

**NOTICE OF ELECTION ON A
REFERRED MEASURE**

2023 State Ballot Information Booklet

**STATEWIDE ELECTION DAY
Is Tuesday, November 7, 2023**

Voter service and polling centers are open 7 a.m. to 7 p.m. on Election Day.
Ballots are mailed to all registered voters between October 16 and October 20, 2023.



Legislative Council of the Colorado General Assembly
Research Publication No. 793-2



This publication and additional statewide ballot information are available at:
<https://leg.colorado.gov/bluebook>



A “yes/for” vote on any ballot issue is a vote in favor of changing current law or existing circumstances, and a “no/against” vote on any ballot issue is a vote against changing current law or existing circumstances.



An audio version of the book is available through the Colorado Talking Book Library at: <https://myctbl.cde.state.co.us/legislative-blue-book>



A full fiscal impact statement for each measure can be found at:
<https://leg.colorado.gov/bluebook>



Local election offices can provide voter information, including where to vote, how to register to vote, and what is on your ballot. Find contact information for local election offices on page 24 of this book or online at:
<https://www.coloradosos.gov/pubs/elections/Resources/CountyElectionOffices.html>



Introductory Letter4



Quick Reference Guide5



Proposition HH: Reduce Property Taxes and Retain State Revenue.....6

Summary and Analysis of Proposition HH.....7
Arguments For Proposition HH..... 15
Arguments Against Proposition HH 15
Fiscal Impact of Proposition HH 16
Proposition HH Question 18



Proposition II: Retain Nicotine Tax Revenue in Excess of Blue Book Estimate.....19

Summary and Analysis of Proposition II..... 19
Arguments For Proposition II21
Arguments Against Proposition II22
Fiscal Impact of Proposition II22
Proposition II Question23



Local Election Offices24



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September 7, 2023

Overview

This booklet provides information on the two statewide measures on the November 7, 2023, ballot — Proposition HH and Proposition II. Both measures are referred to the voters by the state legislature and require a simple majority vote to pass.

Analyses

The state constitution requires that the nonpartisan Legislative Council Staff prepare an analysis of each statewide measure, including a description of the measure and major arguments for and against, and distribute this information to registered voter households. Careful consideration has been given to the arguments in an effort to fairly represent both sides of the issue. Each analysis also includes an estimate of the fiscal impact of the measure. More information on the fiscal impact of the measures can be found at: <https://leg.colorado.gov/bluebook>.

Proposition HH

Proposition HH is a question referred to the voters by the state legislature through Senate Bill 23-303, a bill that proposes to reduce property taxes and allow the state to retain and spend excess state revenue. Voter approval is required to allow the state to retain and spend the excess state revenue. The question referred to the ballot by the state legislature follows the analyses in the booklet, with a link to Senate Bill 23-303 provided here: <https://leg.colorado.gov/bluebook>.

Proposition II

Proposition II is a question referred to the voters by the state legislature through House Bill 23-1290. Because an estimate of revenue from nicotine taxes provided in a prior ballot information booklet was exceeded, the state is asking for voter approval to retain and spend state revenue that would otherwise need to be refunded and to maintain tax rates on nicotine products that would otherwise need to be decreased. The question referred to the ballot by the state legislature follows the analyses in the booklet, with a link to House Bill 23-1290 provided here: <https://leg.colorado.gov/bluebook>.

Information on Local Election Officials

The booklet concludes with addresses and telephone numbers for local election officials. Your local election official can provide you with information on mail ballots, voter service and polling centers, and mail ballot drop-off locations.



Reduce Property Taxes and Retain State Revenue

Placed on the ballot by the legislature • Passes with a majority vote

Ballot Question

Shall the state reduce property taxes for homes and businesses, including expanding property tax relief for seniors, and backfill counties, water districts, fire districts, ambulance and hospital districts, and other local governments and fund school districts by using a portion of the state surplus up to the proposition HH cap as defined in this measure?

What Your Vote Means

YES A “yes” vote on Proposition HH lowers property taxes owed, allows the state to keep additional money that would otherwise be refunded to taxpayers, temporarily changes how taxpayer TABOR refunds are distributed, and creates a new property tax limit for most local governments.

NO A “no” vote on Proposition HH maintains current law for property taxes, TABOR refunds, and state and local government revenue limits.



Retain Nicotine Tax Revenue in Excess of Blue Book Estimate

Placed on the ballot by the legislature • Passes with a majority vote

Ballot Question

Without raising taxes, may the state retain and spend revenues from taxes on cigarettes, tobacco, and other nicotine products and maintain tax rates on cigarettes, tobacco, and other nicotine products and use these revenues to invest twenty-three million six hundred fifty thousand dollars to enhance the voluntary Colorado preschool program and make it widely available for free instead of reducing these tax rates and refunding revenues to cigarette wholesalers, tobacco product distributors, nicotine products distributors, and other taxpayers, for exceeding an estimate included in the ballot information booklet for proposition EE?

What Your Vote Means

YES A “yes” vote on Proposition II allows the state to keep and spend \$23.65 million in tax revenue that has already been collected from the sale of cigarettes, tobacco products, and nicotine products, including interest, and to maintain the current tax rates on cigarettes, tobacco products, and nicotine products. The tax revenue will be spent on preschool programs.

NO A “no” vote on Proposition II means that \$23.65 million will be refunded to wholesalers and distributors of cigarettes, tobacco products, and nicotine products, and tax rates on cigarettes, tobacco products, and nicotine products will be reduced.



Reduce Property Taxes and Retain State Revenue

Placed on the ballot by the legislature • Passes with a majority vote

Proposition HH, if approved, would:

- lower property taxes owed for homes and businesses for at least ten years, compared to what would be owed under current law;
- allow the state to retain money that would otherwise be refunded to taxpayers under the Taxpayer's Bill of Rights (TABOR) through at least 2032;
- authorize the state legislature to retain revenue after 2032 without further voter approval, if property tax decreases equivalent to those in the measure are maintained;
- allow the retained revenue to be spent on education, reimbursements to local governments for some of their reduced property tax revenue, and rental assistance programs;
- distribute TABOR refunds to taxpayers in equal amounts for tax year 2023 only; and
- create a new limit on the growth of property tax revenue for most local governments.

What Your Vote Means

YES A "yes" vote on Proposition HH lowers property taxes owed, allows the state to keep additional money that would otherwise be refunded to taxpayers, temporarily changes how taxpayer TABOR refunds are distributed, and creates a new property tax limit for most local governments.

