

Proposition __: Property Tax Assessment Rates

Placed on the ballot by citizen initiative • Passes with a majority vote

1 **Proposition __ proposes amending the Colorado statutes to:**

- 2 • lower residential and nonresidential property tax assessment rates, beginning in
3 the 2025 property tax year; and
4 • direct the state to reimburse local governments for lost property tax revenue
5 each year.

6 **What Your Vote Means**

7 **YES**

8 A “yes” vote on Proposition __ reduces
9 assessment rates beginning in property
10 tax year 2025, and directs the state to
11 reimburse local governments each year for
12 lost property tax revenue due to the
13 measure. These rate reductions would
14 replace smaller reductions in a new law
15 scheduled to take effect in property tax
16 year 2024.

17 **NO**

18 A “no” vote on Proposition __ means that
19 assessment rates in the measure do not
20 take effect. A “no” vote on both
21 Proposition _ and Amendment _ allows a
22 new law to take effect that provides
23 smaller reductions in assessment rates
24 beginning in tax year 2024 and imposes a
25 new property tax revenue limit.

26 **Summary and Analysis of Proposition __**

27 **What does the measure do?**

28 Beginning in property tax year 2025, Proposition __ lowers property taxes compared to what
29 would be owed without the measure. The measure lowers the assessment rates used to
30 calculate property taxes to 5.7 percent for residential properties and 24 percent for all
31 nonresidential properties, except for mines and oil and gas properties. Taxes for property tax
32 year 2025 are paid in 2026.

33 The measure directs the state to annually reimburse local governments for lost property tax
34 revenue as a result of the measure, although the legislature must pass a bill for these
35 reimbursements to be paid.

1 Passing this measure would also cause a new law, Senate Bill 24-233,¹ not to take effect. This
 2 new law lowers most property tax assessment rates compared to what they would be
 3 otherwise and creates a property tax revenue limit. The interaction between Amendment __
 4 Proposition __, and Senate Bill 24-233 is described in more detail below.

5 **What are property taxes?**

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

11 **How are property taxes calculated?**

12 Figure 1 illustrates how property taxes are calculated. Property taxes are paid on a portion of
 13 a property's actual value. This portion is known as the taxable value, or assessed value, and is
 14 calculated by taking the property's value, subtracting a portion of residential and commercial
 15 values, and then multiplying by an assessment rate. The taxable value is then multiplied by
 16 the local tax rate (known as a mill levy) to determine the taxes due. The amount of any
 17 subtraction and the assessment rate are set by the state and vary based on the type of
 18 property. Mill levies are set by the local government where the property is located.

19 **Figure 1**

20 **Example Residential Property Tax Calculation for 2023**

21 Property value of \$500,000, taxed at 80 mills, 6.7% assessment rate

22 **(Property value – Value subtraction) × Assessment rate = Taxable value**

23 $(\$500,000 - \$55,000) \times 6.7\% = \$29,815$ taxable value

24 **Taxable value × Tax rate (Mills/1000) = Property taxes**

25 $\$29,815 \times 0.08 = \$2,385$ owed

26 **How does the measure impact property taxpayers?**

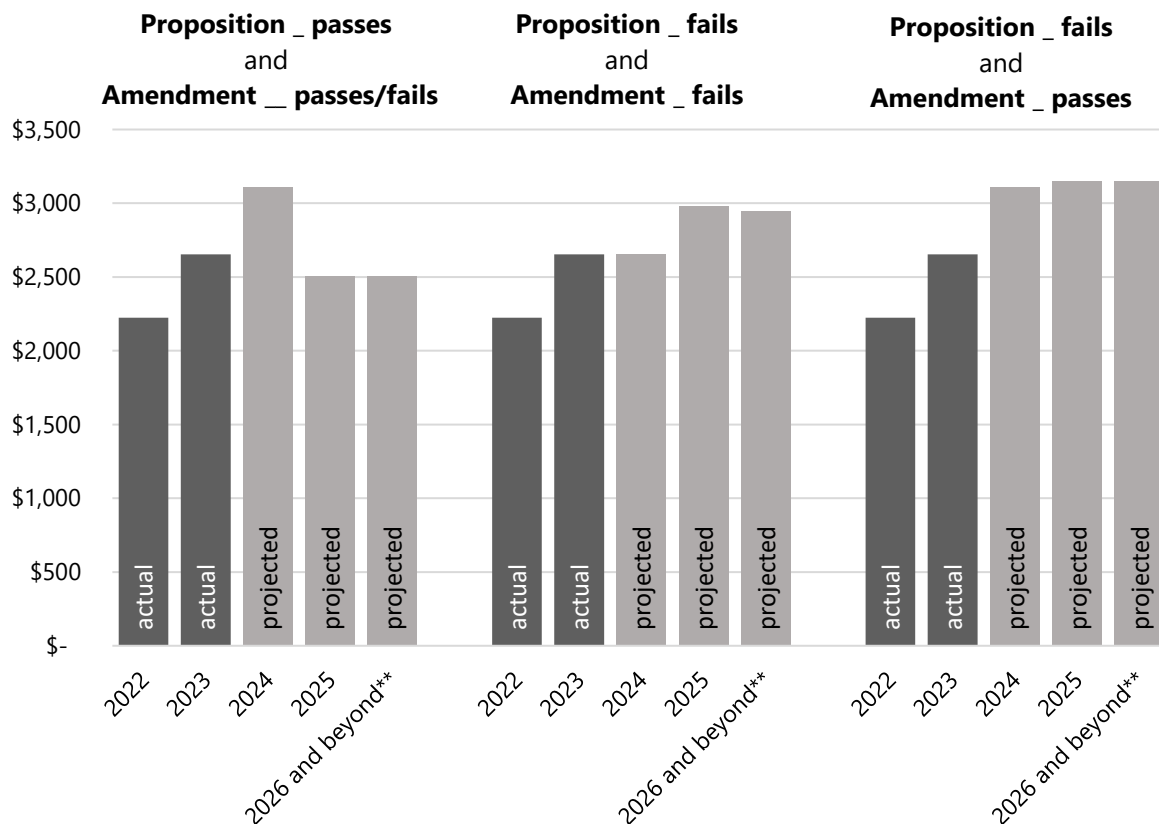
27 If this measure passes, it will replace assessment rate cuts scheduled to begin in 2024 with
 28 bigger reductions, starting in tax year 2025. Rates will temporarily increase in 2024 to the
 29 assessment rates that were in law prior to the passage of SB 24-233, before decreasing to
 30 the rates specified in this measure in 2025. If this measure fails and Amendment __ passes,
 31 assessment rates will increase to the rates that were in law prior to the passage of SB 24-233.

