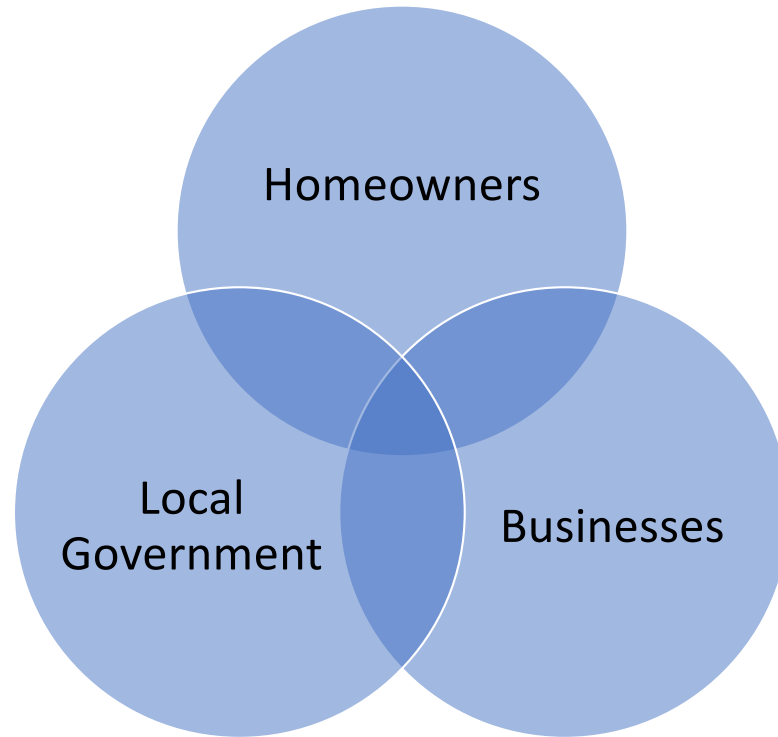


Presentation to the Commission on Property Tax

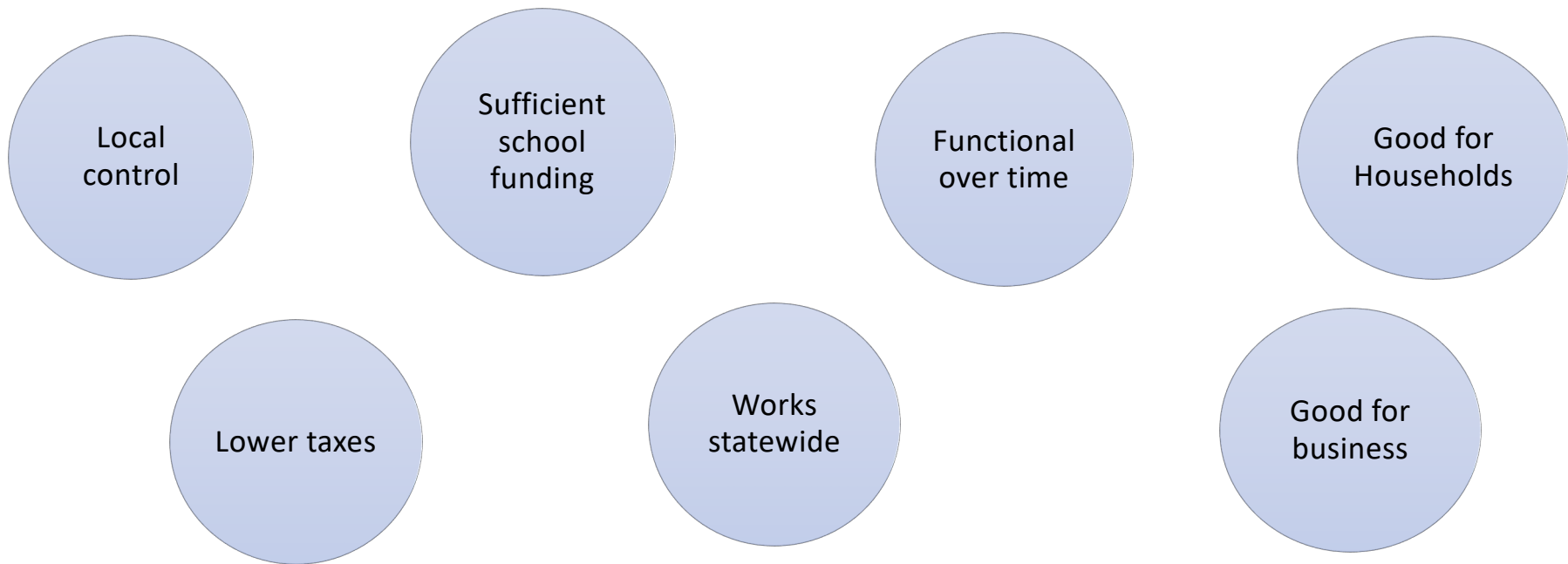
Henry Sobanet

December 20, 2023

HB 23B-1003: *“It is important that leaders come together to work towards developing a property tax structure for future years that balances the needs of...”*



“Better” can mean many things...



Why property tax? Local government

- Colorado relies on local government structures (cities, counties, and special districts) for a huge range of services :
 - ✓ Fire protection
 - ✓ Police
 - ✓ Water
 - ✓ New development infrastructure
 - ✓ Transportation
 - ✓ Cultural and Recreation

Why property tax? K-12 Education

- From HB 23B 1003: “Colorado public schools receive over half their funding from property tax...”
- From the State Constitution
 - ✓ Article IX, Section 2: “The general assembly shall, as soon as practicable, provide for the establishment and maintenance of a thorough and uniform system of free public schools throughout the state...” (1876)
 - ✓ Article IX, Section 17: Per pupil funding and categorical programs must grow by the rate of inflation each year. (2000)

Property taxes in a bigger context

- Tax Foundation:
 - ✓ Colorado state and local tax burden 2022: 19th (1st is lowest)
 - ✓ 1990 S/L tax burden: 10.4%, 2022: 9.7% (share of state income)
- Lincoln Land Institute:
 - ✓ In 2020, Colorado's effective property tax rate for a median owner-occupied home was 0.5%, 49th (1 is highest). US average 1.1%
 - ✓ 2021 business property tax 13th highest effective rate and 3rd highest ratio of business taxes to residential (all based on largest city in each state).
- Multi-decade history of the “fiscal thicket” in the State Constitution (Gallagher, TABOR, Amendment 23)