NO A "no" vote on Proposition HH maintains current law for property taxes, TABOR refunds, and state and local government revenue limits.

For more information on these provisions, see the following:

- Overview of Proposition HH Page 7
- Impacts on Taxpayers..... Page 8
- Changes to Property Taxes Page 9
- Retained State Revenue Page 11
- Changes to TABOR Refunds..... Page 12
- Changes for Local Governments..... Page 14
- Arguments For Proposition HH..... Page 15
- Arguments Against Proposition HH Page 15
- Fiscal Impact of Proposition HH Page 16

Summary and Analysis of Proposition HH

Overview of Proposition HH

What does Proposition HH do?

Proposition HH reduces property taxes owed, resulting in smaller increases in property taxes beginning in 2023, while allowing the state to keep additional revenue that would otherwise be refunded to taxpayers.

The measure lowers property taxes by reducing the portion of a property's market value that is subject to taxes, allowing seniors who have qualified for the existing homestead exemption to receive the same benefit at a new home, and creating a new limit on property tax revenue for most local governments. It requires that local governments exceeding the limit either go through a public process to waive the limit or lower tax rates to stay below the limit.

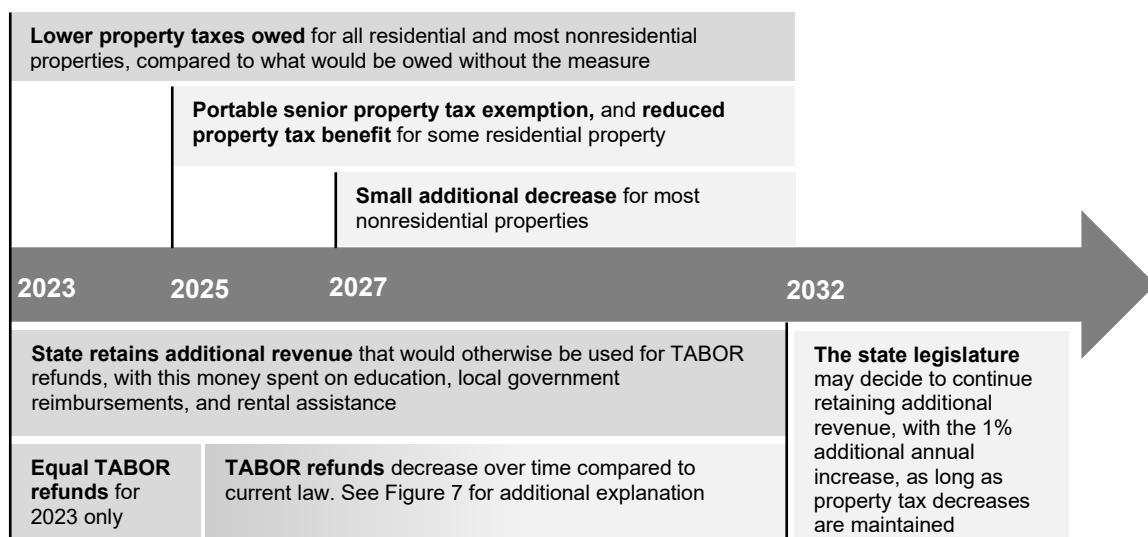
The measure creates a new cap on state revenue that grows by the same rate as the existing cap, plus an additional 1 percentage point each year. The revenue retained from the new cap is used to fund education, reimburse local governments for a portion of the lost property tax revenue, and provide rental assistance.

How long will the changes under the measure last?

Most changes under Proposition HH remain in effect through state budget year 2031-32, and may be extended by the state legislature for future budget years without further voter approval. If extended, the state may continue to retain additional revenue in future years, as long as the state legislature extends property tax reductions equal to or greater than those in the measure. The amount the state is allowed to retain grows each year, and continues to grow if the measure is extended.

In addition, if Proposition HH passes, another state law distributes refunds under the Taxpayer's Bill of Rights (TABOR) in equal amounts in tax year 2023 only. Figure 1 shows the measure's changes through at least 2032.

Figure 1
Proposition HH Timeline





Reduce Property Taxes and Retain State Revenue

Impacts on Taxpayers

How does Proposition HH impact taxpayers?

The measure primarily impacts taxpayers in two ways: by reducing the amount owed in property taxes and by changing the amount of TABOR refunds. Figure 2 summarizes the impacts of Proposition HH on various taxpayers, compared to what would happen if Proposition HH does not pass. Each of these impacts is described in more detail later in this analysis.

In 2023, providing equal TABOR refunds to all taxpayers will increase refunds for low-income and middle-income taxpayers, while higher-income taxpayers will receive a lower refund than under current law. Property taxes for all property owners will be lower than they would be if Proposition HH is not approved. For some higher-income homeowners, the reduction in TABOR refunds in 2023 may offset the savings from lower property taxes.

In 2024 and through at least 2032, TABOR refunds will decrease or be eliminated for taxpayers at all income levels, depending on state revenue collections each year. These future decreases in TABOR refunds may offset or exceed property tax savings under Proposition HH for property owners, depending on the value of their property.

Figure 2
Summary of Taxpayer Impacts
Compared to current law

All Taxpayers – TABOR Refunds	
2023 <ul style="list-style-type: none"> - Income less than \$99,000: TABOR refunds increase - Income greater than \$99,000: TABOR refunds decrease 	
2024 through 2032 <ul style="list-style-type: none"> - TABOR refunds decrease, and could be eliminated, for all taxpayers - To see how state revenue affects the amount of the decrease, see Figure 7 	
Property Owners – all changes are for 2023 through 2032 unless otherwise noted	
Primary residence, multifamily property	<ul style="list-style-type: none"> - Reduction in property taxes compared to what would be owed otherwise
Seniors	<ul style="list-style-type: none"> - Same reduction in property taxes as for primary residences - Beginning in 2025: Seniors who have qualified for the homestead exemption can receive the same benefit if they purchase and move to a new home
Other single-family residential properties (second homes, rental properties, etc.)	<ul style="list-style-type: none"> - 2023 and 2024: Same reduction in property taxes as primary residences - Beginning in 2025: Smaller property tax reduction than primary residences
Nonresidential properties	<ul style="list-style-type: none"> - Reduction in property taxes, compared to what would be owed otherwise, for most property types - Amount of reduction depends on type of property
Renters	
<ul style="list-style-type: none"> - Do not directly benefit from property tax decreases - Additional funding for rental assistance to qualifying renters 	

Changes to Property Taxes

How does Proposition HH change property taxes?

