SB 24-233

Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Demographic Note

Drafting Number:	LLS 24-1148	**Date:**	August 26, 2024
Prime Sponsors:	Sen. Hansen; Kirkmeyer Rep. deGruy Kennedy; Frizell	**Analyst:**	Elizabeth Ramey | 303-866-3522 elizabeth.ramey@coleg.gov
Bill Topic:	**PROPERTY TAX**		
Demographics Analyzed:	• Socioeconomic Status • Race/Ethnicity • Sex	• Disability • Geography	
Bill Impacts:	☒ Economic ☐ Employment	☐ Health ☐ Education	☐ Public Safety

The bill reduces property taxes for most classes of properties starting in property tax year 2024 relative to what would have otherwise been paid, thereby increasing the after-tax income for owners of these properties. In doing so, the bill's immediate impact on homeowners is to increase existing disparities in economic outcomes, including disparities by race, ethnicity, disability status, and socioeconomic status, to the extent that the tax savings are not passed on to renters. The bill's impact on disparities by geography is indeterminate. The bill's impact on owners of other classes of property as well as its long-term impacts on disparities are indeterminate.

Report Status: The demographic note reflects the enacted bill.

Demographic Impact Summary

This demographic note analyzes potential impacts of SB 24-233 on economic disparities based on available data, including by socioeconomic status, race, ethnicity, sex, disability status, and geography.[1] The bill reduces property taxes owed for most residential and nonresidential

[1] Terminology used to distinguish demographic groups (e.g., black/African American, Spanish/Hispanic or Latina/Latino) is based on the terminology used in the data sources referenced. These terms may differ from the self-identification of these populations.

Pursuant to Section 2-2-322.5, C.R.S., a Demographic Note is prepared by Legislative Council Staff upon request. The note uses available data to outline the potential impacts of proposed legislation on disparities within the state. Disparities are defined by statute as the difference in economic, employment, health, education, or public safety outcomes between the state population as a whole and subgroups of the population, as defined by socioeconomic status, race, ethnicity, sex, gender identity, sexual orientation, disability, geography, or any other relevant characteristic for which data are available. It is beyond the scope of this analysis to examine each of the varied causes contributing to a given disparity. For further information on the contents of Demographic Notes, visit *https://leg.colorado.gov/agencies/legislative-council-staff/demographic-notes*.

properties starting in tax year 2024 relative to what would have otherwise been paid, thereby increasing after-tax income for people owning these properties. To the extent that these tax cuts are not passed on to renters, the increase in after-tax income for homeowners is expected to increase economic disparities by race, ethnicity, disability status, and socioeconomic status in the short term. The bill's impact on disparities by geography is indeterminate.

Demographic characteristics of Coloradans who are homeowners suggest that those most likely to experience after-tax income increases as a result of the bill are Coloradans who are Asian, white, or living in a household with income above the statewide median. Those less likely to be homeowners are Coloradans who are black or African American; American Indian, Alaskan Native, or Pacific Islander; of another race; multiracial, Hispanic, Latino or Spanish; living with a disability; or living in a household with income below the statewide median.

To the extent that property tax savings to landlords result in lower rents or slower growth in rents, these disparities may be partially offset. The theoretical and empirical literature is mixed on the degree to which property tax savings are passed on to renters, but savings for renters are generally found to be less than those accrued to property owners.

Beyond its immediate impacts on homeowners, the bill's impacts on owners of other types of property, as well as its long-term impacts on disparities, are indeterminate. This analysis is subject to limitations due to lack of demographic data on affected populations as well as unknown future impacts that may offset and/or exacerbate the identified impact on disparities.

Key Provisions

The bill makes changes to property taxes, reduces property tax revenue to all local governments that levy property taxes, imposes a limit on property tax revenue growth, and expands the state's property tax deferral program, beginning with the 2024 property tax year. The bill takes effect only if voters do not approve Proposition 108 or Proposition 50, which also make changes to property taxes, at the November 2024 election. The following analysis presents the demographic considerations raised by the bill.