Colorado General Fund Revenue History

Gross General Fund Revenue

Billions of Dollars

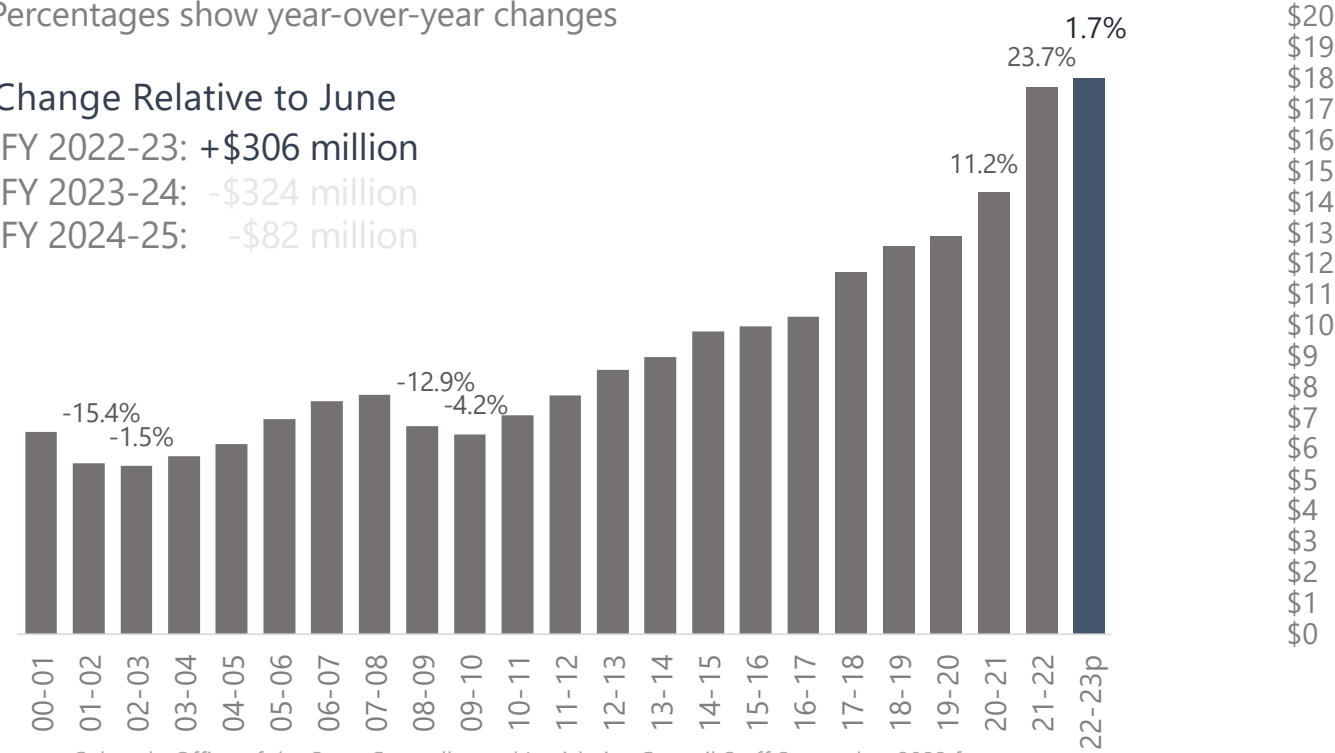
Percentages show year-over-year changes

Change Relative to June

FY 2022-23: +\$306 million

FY 2023-24: -\$324 million

FY 2024-25: -\$82 million



Source: Colorado Office of the State Controller and Legislative Council Staff September 2023 forecast.

