Out Year FY 2026-27. Rows include Revenue, Expenditures (General Fund, Total FTE), Transfers, and Other Budget Impacts (General Fund Reserve).

Summary of Legislation

This concurrent resolution refers a measure to the November 2024 election to amend the state constitution to allow a local government that collects property taxes to replace the current ad valorem method of property taxation with a land value tax (LVT). An LVT taxes property based only on the value of the underlying land, and not the value of any improvements built or used on the land.

The resolution requires that the General Assembly enact several laws allowing the establishment of a voter-approved LVT for local governments. The legislature must adopt legislation that determines:

- procedures for determining the value of land used in an LVT, including how the land value will be assessed;
- how the senior and disabled veteran homestead exemption should be attributed to land to maintain the same benefit to qualifying property owners; and,
- a formula for calculating how a local government that adopts LVT will continue to receive an equivalent reimbursement from the state for reductions in property tax revenue that are a result of statewide policies enacted by the legislature, or via citizen initiative.

A local government may not implement a voter-approved LVT during the same assessment cycle period in which the approval vote is taken. A local government may include in the ballot question the elimination or reductions in other taxes or fees levied by the local government.

State Expenditures

The resolution conditionally increases state expenditures in the Department of Local Affairs (DOLA) by \$132,577 in FY 2025-26, and by \$8,506 in FY 2026-27, paid from the General Fund. These costs are conditional upon voter approval at the November 2024 election. Potential new costs are displayed in Table 2 and described below. These costs will be addressed through the annual or supplemental budget process if the referred measure is approved by voters.

Table 2
Expenditures Under SCR 24B-001

	FY 2025-26	FY 2026-27
Department of Local Affairs		
Personal Services	\$32,622	\$6,524
Operating Expenses	\$640	\$128
Capital Outlay Costs	\$6,670	-
Legal Services	\$13,374	-
Computer Programming	\$70,000	-
Employee Insurance and Supplemental PERA	\$9,271	\$1,854
FTE – Personal Services	0.5 FTE	0.1 FTE
FTE – Legal Services	0.1 FTE	0.0 FTE
Total Cost	\$132,577	\$8,506
Total FTE	0.6 FTE	0.1 FTE

¹ Centrally appropriated costs are not included in the resolution's appropriation.

Department of Local Affairs. The resolution conditionally increases workload and state expenditures in DOLA. In FY 2025-26, DOLA will require an additional 0.5 FTE for an analyst to develop the necessary technical assistance, and prepare to help local governments understand the implementation and reporting of an LVT. Staff will also make changes to procedures, communications, and IT systems related to enforcing the current 5.5 percent statutory property tax limit on annual property tax increase. Legal services costs will also increase to interpret the law and assist with implementation. Legal services are provided by the Department of Law. IT services are provided by the Governor's Office of Information Technology. Related to the new FTE, costs for employee insurance and supplemental employee retirement payments will also increase.

The Division of Property Taxation in DOLA will have increased costs to assist county assessors with two systems of evaluation, which at minimum requires development of new training programs and modifications to current manuals and materials. These costs have not yet been estimated.

Election expenditure impact — existing appropriations. This resolution includes a referred measure that will appear before voters at the November 2024 general election. While no additional appropriation is required, certain election costs are incurred by the state when ballot measures are referred. These include reimbursing counties for certain election costs; publishing the text and title of the measure in newspapers across the state; and preparing and mailing the ballot information booklet.

Other state reimbursement. Conditional on the direction of change in local government property tax revenue from any future adoption of an LVT, state reimbursement obligations as a result of legislation or citizen initiatives may also be affected.

Other Budget Impacts

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. Based on this fiscal note, the resolution is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

Local Government

The resolution conditionally impacts the expenditures and revenue of local governments. If a county, municipality, special district, school district, or combination of jurisdictions gets voter approval to implement an LVT, expenditures will increase for county assessors to modify or purchase software systems capable of implementing alternative valuations that can assess both ad valorem and LVT across taxing jurisdictions.

Local government revenue may be impacted by future voter-approved establishment of an LVT; however, any change depends on details established in the ballot question and therefore cannot be estimated in advance.

Effective Date

If approved by voters at the 2024 general election, this measure takes effect upon proclamation of the Governor, no later than 30 days after the official canvass of the vote is completed.

State and Local Government Contacts

Counties	Law	Local Affairs
Revenue		

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](#).