Property tax assessment. Relative to prior law, SB 24-233 lowers assessment rates and extends value reductions, and in doing so, reduces property taxes for most classes of properties starting in property tax year 2024 relative to what would have otherwise been paid.[2] For further details about how the bill changes assessment rates and value reductions, see the SB 24-233 fiscal note.

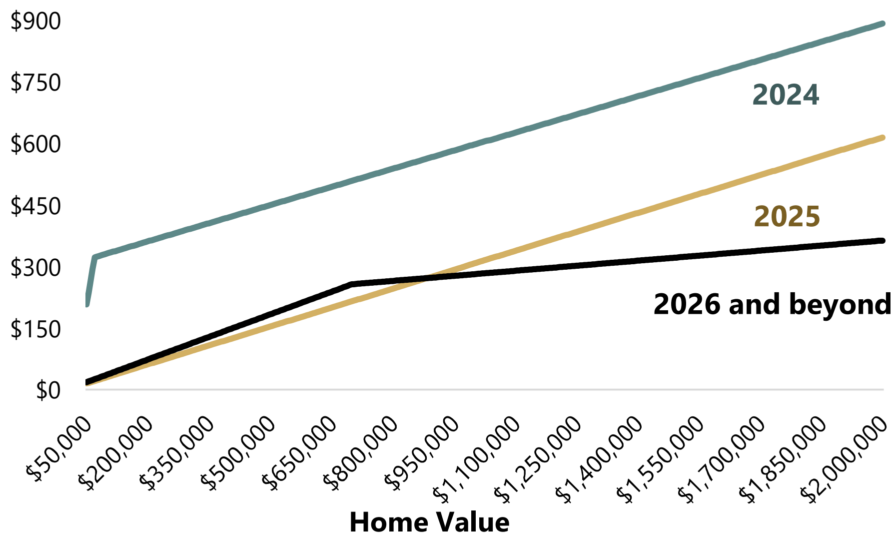
As a result, the bill increases the after-tax income for most property owners, with the amount of savings with a given mill levy increasing as the value of the property increases. Figure 1 shows example taxpayer savings under the bill for residential property of different values ranging from $50,000 to $2.0 million for property tax years 2024, 2025, and 2026 and beyond. The example assumes a mill levy of 82, which is similar to the statewide average for property tax year 2023.

[2] It should be noted that these reductions are relative to what would have happened had SB 24-233, which keeps 2023 assessment rates and value reductions in place for 2024, not passed. Property taxes may still increase under SB 24-233 due to changing market conditions impacting property values, but any increase will be less than it would have been if assessment rates had increased and value reductions were reduced as well.

Starting in property tax year 2025, a mill levy of 41 is assumed for both school and non-school government entities.[3]

Property tax savings for residential property in property tax year 2024 varies from about $200 for a property valued at $50,000, to almost $900 for a property valued at $2.0 million. In the former case, the savings under the bill represents a 72 percent difference in property tax owed, or a reduction from $289 under prior law, to $82 under SB 24-233. In the latter case, the savings under the bill represent an 8 percent difference in property tax owed, or a reduction from $11,578 under prior law, to $10,686 under SB 24-233. Starting in property tax year 2025, tax savings is reduced for all properties relative to property tax year 2024, with tax savings for higher valued properties (those with a value greater than $885,000) reduced further in property tax year 2026. Total savings across the three property tax years range from $241 (28 percent savings) for a property valued at $50,000 to $1,871 (5 percent savings) for a property valued at $2.0 million.

Figure 1
Taxpayer Savings for Residential Property by Property Value under SB 24-233
Property Tax Years 2024 through 2026*



Source: Legislative Council Staff Calculations. Assumes a mill levy of 82. Beginning in tax year 2025, assumes a mill levy of 41 for both school and non-school properties.

Mill levies and property values vary across local government districts, so that actual tax savings varies across the state, with higher mill levies and higher property values resulting in higher tax savings and vice versa. Estimated tax savings for the state's 2.0 million residential properties in property tax year 2024 range from an average of $146 in Baca County to $780 in Pitkin County. In property tax year 2023, the state had 2.0 million residential parcels, with an average value of $708,000. For estimates of tax savings by county, see Appendix A.