TABOR Outlook

Revenue Subject to TABOR
Dollars in Billions

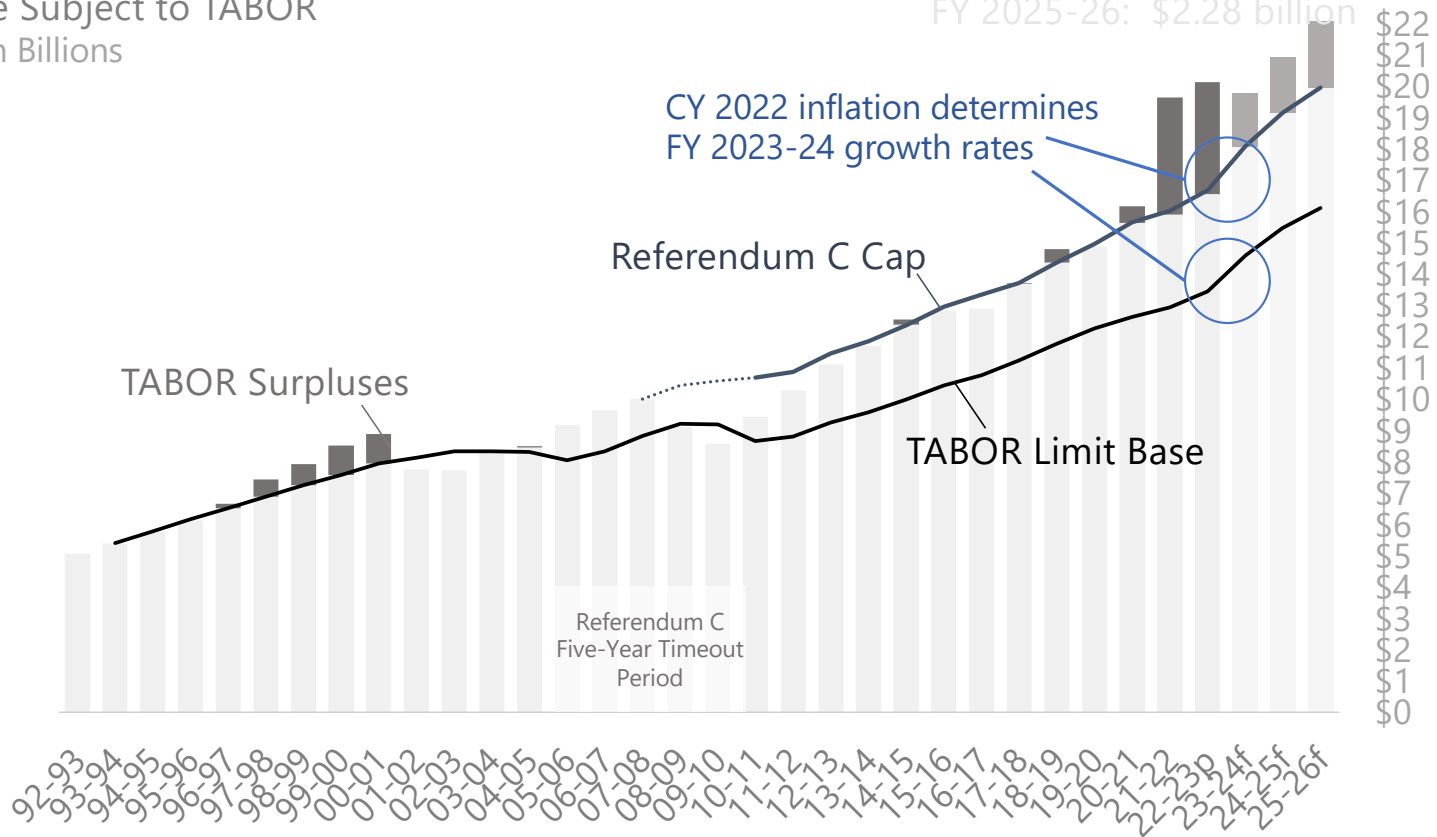
Revenue Above the Ref C Cap

FY 2022-23: \$3.57 billion

FY 2023-24: \$1.70 billion