Proposition HH lowers the property taxes owed by property owners, compared to what would be owed without the measure. Property values have increased significantly in most areas of the state, resulting in higher property taxes owed. The measure results in a smaller increase in property taxes than under current law.

In Colorado, there is no state property tax. Only local governments collect property tax. Property taxes are paid on a portion of a property's value. This portion is known as the taxable value or assessed value, and is calculated by multiplying the value by the assessment rate. To lower property taxes, the measure:

- lowers assessment rates for residential property and most nonresidential property and subtracts a set amount from most properties' values before applying the new assessment rates;
- allows a senior aged 65 and older who has previously qualified for the senior homestead exemption to receive the same property tax benefit in any home they purchase and live in as their primary residence, beginning in 2025;
- distinguishes owner-occupied primary residences and multifamily properties from other residential properties, resulting in a larger subtraction for primary residences and multifamily properties than other properties, beginning in 2025; and
- establishes a limit on local government property tax revenue growth, including methods to lower tax rates to comply with the limit or to waive the limit. This limit is discussed further below.

Online Calculation Tool:

To see how the combination of the property tax changes and TABOR refund changes impact a taxpayer in your area, please visit <https://hhcalc.apps.coleg.gov/> or scan the QR code below:



Figure 3 estimates the potential impact of these changes on property types and values in 2023 and 2024, based on a forecast of property values and an estimated average mill levy. These changes continue through 2032 unless otherwise noted. The impact on an individual property owner depends on the type and value of the property and the tax rates for the local governments where the property is located. Tables with the exact assessment rates and subtractions for different property classes are available in the fiscal impact statement here: <https://leg.colorado.gov/bluebook>



Reduce Property Taxes and Retain State Revenue

Figure 3
Average Property Tax Impacts as a Result of Proposition HH*

	Property Value	Average Change in Property Tax**		
		2023	2024	2025-2032
Residential Property				
Primary residences and multifamily properties	\$100,000	-\$167 to -\$177	-\$212 to -\$223	Further reductions in 2025
	\$350,000	-\$179 to -\$239	-\$276 to -\$331	Beginning in 2025, there will be a smaller reduction for non-primary residences, and a larger reduction for qualifying seniors
	\$500,000	-\$186 to -\$276	-\$314 to -\$396	
	\$700,000	-\$195 to -\$326	-\$364 to -\$483	
	\$1,000,000	-\$208 to -\$400	-\$440 to -\$613	
Nonresidential Property				
Lodging and commercial	\$1,000,000	-\$34 to -\$847	-\$802 to -\$1,550	Further reductions in 2024, 2027, 2029, 2031
Industrial, natural resources, state-assessed properties	\$1,000,000	-\$35 to -\$873	-\$802 to -\$1,550	Further reductions in 2024, 2027, 2029, 2031
Agriculture and renewable energy producing property	\$1,000,000	-\$0 to -\$795	-\$0 to -\$709	Further reduction in 2031
Renewable energy agricultural land	\$1,000,000	-\$0 to -\$795	-\$3,139 to -\$3,726	Continues through 2032
Vacant land	\$1,000,000	-\$35 to -\$873	-\$0 to -\$778	Continues through 2032
Oil and gas and mines	\$1,000,000	No change	No change	No change through 2032

* This example shows the estimated reduction in property taxes owed for a hypothetical property, based on a 2022 statewide average levy of 69.745 mills, which excludes mill levies that are expected to decrease from 2022 to 2023 even if Proposition HH does not pass. Estimates are based on preliminary 2023 assessed values by county. The actual change in property tax will depend on local tax rates, property values, and local government policy.

** Property tax savings will depend on whether or not local governments waive the new revenue limits created by Proposition HH. The high end of the range reflects the savings if local governments do not waive the limit. The low end of the range reflects the savings if local governments waive the limit.

Retained State Revenue

What is the state's revenue limit, known as the TABOR limit?

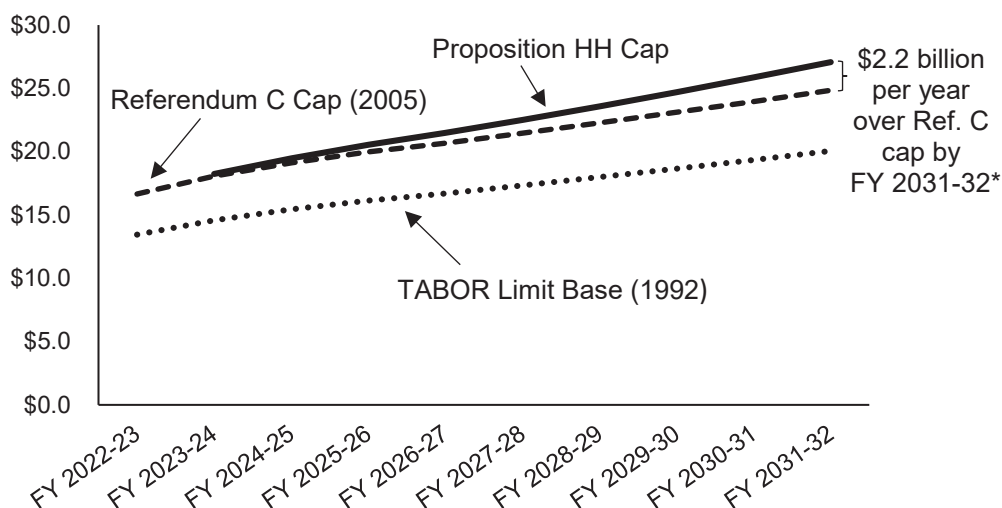
The Colorado Constitution includes a section, "The Taxpayer's Bill of Rights," commonly known as TABOR, that limits the amount of money that the state government can collect and spend or save each year. Voter approval is required to retain money above the TABOR limit. If money is collected above the limit, the excess must be refunded to taxpayers. This is called a TABOR refund.