[3] Starting in property tax year 2025, the bill creates two assessed values for each residential property: One that is used for mill levies assessed by school districts, and one that is used for all other local government entities.

Local government revenue. The bill decreases property tax revenue to all local governments that levy a property tax. These reductions are partially offset by local government reimbursements provided for in the bill for property tax year 2024 only, along with state aid for school finance.

Property tax revenue limit. Beginning with the 2025 property tax year, the bill limits property tax revenue growth for local governments, other than school districts, home-rule jurisdictions, and local governments where revenue is already limited by TABOR or by the 5.5 percent revenue limit in current law. The limit is 5.5 percent, grown from the local government's 2023 property tax collections, including any state reimbursements for property tax exemptions.

Property tax deferral. The bill expands the state's property tax deferral program, under which taxpayers may defer a portion of their property tax to be paid with interest when the property is sold or transferred. The bill expands the portion of property taxes that may be deferred by most homeowners.

Legislative Background

In Colorado, there is no state property tax. Only local governments, which include counties, school districts, cities, towns, and special districts, impose and collect property taxes. Local governments use the revenue to fund public schools and local services such as road maintenance, police departments, fire protection, water and sewer infrastructure, parks, and libraries.

Property taxes are paid on a portion of a property's actual value. This portion is known as the taxable value, or assessed value, and is calculated by taking the property's value, subtracting a portion of residential and commercial values in some cases, and then multiplying by an assessment rate. The taxable value is then multiplied by the local tax rate (known as a mill levy) to determine the taxes due. The assessment rate is set by the state and varies based on the class of property, for example residential, improved commercial, agricultural, etc. Mill levies are set by the local government where the property is located.

Demographic Comparisons

The following analysis presents available data comparing one population most likely to be affected by the bill to the statewide population across different demographic groups. Based on these demographic comparisons and pursuant to statute, this analysis then identifies potential effects of the bill on existing disparities.

Colorado homeowners. The following analysis uses data from the U.S. Census Bureau's American Community Survey (ACS) to approximate one population of taxpayers in Colorado likely to experience savings under SB 24-233. Demographic data on owners of commercial property or on classes of residential property that do not include homes is not available, therefore the analysis identifies this information only for homeowners. The estimate excludes people living in group quarters such as correctional facilities, nursing homes, university dormitories, and military quarters, and includes people who indicated that they own their home either free and clear or with a mortgage or loan.[4]

This estimation identified approximately 4 million people who are homeowners or reside in a household with a homeowner, living in 1.6 million households in Colorado, or approximately 71 percent of Colorado's population in households, and 67 percent of Colorado households.

ACS data at the household level reflects the demographic characteristics of each member of the household. For example, a household with people of different races, ethnicities, sexes, or disability will appear in multiple demographic groups in the presented data. Meanwhile, geography and income, used to measure socioeconomic status, have a single value at the household level.

Colorado homeowners by demographic group. Figure 1 shows the share of the total population and the population within each demographic group who are homeowners.[5] For example, among all Coloradans, 70.6 percent own their homes compared to 71.1 percent of women and 70.2 percent of men who do so. Among demographic groups, those who have a substantially higher share of those likely to be homeowners include those who are:

- Asian (74.8 percent); White (74.2 percent); or
- Living in a household with income above the median (82.1 percent) [6]