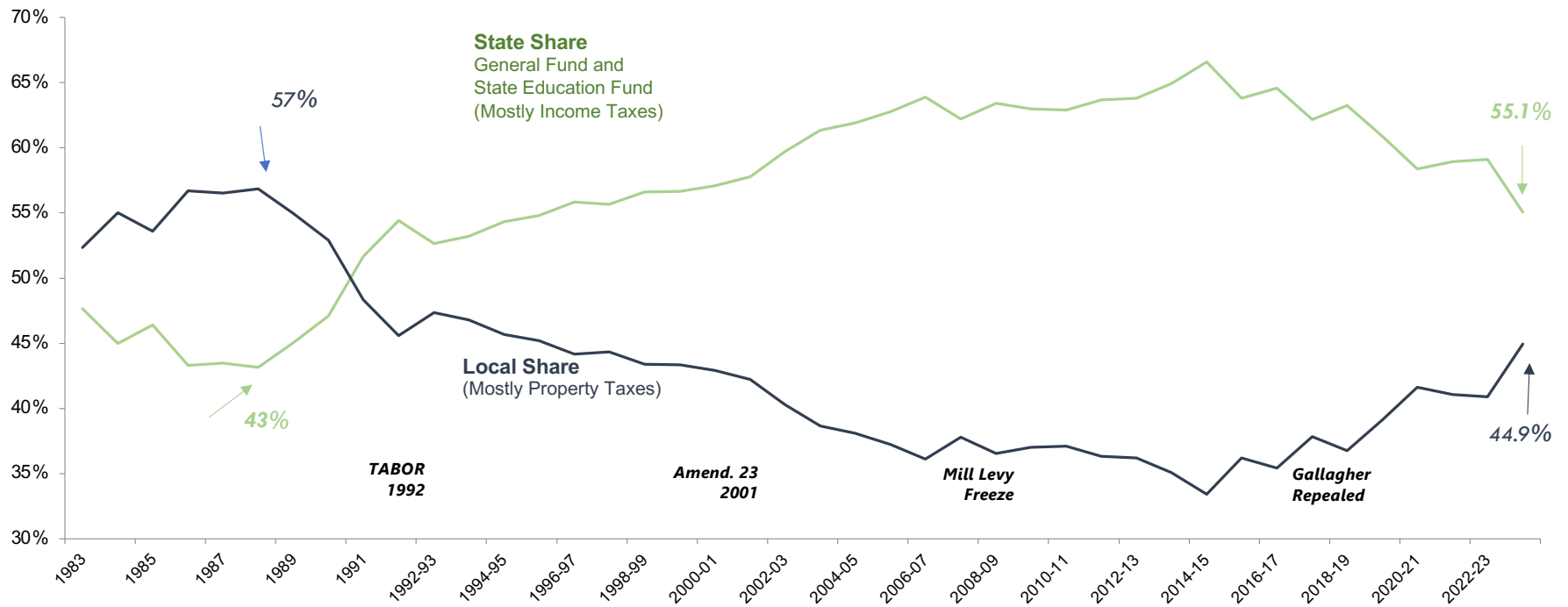
FY 2024-25: \$1.77 billion

FY 2025-26: \$2.28 billion



Source: Colorado Office of the State Controller and Legislative Council Staff September 2023 forecast.