Currently, a portion of this money is refunded through property tax reductions, including those for seniors, veterans with a disability, and Gold Star surviving spouses, and the remainder is distributed as a tiered sales tax refund using the state income tax return. For last year only, part of the TABOR refund was distributed to taxpayers through checks in the amount of \$750 for a single filer and \$1,500 for a joint filer, rather than through the tiered system. Flat refunds provide larger amounts for lower-income taxpayers and smaller refunds for higher-income taxpayers when compared with the tiered refund system.

What happens to the state revenue limit if Proposition HH passes?

Proposition HH creates a new cap on the amount of money the state may retain over its revenue limit that is higher than the current cap established by Referendum C in 2005. Proposition HH allows the state to retain additional revenue up to the new cap, which grows by population growth and inflation, plus 1 percentage point, each year. The measure allows the state to retain an estimated \$170 million in state budget year 2023-24 and \$360 million in state budget year 2024-25. The state is allowed to retain increasing amounts through at least 2032, depending on revenue collections (see Figure 7 for more information). Figure 4 shows the new cap over the next ten years.

Figure 4
Proposition HH Cap on State Revenue
Dollars in billions



* Assumes inflation through 2025 from the June 2023 Legislative Council Staff forecast and 2.5 percent annual inflation for 2025 to 2031. Population growth projections from the Colorado State Demography Office.



Reduce Property Taxes and Retain State Revenue

How will the retained revenue be spent?

The retained money will be used for the following purposes:

- up to 20 percent to reimburse eligible local governments for lost property tax revenue;
- up to \$20 million each year for rental assistance; and
- the remaining funds to reimburse school districts for reduced property tax revenue as a result of the measure, and for education-related programs, estimated at \$125 million in state budget year 2024-25, and up to \$2.16 billion in state budget year 2031-32.

Over ten years, local reimbursements are expected to decrease, rental assistance will reach its \$20 million annual limit, and the amount retained by the state will increase. As a result, the amount allocated to education funding will increase, assuming consistent revenue growth. The new education funding cannot replace current General Fund spending for public school finance.

Changes to TABOR Refunds

How does the measure impact TABOR refunds in the short term?

2023 TABOR refunds. A separate state law changes the way that refunds are distributed for tax year 2023 only if Proposition HH passes. The text of that law, House Bill 23-1311, is available here: <https://leg.colorado.gov/bluebook>

Under current law, TABOR refunds to taxpayers are typically distributed through the state income tax, based on the taxpayer's adjusted gross income. Under Proposition HH, the refunds are distributed in an equal amount for each taxpayer, estimated at \$898 for single filers and \$1,796 for joint filers. Figure 5 shows the change in the refund amount projected for tax year 2023 under Proposition HH. The actual amounts refunded will depend on the final state revenue amount for the 2022-23 budget year.

Figure 5
2023 TABOR Refunds Under Proposition HH
For a single filer; amounts double for joint filers

Adjusted Gross Income	Percent of Taxpayers*	Refund Amount		Change in Refund
		Current Law	Under Prop. HH	
Up to \$50,000	35%	\$628	\$898	+\$270
\$50,001 to \$99,000	27%	\$838	\$898	+\$60
\$99,001 to \$157,000	18%	\$964	\$898	-\$66
\$157,001 to \$218,000	9%	\$1,146	\$898	-\$248
\$218,001 to \$278,000	4%	\$1,233	\$898	-\$335
\$278,001 and up	7%	\$1,984	\$898	-\$1,086

* Totals may not sum due to rounding.

2024 and 2025 TABOR refunds. In 2024 and 2025, TABOR refunds are expected to decrease, compared to what would be distributed under current law. Refunds will be distributed based on a taxpayer's adjusted gross income. Figure 6 shows the change in the refund amount forecasted for tax year 2024 and 2025 under Proposition HH. The actual amounts refunded will depend on state revenue collections in future budget years.

Figure 6
Projected Change in TABOR Refunds for 2024 and 2025 Under Proposition HH
For a single filer; amounts double for joint filers

Adjusted Gross Income	Percent of Taxpayers*	Refund Amount		Change in Refund
		Current Law	Under Prop. HH	
2024 Refunds				
Up to \$52,000	35%	\$357	\$326	-\$31
\$52,001 to \$103,000	27%	\$476	\$434	-\$42
\$103,001 to \$163,000	17%	\$548	\$500	-\$48
\$163,001 to \$226,000	9%	\$651	\$594	-\$57
\$226,001 to \$289,000	4%	\$701	\$639	-\$62
\$289,001 and up	7%	\$1,128	\$1,028	-\$100
2025 Refunds				
Up to \$53,000	35%	\$336	\$269	-\$67
\$53,001 to \$105,000	27%	\$448	\$358	-\$90
\$105,001 to \$167,000	17%	\$515	\$412	-\$103
\$167,001 to \$231,000	9%	\$612	\$490	-\$122
\$231,001 to \$297,000	4%	\$659	\$527	-\$132
\$297,001 and up	7%	\$1,060	\$848	-\$212

* Totals may not sum due to rounding.

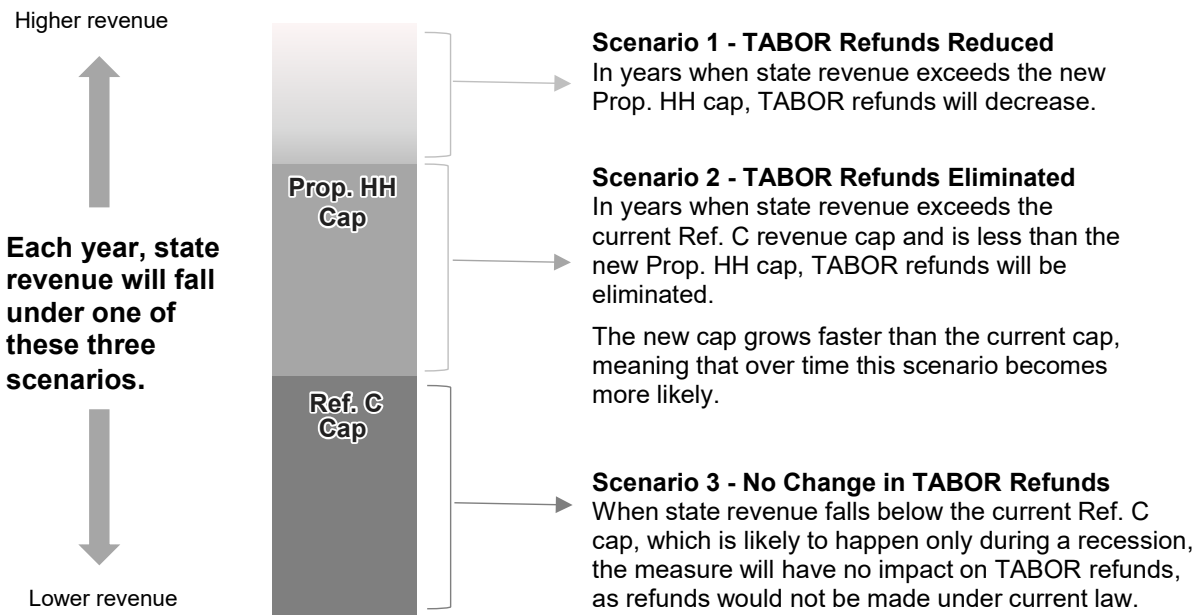
How does the measure impact TABOR refunds in the long term?