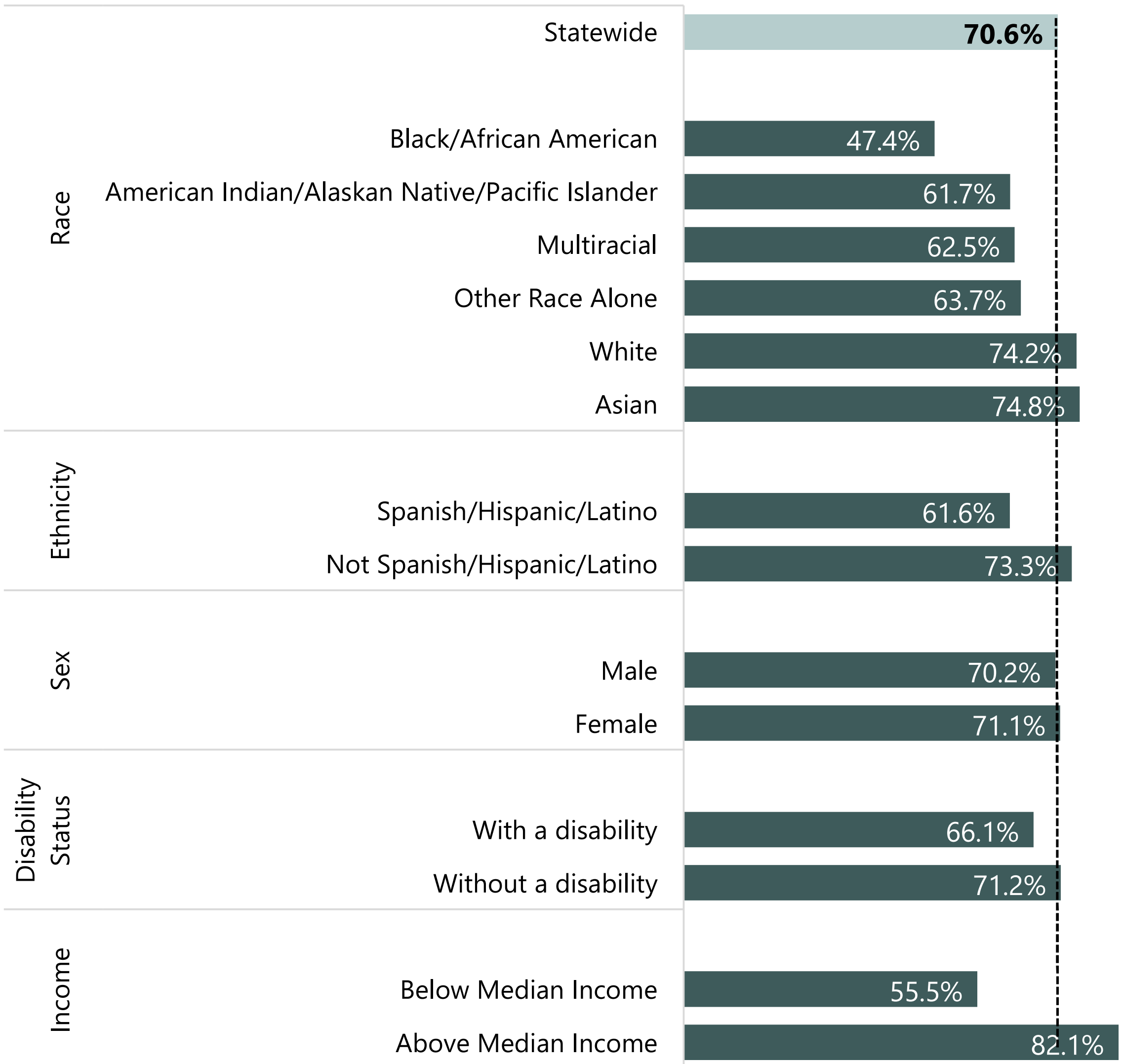
Demographic groups who have a substantially lower share of those likely to be homeowners include those who are:

- Black or African American (47.4 percent); American Indian, Alaskan Native, or Pacific Islander (61.7 percent), multiracial (62.5 percent), or of some other non-white race (63.7 percent),
- Spanish, Hispanic, or Latino (61.6 percent);
- Living with a disability (66.1 percent);
- Living in a household with income below the median (55.5 percent).

For more detailed information on the data used, including demographics of renters, which mirrors that of homeowners, see Appendix B. People living in rural areas also have a higher share of homeowners than the statewide average (77.7 percent), however, the impact on individual rural communities varies depending on actual home values and mill levies, as shown in Appendix A, and is therefore indeterminate.