Colorado School Finance: State vs Local Share



Source: Colorado Legislative Council Staff

Common Principles of Good Tax Policy

- Equity and Fairness
- Certainty
- Convenience of payment
- Effective tax administration
- Information Security
- Simplicity
- Neutrality
- Economic growth and efficiency
- Transparency and visibility
- Minimum tax gap
- Accountability to taxpayers
- Appropriate government revenue

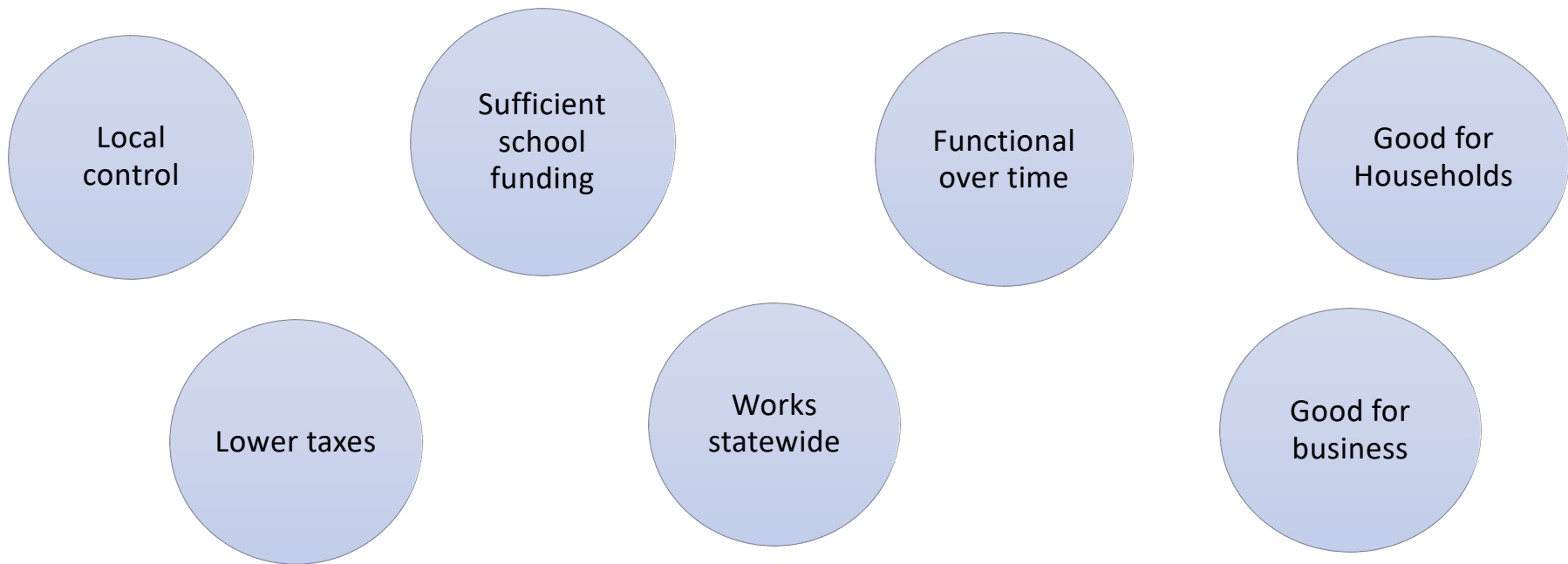
Available mechanisms

- Assessment rate
- Mill levies
- Moving averages of assessed values / smoothing
- Caps / “Circuit Breakers”
- Time-limited plans

For your consideration

- Given the dual role of property taxes: core funding of local government and the large role in school finance, with respect to assessment rates, it may be useful to separate the going forward policy with differential assessment rates, if allowed.
 - Because of the impact to the State's budget, a property tax policy that achieves predictability and sufficiency for school finance could be distinct from one that is meant for non-school local governments.
- Some property class values are moderating after the run up. A policy that is only looking at the last two years may not serve well going forward.

Surely, we can all get along...



Or maybe not...



My Priority