The measure's impact on TABOR refunds over the long term depends on population growth, inflation, and state revenue collections. Absent future policy changes, state revenue collections are largely driven by economic activity. Figure 7 shows scenarios for state revenue collection and the impact on TABOR refunds. The changes in Proposition HH are in place until 2032, but the measure allows the state legislature to extend them without additional voter approval.



Reduce Property Taxes and Retain State Revenue

Figure 7
Scenarios for TABOR Refund Changes



Note: Figure 7 is not to scale.

Changes for Local Governments

How does the measure impact local governments?

Revenue for local governments will decrease compared to what local governments are authorized to collect under current law, due to the new property tax revenue limit and reduced property taxes. Some reductions will be partially offset by reimbursements from the state.

Cities, towns, counties, school districts, and special districts collect property taxes to fund public schools and local services such as road maintenance, police departments, fire protection, water and sewer infrastructure, parks, and libraries. Not all local governments that collect property taxes are treated the same by Proposition HH, as explained below.

Property tax revenue limit. Under Proposition HH, many local governments that are not currently subject to other local revenue limits cannot collect property tax revenue above the amount they collected in the prior year plus inflation. If a local government would exceed this limit, it may waive the limit by annually notifying the public, holding a meeting for public comment, and adopting an ordinance or resolution. Otherwise, it must lower its tax rate (mill levy) for one year or refund to taxpayers any property tax revenue collected above the limit. School districts and home rule jurisdictions are not subject to this limit.

Reimbursements. Under Proposition HH, the state reimburses local governments for some of the revenue lost due to property tax reductions. This is paid from the revenue that the state retains under the new revenue cap, and other state funds, with some limitations. Reimbursements depend on available funds, and may be reduced in years when state revenue collections fall below the Proposition HH cap.

Reimbursements range from 65 percent to 100 percent of lost revenue, based on the type of local government, the population of the county in which the local government is located, and growth of property values in the jurisdiction. Smaller counties and those with slower property value growth generally receive higher reimbursement rates.

Most counties, cities, towns, and special districts are initially eligible for reimbursement; however, most local governments are not reimbursed if their assessed value exceeds 2022 levels by 20 percent, which is expected to happen at some point between 2023 and 2031 for most local governments. School districts are fully reimbursed through the public school funding formula, using money retained by the state.

For information on those issue committees that support or oppose the measures on the ballot at the November 7, 2023, 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/ballot/contacts/2023.html>

Arguments For Proposition HH

- 1) With Colorado facing a historic increase in residential property values, Proposition HH provides long-term property tax relief for homeowners and businesses. In doing so, the measure also limits the impact on local services, makes Colorado a more competitive environment for businesses, and allows seniors to downsize or move without losing the benefits of their homestead exemption.
- 2) The new property tax limit makes local taxing entities more accountable to their constituents. By requiring a public process to waive the limit, Proposition HH gives people a say in how much they are taxed while providing flexibility for local governments to retain revenue needed to provide important services.
- 3) By allowing the state to retain additional revenue, the measure benefits public schools. The state's spending cap has limited Colorado's ability to fully fund education for years. Proposition HH provides a funding source for at least ten years, using money the state already collects.
- 4) Proposition HH benefits low- and middle-income people, many of whom are renters, by providing a more equitable distribution of TABOR refunds in 2023. With recent high inflation and housing costs, this puts more money in the pockets of those who need it most.

Arguments Against Proposition HH

- 1) Proposition HH essentially increases taxes by reducing or eliminating future TABOR refunds, potentially growing the state budget by up to \$2.2 billion per year by 2032. The measure removes important taxpayer protections and gives the state legislature the power to extend the new revenue cap forever without asking voters.
- 2) Property tax relief should not come at the expense of TABOR refunds. While the measure provides some limited property tax relief, the loss to taxpayers from the reduction or elimination of TABOR refunds is likely to exceed the property tax savings over time. The measure is also costly for renters, who do not directly benefit from property tax relief and will receive lower TABOR refunds in the future.
- 3) Property taxes are a local issue, best handled by local communities. Proposition HH pushes state priorities and an unnecessary new revenue limit onto local governments and their residents, rather than letting them find solutions that work locally.



Reduce Property Taxes and Retain State Revenue

- 4) Proposition HH adds unnecessary complexity to an increasingly confusing property tax system, with new classes of property and an additional administrative burden for homeowners, seniors, county assessors, and potential homebuyers. As a result, the measure makes it harder for people to access their tax benefits and navigate the housing market, opening the door to unintended consequences.

Fiscal Impact of Proposition HH

This measure decreases local government property tax revenue, creates new state spending requirements, and reduces the amount refunded to taxpayers in years when state revenue is over the Referendum C cap, which is then available to increase state spending. These impacts are discussed below. The state budget year runs from July 1 to June 30.

Taxpayer impacts. Proposition HH impacts taxpayers in two ways by changing the amount of TABOR refunds and reducing the amount owed in property taxes.

TABOR refund changes. Proposition HH results in a change in how state revenue is returned to taxpayers in state budget year 2023-24, then reduces the amount potentially returned to taxpayers by larger amounts each year through at least state budget year 2032-33, depending on how much state revenue is collected over the Referendum C cap each year.

- For state budget year 2023-24, an estimated additional \$60 million will be refunded to taxpayers through an existing property tax refund mechanism as a result of this measure. The remaining money that would otherwise be refunded through the six-tier sales tax refund mechanism is instead refunded in equal amounts to qualifying taxpayers, as shown in Figure 5 and discussed above.
- Beginning for state budget year 2024-25, the measure will reduce revenue returned to taxpayers by an estimated \$170 million, with this reduction increasing to \$360 million for the next state budget year.