[4] The remaining population in Colorado households are renters, which includes people who indicated either that they rent their home or occupy their home without payment of rent.
[5] Comparing the percentage in a particular outcome for a disaggregated subgroup to the percentage for the overall population, which is called the percentage point gap, is one method for measuring disproportionate impact. A gap of at least 3 percent is the generally accepted standard for indicating disproportionate impact for large sample sizes.
[6] People who are not Spanish, Hispanic, or Latino and living without a disability also have a higher share of homeowners, but the percentage point gap between the statewide share and the share within these groups, while statistically significant, does not exceed the 3 percent threshold that is the standard to indicate disproportionate impact. Statistical significance was measured by comparing the percentage point gap between the statewide share and each demographic group with the margin of error for the sample at a 95 percent level of confidence, using the unweighted number of survey respondents in each group.

Figure 1
HB 24-233 Affected Population:
Homeowners in Colorado
Share by Demographic Group and Statewide



Source: U.S. Census Bureau, American Community Survey 1-Year Estimates, 2022.

Analysis and Findings

The bill is expected to increase after-tax income for property owners, including homeowners, relative to what it would have been without the bill. Demographic characteristics of homeowners in Colorado suggest that they are more likely to be white or Asian, or living in a household with income above the median and less likely to be black or African American, indigenous people of color, some other non-white race, multiracial, or Spanish, Hispanic, or Latino, people living without a disability, or people living in a household with income below the median. Based on the share of those expected to be experiencing immediate tax savings from the bill among demographic groups compared to their share in the statewide population, this analysis suggests that the bill may increase existing economic disparities by race; ethnicity; socioeconomic status, as measured by income; and disability status. The bill's impacts on disparities are subject to several limitations related to impacts on local governments, potential long-term impacts on housing markets and renters, as well as data limitations, as discussed below.

Impact of the bill on local governments and local government services. The bill will reduce money available for local government budgets, including school districts, and increase the state obligation for school finance, which will reduce money available for the state budget. To the extent that this results in a reduction in local or state government services and the provision of public goods valued by local residents, this may result in a reduction in effective savings for homeowners and a loss of welfare for renters and others, and may disproportionately impact some demographics. These impacts will vary by local government, depending on future policy decisions and conditions, and cannot be determined with available information.

Dynamic impacts. This bill may result in dynamic economic impacts, which may offset the static impacts identified in this demographic note for some populations or may exacerbate the impacts identified. A bill's dynamic impacts include its downstream effects throughout the economy and can take several years to fully materialize. A reduction in property taxes may stimulate economic activity that generates additional tax revenues and additional incomes for individuals and businesses. For example, a reduction in property taxes results in lower tax liability for affected taxpayers. With higher post-tax income, these individuals may spend more on goods and services, increasing income to certain businesses. Businesses may invest tax savings on research and development or hire more employees. Lower property taxes may result in more investment in commercial and/or residential properties, resulting in more affordable housing in the state.

There are important additional downstream impacts found in previous studies of changes in property taxes. However, the theoretical and empirical evidence on the magnitude and timing of these impacts is mixed, and depends on specific local market supply and demand conditions, which vary both across and within local government jurisdictions. It is beyond the scope of this analysis to quantify these potential future impacts.

- **Home buyers.** There is some evidence to suggest that a reduction in property taxes increases property values. To the extent that lower property taxes result in higher home values, further advantages may accrue to existing homeowners in the form of increased housing wealth, while prospective first-time home buyers may be negatively impacted, exacerbating the disproportionate impacts identified in the analysis if those prospective buyers are current renters.

- **Renters.** To the extent that lower property taxes are passed on by landlords to renters in the form of lower rents or slower growth in rents than they would have otherwise charged, the disproportionate impacts identified in the analysis may be reduced. The savings from landlords to property owners are generally found to be passed on to renters, but that passthrough is generally found to be incomplete, that is, savings for renters are generally found to be less than those accrued to property owners.[7]

[7] See, for example, England, R. 2016. "Tax Incidence and Rental Housing: a Survey and Critique of Research." *National Tax Journal. 69:2. 435-460.*

Data limitations. No demographic data are available to analyze the demographic impact of the bill on owners of non-residential properties. Data on owners of residential properties are confined to those that include homes. The potential future impacts of the expansion of the property tax deferral program also cannot be determined, nor do demographic data other than age exist on homeowners who currently participate in the program.

