
Fiscal Impact of 2024 Property Tax Measures

Commission on Property Taxation

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Current Status

- 1 Measure On the Ballot (**Initiative #50**)
- 1 Measure Has Submitted Signatures (**Initiative #108**)

- **SB 24-233** signed by the Governor, does not become law if either or both measures pass
- **Blue Book** drafting in progress



SB 24-233 is our current law baseline

- Reduces assessment rates and applies actual value subtractions
 - PTY 2024: all local governments handled similarly
 - PTY 2025 and ongoing: different assessment rates for schools and non-schools
- Limited reimbursements for districts with AV loss between 2022 and 2024 (\$10 M expenditure, capped, paid from a cash fund)
- Property tax revenue limit for some districts



Assessment Rates (#108)

- Cuts rates beginning in PTY 2025: 5.7% res, 24% nonres
- Revenue loss estimated at \$2.39 B (PTY 2025) relative to **SB 233** baseline
- Effective revenue increase of \$1.05 B in PTY 2024 only since it stops **SB 233** cuts from taking effect in that year
- State budget impacts:
 - School finance
 - **#108** reimbursement requirement



School Finance Impacts (#108)

- Reminder: any reduction in local share increases the state aid requirement (and vice-versa)
- Relative to **SB 233** baseline:
 - FY 2024-25 local share **increases** by \$380 M
 - FY 2025-26 local share **decreases** by \$720 M
 - FY 2026-27 local share **decreases** by \$660 M; this is most representative of future year impacts



School Finance Impacts (#108) continued...

- But also: measure stops implementation of the new school finance formula in **HB 24-1448**:
 - Phase-in stops if local share grows in a reassessment year (e.g. 2025) by a rate less than prior year inflation minus 2.0 percent
 - 2024 inflation forecast is +2.5%
 - Phase-in stops if local share growth $< +0.5\%$; actual “growth” estimated at $-15.9\%^*$
 - Stopping the phase-in decreases the total program requirement



School Finance Impacts (#108) continued...

- Bottom line relative to **SB 233** baseline:
 - FY 2024-25 state aid requirement **decreases** by \$380 M
 - FY 2025-26 state aid requirement **increases** by \$630 M
 - FY 2026-27 state aid requirement **increases** by \$480 M
 - later impacts will be smaller since total program requirement would increase under current law with **HB 24-1448**



Reimbursements in #108

- Section 39-3-210 (8), C.R.S.: “No later than April 15 of each year, the state treasurer shall issue a warrant, to be paid yearly from the general fund to reimburse local districts for lost revenue as a result of the passage of this measure.”
 - Does not define “districts,” but section defines “local government entity” elsewhere
 - Does not define “lost revenue as a result of the passage of this measure”
 - Section 39-3-210 repeals on July 1, 2025
- **Blue Book** now says that measure “directs” reimbursements, but that GA will need to act for reimbursements to actually occur



Reimbursements in #108 continued...

- Of PTY 2025 property tax revenue impact (\$2.39 B):
 - \$720 M is school district total program mills
 - \$620 M is other school district mills (not reimbursed?)
 - \$1.05 B is non-school districts
- GA could reimburse up to \$1.05 B to non-school districts in FY 2025-26
- Bottom line: reimbursement requirement is vague, schedules itself for repeal; GA will need to act to clarify



Limit on Statewide Property Tax Revenue Growth (#50)

- Constitutional measure
- When property tax revenue is projected to grow by at least 4 percent, voter approval is required for local governments to retain and spend the excess
- Measure requires downstream implementation



Limit on Statewide Property Tax Revenue Growth (#50)

- Fiscal impact depends on revenue growth rates, voter authorizations
 - LCS fiscal impact statement focuses on #50 causing SB 233 not to become law, since those impacts are known



Takeaways:

- This is messy; lots of moving parts!
- Passage of either measure causes **SB 233** not to become law, undoes its tax cuts for PTY 2024
 - Budget savings of **\$380 M** for FY 2024-25 only
- **Initiative #108** cuts taxes by much more than **SB 233** beginning in PTY 2025
- **Initiative #108** has at least a **\$630 M** state budget impact for FY 2025-26, possibly more (up to **\$1.68 B** if non-schools are fully reimbursed)
- **Initiative #50** impacts are mostly unknown and depend on implementation
 - likely to affect local governments much more than the state



Questions?