Property tax changes. The measure will also reduce property taxes owed compared with current law through changes in assessment rates and reductions in value, and possibly through the local government revenue limit, as estimated below.

- Lower assessment rates and value reductions are estimated to reduce property taxes owed statewide by \$400 million in 2024, \$960 million in 2025, and \$1,090 million in 2026. Decreases are larger in 2025 and 2026 due to scheduled increases in assessment rates and the expiration of certain value reductions that would occur if the measure does not pass.
- The local government revenue limit may decrease property taxes owed by an additional \$510 million in 2024, \$470 million in 2025, and \$520 million in 2026, depending on how many local governments waive the limit.

Local government impact. After accounting for both the reduced property tax collections and state reimbursements to school districts and other local tax jurisdictions, Proposition HH is estimated to decrease revenue to local governments statewide, on net, by at least \$240 million in 2024, \$510 million in 2025, and \$650 million in 2026.

The revenue decreases are larger in later years due to scheduled increases in assessment rates and the expiration of certain property value reductions that would occur if the measure does not pass, and smaller reimbursements paid to local governments over time. Additionally, the local government revenue limit in the measure may decrease revenue further, as noted above in the taxpayer impacts section. Reduced revenue due to the limit is not reimbursed by the state.

The revenue impact will vary among local governments across the state, and the specific impact on each local government will depend on several factors including mill levies, local policy decisions, and the composition of properties in each local area.

The measure increases local spending for county treasurers and assessors to implement the property tax changes in the bill. County assessors will require additional staff to administer the measure's provisions.

State transfers. Proposition HH transfers \$128 million from the state's General Fund to a fund that will be used to reimburse local governments for lost property tax revenue, and transfers \$72 million to the State Public School Fund. Further, state revenue retained under the Proposition HH cap will be transferred, as estimated below:

- *Funding for rental assistance.* In state budget year 2024-25, an estimated \$8 million will be transferred to the Housing Development Grant Fund for rental assistance programs. An estimated \$18 million will be transferred in FY 2025-26. Transfers to the fund are expected to grow, but are capped at \$20 million per year.
- *Education funding.* Transfers to the State Education Fund will reach an estimated \$150 million in state budget year 2024-25, and \$270 million in state budget year 2025-26. In future years, larger amounts are expected to be transferred to the State Education Fund depending on revenue retained under the Proposition HH cap.

State spending. The measure increases state spending to reimburse local governments for a portion of their lost property tax revenue, replace lost property tax revenue to school districts, and to pay for increased workload for the state to administer the measure's provisions, as estimated below:

- *Reimbursements to local governments.* The measure increases state spending by an estimated \$130 million in state budget year 2024-25 and \$70 million in state budget year 2025-26 to reimburse local governments for lost property tax revenue. Reimbursements are limited to a certain amount of money retained under the Proposition HH cap, as well as by eligibility requirements for local governments as described above.
- *School district funding.* The measure will increase the state aid obligation for public schools by an estimated \$130 million in state budget year 2023-24, \$310 million in state budget year 2024-25, \$360 million in state budget year 2025-26, and larger amounts in future years as some nonresidential assessment rates decrease.
- *Administrative costs.* The measure will increase General Fund spending in the Department of Local Affairs by an estimated \$62,426 in state budget year 2023-24, \$195,498 in state budget year 2024-25, and \$159,779 in state budget year 2025-26 for the Division of Property Taxation to develop software systems, hire additional staff, and to update procedures, forms, manuals, and technical assistance to local governments.



Proposition HH Question

Ballot Question:

Shall the state reduce property taxes for homes and businesses, including expanding property tax relief for seniors, and backfill counties, water districts, fire districts, ambulance and hospital districts, and other local governments and fund school districts by using a portion of the state surplus up to the proposition HH cap as defined in this measure?

The General Assembly referred this question to the voters in Senate Bill 23-303, which is available online at: <https://leg.colorado.gov/bluebook>



Retain Nicotine Tax Revenue in Excess of Blue Book Estimate

Placed on the ballot by the legislature • Passes with a majority vote

Proposition II, if approved, would:

- allow the state to keep and spend \$23.65 million in tax revenue that has already been collected from the sale of cigarettes, tobacco products, and nicotine products, including interest, rather than refund it to wholesalers and distributors of these products; and
- allow the state to maintain the current tax rates that apply to cigarettes, tobacco products, and nicotine products, rather than reduce the rates in the future, and to keep and spend the revenue collected under these rates on preschool programs.

What Your Vote Means

YES A “yes” vote on Proposition II allows the state to keep and spend \$23.65 million in tax revenue that has already been collected from the sale of cigarettes, tobacco products, and nicotine products, including interest, and to maintain the current tax rates on cigarettes, tobacco products, and nicotine products. The future tax revenue will be spent on preschool programs.

NO A “no” vote on Proposition II means that \$23.65 million will be refunded to wholesalers and distributors of cigarettes, tobacco products, and nicotine products, and tax rates on cigarettes, tobacco products, and nicotine products will be reduced.

Summary and Analysis of Proposition II

What does Proposition II do?

Proposition II allows the state to keep and spend \$23.65 million in tax revenue that has already been collected from the sale of cigarettes, tobacco products, and nicotine products, including interest, rather than refund it to wholesalers and distributors of these products. Money to pay for potential refunds was set aside from state funds to use for preschool programs (\$23.65 million). If Proposition II is approved, the money will be returned to the state in the same amount to use for preschool programs. Proposition II also allows the state to maintain the tax rates and tax rate increases on cigarettes, tobacco products, and nicotine products that voters approved in 2020 and to keep and spend future revenue collected under these tax rates.

II

Retain Nicotine Tax Revenue in Excess of Blue Book Estimate

Figure 1
Outcomes Under Proposition II

If Proposition II Passes ("Yes" Vote)	If Proposition II Fails ("No" Vote)
<ul style="list-style-type: none"> \$23.65 million will be spent on preschool programs. 	<ul style="list-style-type: none"> \$23.65 million will be refunded to wholesalers and distributors of cigarettes, tobacco products, and nicotine products.
<ul style="list-style-type: none"> Tax rates on cigarettes, tobacco products, and nicotine products will stay the same as the tax rates previously approved by voters. 	<ul style="list-style-type: none"> Tax rates on cigarettes, tobacco products, and nicotine products will be reduced from the tax rates previously approved by voters.