Demographics Not Analyzed

Some demographic groups have not been included in the analysis due to data limitations. Data on the relevant populations delineated by sexual orientation and gender identity were not available at the time of the analysis. Should data become available, this analysis may be updated.

Data Sources and Agencies Contacted

IPUMS USA

U.S. Census Bureau

Appendix A
Residential Properties, Average Home Value, Average Mill Levy, and Estimated Average Tax Savings by County

County	Number of Residential Parcels, 2023 Property Tax Year	Average Home Value, 2023 Property Tax Year	Average County Levy, 2023 Property Tax Year	Estimated Average Tax Savings Under SB 24-233		
				2024	2025	2026
Adams	151,464	$569,635	115.884	-$545	-$182	-$197
Alamosa	6,106	$206,253	73.997	-$283	-$65	-$77
Arapahoe	199,775	$721,211	96.460	-$451	-$109	-$107
Archuleta	9,822	$589,925	62.629	-$363	-$157	-$163
Baca	2,154	$52,691	81.297	-$146	-$22	-$26
Bent	2,328	$80,953	68.218	-$183	-$28	-$34
Boulder	111,204	$954,978	91.958	-$656	-$291	-$246
Broomfield	23,012	$841,712	113.735	-$611	-$199	-$184
Chaffee	11,372	$688,671	47.492	-$328	-$127	-$132
Cheyenne	884	$102,498	54.732	-$171	-$27	-$30
Clear Creek	5,336	$504,441	76.284	-$405	-$190	-$207
Conejos	4,714	$132,060	75.338	-$237	-$43	-$51
Costilla	2,804	$148,435	71.446	-$196	-$26	-$31
Crowley	1,541	$111,717	71.998	-$231	-$38	-$46
Custer	4,415	$387,310	64.225	-$321	-$111	-$125
Delta	13,983	$308,446	62.418	-$166	-$17	-$20
Denver	214,219	$906,530	81.617	-$482	-$158	-$129
Dolores	1,597	$141,138	71.879	-$195	-$37	-$43
Douglas	126,478	$862,052	103.443	-$574	-$244	-$234
Eagle	30,397	$1,871,797	58.364	-$471	-$285	-$165
El paso	234,566	$552,450	68.982	-$282	-$34	-$27
Elbert	10,660	$626,093	82.791	-$373	-$147	-$162
Fremont	18,359	$298,721	73.542	-$329	-$85	-$100
Garfield	21,636	$669,267	58.276	-$248	-$151	-$141
Gilpin	3,636	$504,685	35.870	-$156	-$72	-$81
Grand	17,802	$851,094	63.519	-$349	-$204	-$183
Gunnison	11,948	$902,547	62.228	-$440	-$239	-$192
Hinsdale	1,574	$321,828	55.300	-$253	-$84	-$95
Huerfano	5,008	$174,438	79.572	-$288	-$54	-$64
Jackson	1,140	$220,234	47.581	-$157	-$29	-$31
Jefferson	200,707	$714,132	97.582	-$499	-$199	-$201
Kiowa	783	$68,832	96.039	-$234	-$37	-$44
Kit Carson	2,903	$189,096	84.849	-$343	-$69	-$82

Appendix A (continued)