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SB 24-233: Assessment rates (complicated!)

- PTY 2024 (rates would otherwise be 7.07% SF, 6.8% MF, 29% nonres):
 - Residential: 6.7% after \$55,000 subtraction (same as PTY 2023)
 - Nonresidential: 27.9% for most, after \$30,000 subtraction for improved commercial property (same as PTY 2023)
- PTY 2025 and ongoing (rates would otherwise be 7.15% res, 29% nonres):
 - School districts: 7.15%* res
 - Non-school districts:
 - PTY 2025 only: 6.4% res
 - PTY 2026 and ongoing: 6.95% res after 10% subtraction (up to \$70,000)
 - Improved commercial, ag: 27% for PTY 2025, 25% beginning PTY 2026
 - All other nonres: 29%



Statewide Fiscal Impacts Under **SB 24-233**

relative to preexisting law

- Statewide AV reduction of about \$16.0 B (-8%) in PTY 2024, then either \$14.2 B (non-school districts, -7%) or \$3.1 B (school districts, -1.5%) in PTY 2025
- Revenue loss (to all districts) estimated at \$1.04 B in PTY 2024, \$0.5 B in PTY 2025
- School district total program impact estimated at \$380 M in FY 2024-25, \$80 M in FY 2025-26
- Backfill to non-school districts estimated at \$10 M (one-time)



SB 24-233: Revenue limit (also complicated!)

- Beginning PTY 2025: establishes revenue cap equal to PTY 2023 collections grown annually by 5.5%
- Lots of exclusions/exemptions:
 - School districts and home-rule local governments
 - Local governments with active TABOR limits or statutory 5.5% limits
 - Oil and gas and producing mines
 - New construction, changes in classification, annexations
 - Mills levied for bonded debt and contractual obligations
 - New voter-approved mill levies
- Constrained governments must apply a temporary credit, or refund excess revenue, or receive voter approval waiving the limit



Fiscal Impact of Proposed Property Tax Legislation

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Our understanding of the proposal

- Residential assessment rates:
 - PTY 2024: no change
 - PTY 2025: schools to **7.05%** or 6.95% (from 7.15%); non-schools to **6.25%** or 6.15% (from 6.4%)
 - PTY 2026: schools to **7.05%** or 6.95% (from 7.15%); non-schools to **6.8%** or 6.7% **with 10% subtraction up to \$70,000** (from 6.95% with 10% subtraction up to \$70,000)
- Res rates depend on 2025 growth; we expect this to be below 5% actual value growth trigger (so **bold** rates apply)



Our understanding of the proposal, continued

- Nonresidential assessment rates:
 - Bill affects rates for all nonresidential property other than oil and gas, producing mines, agricultural, and improved commercial
 - In other words, it affects commercial land, industrial, vacant land, natural resources, and state assessed property
- PTY 2024: no change
- PTY 2025: reduces to 27% (from 29%); same as agricultural and improved commercial
- PTY 2026: reduces to 26% (from 29%); ag/improved commercial are 25%
- PTY 2027: reduces to 25% (from 29%); same as ag/improved commercial



Our understanding of the proposal, continued

- Changes to property tax growth limit:
 - Reduces limit to 5.25% per year for non-school districts (from 5.5%), or 10.5% per biennial reassessment cycle
 - Institutes limit for school districts: 6% per year, or 12% per biennial reassessment cycle, unless inflation plus enrollment is greater
- LCS doesn't have an analysis for the limit changes yet
- **Remember: this analysis is preliminary. May not match a future fiscal note.**



Property Tax Impacts

- Total revenue loss:
 - PTY 2025: \$255 million
 - PTY 2026: \$295 million
 - greater in later years, as nonresidential rate falls in PTY 2027
- By district type:
 - PTY 2025: school districts \$135 million, non-schools \$120 million
 - PTY 2026: school districts \$165 million, non-schools \$130 million



State budget impact confined to school finance

- Not expected to affect implementation of **HB 24-1448**
- So, reduced local share requires equivalent state aid expenditure
 - FY 2025-26 (for PTY 2025): +\$83 million
 - FY 2026-27 (for PTY 2026): +\$105 million



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