What are the constitutional requirements for new taxes?

The Colorado Constitution requires the state to ask voters for permission to create a new tax or to increase a tax rate. The state must provide voters an estimate of revenue from the new or increased taxes in the ballot question and in the ballot information booklet (Blue Book) prior to voting.

If voters approve a new tax and the state collects more revenue from the tax in the first year than the state estimated in the Blue Book:

- the state is required to refund the revenue that was collected over the estimate and reduce the tax rate based on how much revenue was collected over the estimate; or
- voters may approve a ballot measure allowing the state to keep all the revenue that was collected from the new tax and not reduce the tax rate, which is what this measure proposes to do.

What events led to Proposition II being on the ballot?

In 2020, voters approved Proposition EE. That measure increased taxes on cigarettes and tobacco products, created a new tax on nicotine products, and created a minimum price for cigarettes. The Blue Book for Proposition EE estimated that the measure would increase tax revenue by \$186.5 million in the first year. Actual revenue collected from the new taxes in that year was \$208.0 million, or \$21.5 million more than the estimate. The excess revenue was mostly due to tax revenue from nicotine products, such as e-cigarettes and vaping products. The Colorado Constitution requires that this amount, plus \$2.15 million in interest, be refunded and that the tax rates be reduced.

What will happen if Proposition II passes?

If Proposition II passes, the tax rates on cigarettes, tobacco products, and nicotine products will stay the same as those that were approved under Proposition EE, and the state will keep and spend \$23.65 million along with future revenue collected by maintaining the tax rates and tax rate increases approved by voters. Figure 2 shows the tax rates if Proposition II passes.

Figure 2
Tax Rates if Proposition II Passes

Product	January 2024 through June 2024	July 2024 through June 2027	July 2027 and Future Years
<i>Cigarettes (tax per pack of 20)</i>			
Pre-Proposition EE Taxes	\$0.84	\$0.84	\$0.84
Proposition EE Tax	\$1.10	\$1.40	\$1.80
Total Cigarette Tax	\$1.94	\$2.24	\$2.54
<i>Tobacco Products (percent of price*)</i>			
Pre-Proposition EE Taxes	40%	40%	40%
Proposition EE Tax	10%	16%	22%
Total Tobacco Tax	50%	56%	62%
<i>Nicotine Products (percent of price*)</i>			
Pre-Proposition EE Taxes	-	-	-
Proposition EE Tax	50%	56%	62%
Total Nicotine Tax	50%	56%	62%

* *Manufacturer's List Price*

Revenue kept and spent under the measure will be used to support the Colorado preschool program, which provides part-day preschool programming to all children in the year before kindergarten and all three- and four-year-old children with disabilities. Additional preschool programming is also available under the program for low-income families and at-risk children.

What will happen if Proposition II fails?

If Proposition II fails, the state will refund \$23.65 million to wholesalers and distributors of cigarettes, tobacco products, and nicotine products, and the taxes created by Proposition EE will be reduced by 11.53 percent. The excess \$23.65 million will be refunded via direct refunds, temporary tax reductions, temporary credits, or some other method. The Department of Revenue will determine the refund method, as well as how the taxes will be reduced. Taxes on these products that existed before Proposition EE was passed will not be affected.

*For information on those issue committees that support or oppose the measures on the ballot at the November 7, 2023, 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/ballot/contacts/2023.html>*

Arguments For Proposition II

- 1) Proposition II maintains tax rates that voters already approved in Proposition EE by a two-thirds majority. The measure ensures that money collected from these voter-approved taxes can be used for its intended purpose—supporting preschool programs—rather than creating refunds for distributors of cigarettes, tobacco products, and nicotine products. Higher tax rates also deter smoking, tobacco, and nicotine use, which may reduce negative health impacts.

- 2) The measure helps provide free preschool for Colorado families, particularly those with high need, including low-income families and families with at-risk children. Proposition II will allow thousands more children access to additional preschool programs each year. Providing access to free preschool gives all children the same foundation before entering kindergarten. High-quality preschool is shown to improve educational, economic, and health outcomes throughout a child's life, including higher wages, higher graduation rates, and fewer criminal convictions. Access to preschool also supports working parents.

Arguments Against Proposition II

- 1) Proposition II expands the government unnecessarily. Taxpayers are being asked to give up this refund and pay higher tax rates in the future in order to pay for a program that is already fully funded to the level that voters approved in Proposition EE. When the state collects more revenue than voters approved, it should provide taxpayer refunds and lower tax rates, rather than expand government programs.
- 2) Proposition II is a tax increase. Taxes on cigarettes, tobacco products, and nicotine products impose a financial burden on people suffering from addiction, particularly for people with lower incomes. Rejecting Proposition II will reduce the high taxes on these products and provide tax relief to Coloradans.

Fiscal Impact of Proposition II

Taxpayer impacts. If Proposition II passes, the state will retain rather than refund \$23.65 million to wholesalers and distributors of cigarettes, tobacco products, and nicotine products. Tax rates on cigarettes, tobacco products, and nicotine products will be higher than if Proposition II fails.

State revenue and transfers. Proposition II will increase state revenue by maintaining the current law tax rates and tax rate increases. Proposition II will increase state revenue by an estimated \$14.5 million in state budget year 2023-24 and \$32.1 million in state budget year 2024-25. The estimate for budget year 2023-24 represents a half-year impact. In addition, the \$23.65 million set aside for potential refunds of excess Proposition EE revenue will be transferred to its original sources, including \$18 million to the preschool program fund and \$5.6 million to the state's general-purpose fund, or General Fund.

State spending. Proposition II will increase state spending by the amount of the refund plus the increase in state revenue in state budget year 2023-24, which total \$38.1 million, of which \$32.5 million will be spent on preschool programs and \$5.6 million will be available for spending from the state General Fund. State spending on preschool programs will increase by \$32.1 million in state budget year 2024-25.



Ballot Question:

Without raising taxes, may the state retain and spend revenues from taxes on cigarettes, tobacco, and other nicotine products and maintain tax rates on cigarettes, tobacco, and other nicotine products and use these revenues to invest twenty-three million six hundred fifty thousand dollars to enhance the voluntary Colorado preschool program and make it widely available for free instead of reducing these tax rates and refunding revenues to cigarette wholesalers, tobacco product distributors, nicotine products distributors, and other taxpayers, for exceeding an estimate included in the ballot information booklet for proposition EE?