County	Number of Residential Parcels, 2023 Property Tax Year	Average Home Value, 2023 Property Tax Year	Average County Levy, 2023 Property Tax Year	Estimated Average Tax Savings Under SB 24-233		
				2024	2025	2026
La Plata	25,082	$566,042	46.682	-$249	-$91	-$92
Lake	4,348	$423,571	67.833	-$351	-$190	-$114
Larimer	132,633	$636,999	94.804	-$503	-$187	-$195
Las Animas	7,302	$200,984	36.653	-$153	-$30	-$34
Lincoln	2,119	$165,294	70.314	-$289	-$69	-$81
Logan	7,383	$215,616	59.491	-$297	-$61	-$71
Mesa	61,121	$383,116	69.836	-$293	-$47	-$53
Mineral	1,348	$345,299	68.604	-$335	-$101	-$107
Moffat	5,548	$201,907	69.369	-$256	-$44	-$50
Montezuma	10,662	$261,972	52.784	-$223	-$51	-$58
Montrose	18,092	$404,957	68.253	-$308	-$107	-$118
Morgan	10,111	$329,029	83.176	-$389	-$106	-$123
Otero	7,487	$112,045	64.618	-$208	-$26	-$27
Ouray	3,376	$825,044	58.371	-$379	-$178	-$161
Park	13,845	$554,487	56.138	-$167	-$38	-$41
Phillips	1,842	$227,916	89.996	-$341	-$74	-$86
Pitkin	12,643	$5,272,074	35.401	-$780	-$958	-$339
Prowers	5,015	$96,235	65.915	-$180	-$29	-$33
Pueblo	63,378	$299,007	95.346	-$296	-$58	-$66
Rio Blanco	2,938	$274,981	46.378	-$192	-$67	-$71
Rio Grande	6,861	$248,956	67.670	-$271	-$54	-$61
Routt	16,207	$1,254,060	49.104	-$262	-$117	-$81
Saguache	3,490	$184,709	85.719	-$277	-$66	-$76
San Juan	786	$484,590	42.354	-$231	-$104	-$118
San Miguel	6,165	$2,090,050	51.195	-$382	-$329	-$165
Sedgwick	1,190	$110,358	93.196	-$320	-$44	-$51
Summit	31,937	$1,260,159	55.941	-$255	-$131	-$98
Teller	13,199	$467,531	49.640	-$233	-$87	-$88
Washington	2,237	$135,603	67.753	-$235	-$38	-$45
Weld	111,879	$485,956	71.385	-$254	-$82	-$89
Yuma	4,130	$183,715	75.143	-$261	-$48	-$52
Statewide	**2,048,681**	**$707,753**	**81.498**			

Appendix B
Statewide Household Population, Homeowners and Renters in Colorado

		Statewide Household Population		Homeowners		Renters	
		Population	Share of Total	Population	Share of Total	Population	Share of Total
Total		**5,718,342**		**4,039,018**		**1,679,324**	
Race	White	4,023,036	70.4%	2,985,754	73.9%	1,037,282	61.8%
	Black/African American	222,444	3.9%	105,548	2.6%	116,896	7.0%
	American Indian/Alaskan Native/Pacific Islander	71,413	1.2%	44,067	1.1%	27,346	1.6%
	Asian	188,685	3.3%	141,086	3.5%	47,599	2.8%
	Other race	361,069	6.3%	229,986	5.7%	131,083	7.8%
	Multiracial	851,695	14.9%	532,577	13.2%	319,118	19.0%
Ethnicity	Spanish/Hispanic/Latino	1,290,524	22.6%	795,099	19.7%	495,425	29.5%
	Not Spanish/Hispanic/Latino	4,427,818	77.4%	3,243,919	80.3%	1,183,899	70.5%
Sex	Female	2,835,188	49.6%	2,015,191	49.9%	819,997	48.8%
	Male	2,883,154	50.4%	2,023,827	50.1%	859,327	51.2%
Disability Status	With a Disability	652,961	11.4%	431,572	10.7%	221,389	13.2%
	Without a Disability	5,065,381	88.6%	3,607,446	89.3%	1,457,935	86.8%
Geography	Rural	1,071,901	18.7%	832,507	20.6%	239,394	14.3%
	Urban	4,646,441	81.3%	3,206,511	79.4%	1,439,930	85.7%
Income	Below Median Household Income	2,462,469	43.1%	1,365,584	33.8%	105,931	6.3%
	Above Median Household Income	3,255,873	56.9%	2,673,434	66.2%	29,267	1.7%

Source: U.S. Census Bureau, American Community Survey, 1-Year Estimates, 2022