The General Assembly referred this question to the voters in House Bill 23-1290, which is available online at: <https://leg.colorado.gov/bluebook>



Local Election Offices | Oficinas electorales locales

Adams	4430 S. Adams County Parkway, Suite E-3102, Brighton, CO 80601	(720) 523-6500
Alamosa	8999 Independence Way, Suite 101, Alamosa, CO 81101	(719) 589-6681
Arapahoe	5334 S. Prince St., Littleton, CO 80120	(303) 795-4200
Archuleta	449 San Juan Dr., Pagosa Springs, CO 81147	(970) 264-8350
Baca	741 Main St., Suite 3, Springfield, CO 81073	(719) 523-4372
Bent	725 Bent Ave., Las Animas, CO 81054	(719) 456-2009
Boulder	1750 33rd St. #200, Boulder, CO 80301	(303) 413-7740
Broomfield	1 DesCombes Dr., Broomfield, CO 80020	(303) 464-5857
Chaffee	104 Crestone Ave., Salida, CO 81201	(719) 539-4004
Cheyenne	51 S. 1st St. E., Cheyenne Wells, CO 80810	(719) 767-5685
Clear Creek	405 Argentine St., Georgetown, CO 80444	(303) 679-2339
Conejos	6683 County Rd. 13, Antonito, CO 81129	(719) 376-5422
Costilla	400 Gasper St., San Luis, CO 81152	(719) 937-7671
Crowley	631 Main St., Suite 102, Ordway, CO 81063	(719) 267-5225
Custer	205 S. 6th St., Westcliffe, CO 81252	(719) 783-2441
Delta	501 Palmer St. #211, Delta, CO 81416	(970) 874-2150
Denver	200 W. 14th Ave., Suite 100, Denver, CO 80204	(303) 653-9668
Dolores	409 N. Main St., Dove Creek, CO 81324	(970) 677-2381
Douglas	125 Stephanie Pl., Castle Rock, CO 80109	(303) 660-7444
Eagle	500 Broadway, Suite 101, Eagle, CO 81631	(970) 328-8723
Elbert	440 Comanche St., Kiowa, CO 80117	(303) 621-3116
El Paso	1675 W. Garden of the Gods Rd., Suite 2201, Colorado Springs, CO 80907	(719) 520-6202
Fremont	615 Macon Ave. #102, Canon City, CO 81212	(719) 276-7330
Garfield	109 Eighth St. #200, Glenwood Springs, CO 81601	(970) 384-3700, ext. 2
Gilpin	203 Eureka St., Central City, CO 80427	(303) 582-5321
Grand	308 Byers Ave., Hot Sulphur Springs, CO 80451	(970) 725-3065
Gunnison	221 N. Wisconsin St., Suite C, Gunnison, CO 81230	(970) 641-1516
Hinsdale	317 N. Henson St., Lake City, CO 81235	(970) 944-2225
Huerfano	401 Main St., Suite 204, Walsenburg, CO 81089	(719) 738-2380, ext. 3
Jackson	396 La Fever St., Walden, CO 80480	(970) 723-4334
Jefferson	3500 Illinois St., Suite #1100, Golden, CO 80401	(303) 271-8111
Kiowa	1305 Goff St., Eads, CO 81036	(719) 438-5421
Kit Carson	251 16th St., Burlington, CO 80807	(719) 346-8638, ext. 301
Lake	505 Harrison Ave., Leadville, CO 80461	(719) 486-1410
La Plata	98 Everett St., Suite C, Durango, CO 81303	(970) 382-6281
Larimer	200 W. Oak St., Suite 5100, Ft. Collins, CO 80521	(970) 498-7820
Las Animas	200 E. First St., Room 205, Trinidad, CO 81082	(719) 846-3315
Lincoln	103 Third Ave., Hugo, CO 80821	(719) 743-2444
Logan	315 Main St., Suite 3, Sterling, CO 80751	(970) 522-1544
Mesa	200 S. Spruce St., Grand Junction, CO 81501	(970) 244-1662
Mineral	1201 N. Main St., Creede, CO 81130	(719) 658-2440
Moffat	221 W. Victory Way #200, Craig, CO 81625	(970) 824-9104
Montezuma	140 W. Main St., Suite #1, Cortez, CO 81321	(970) 565-3728
Montrose	320 S. First St., Room 103, Montrose, CO 81401	(970) 249-3362, ext. 3
Morgan	231 Ensign St., Ft. Morgan, CO 80701	(970) 542-3521
Otero	13 W. Third St., Room 210, La Junta, CO 81050	(719) 383-3020
Ouray	112 Village Square West, Ouray, CO 81432	(970) 325-4961
Park	856 Castello Ave., Fairplay, CO 80440	(719) 836-4333, ext. 1
Phillips	221 S. Interocean Ave., Holyoke, CO 80734	(970) 854-3131
Pitkin	530 E. Main St. #104, Aspen, CO 81611	(970) 920-9200, ext. 5
Prowers	301 S. Main St. #210, Lamar, CO 81052	(719) 336-8011
Pueblo	210 W. 10th St., Pueblo, CO 81003	(719) 583-6507
Rio Blanco	555 Main St., Meeker, CO 81641	(970) 878-9460
Rio Grande	965 Sixth St., Del Norte, CO 81132	(719) 657-3334
Routt	522 Lincoln Ave., Steamboat Springs, CO 80477	(970) 870-5556
Saguache	501 Fourth St., Saguache, CO 81149	(719) 655-2512
San Juan	1557 Greene St., Silverton, CO 81433	(970) 387-5671
San Miguel	305 W. Colorado Ave., Telluride, CO 81435	(970) 728-3954
Sedgwick	315 Cedar St., Julesburg, CO 80737	(970) 474-3346
Summit	208 E. Lincoln Ave., Breckenridge, CO 80424	(970) 453-3479
Teller	101 W. Bennett Ave., Cripple Creek, CO 80813	(719) 689-2951, ext. 2
Washington	150 Ash Ave., Akron, CO 80720	(970) 345-6565
Weld	1402 N. 17th Ave., Greeley, CO 80631	(970) 304-6530
Yuma	310 Ash St., Suite F, Wray, CO 80758	(970) 332-5809