32 Figure 2 shows example residential property taxes as impacted by the possible ballot
 33 outcomes from this measure and Amendment __ for a typical home in the state, including
 34 the increase in taxes most property owners experienced in 2023 with rising property values.

¹ <https://leg.colorado.gov/bills/sb24-233>

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Figure 2
Example Taxes on a Single Family Home*

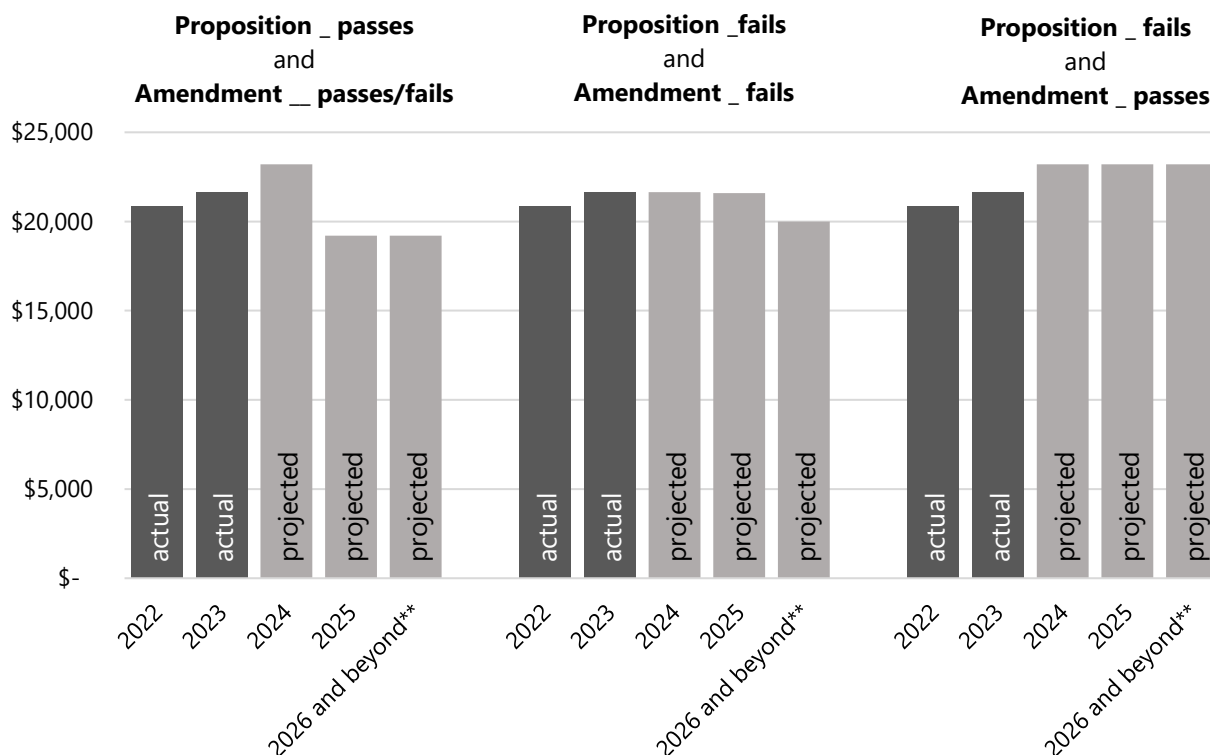


3 *Example assumes 40 school district mills and 40 non-school district mills. Assumes a property valued at
 4 \$400,000 in 2022, \$550,000 in 2023, and no growth in the 2025 reassessment year. Actual property taxes will
 5 depend on local mill levies and property value.
 6 **Property taxes will still increase when property value increases.

7 Figure 3 shows example taxes for a commercial property in each of these scenarios. While
 8 examples are not provided in this analysis, Proposition _ also lowers assessment rates for
 9 vacant land, state assessed, and industrial properties, beginning in 2025.

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Figure 3
Example Taxes on a Commercial Property*



3 *Example assumes 40 school district mills and 40 non-school district mills. Assumes a property valued at
4 \$900,000 in 2022 and \$1 million in 2023 and future years. Actual property taxes will depend on local mill
5 levies and property value.

6 **Property taxes will still increase when property value increases.

7 **How does this measure impact local governments?**

8 Local governments will collect less property tax revenue than they would have collected
9 without the measure. The measure directs the state to reimburse local governments for lost
10 property tax revenue; however, the legislature must pass a bill for reimbursements to be
11 paid. The measure does not specify which local governments are eligible for reimbursement,
12 or how revenue loss is calculated. Reimbursements would shift a portion of local
13 government funding from local property tax collections to state General Fund dollars, which
14 primarily come from existing state income and sales taxes.

15 The revenue local governments lose as a result of the measure could be up to \$1.8 billion in
16 the first year, but may be offset in whole or in part by state reimbursements as approved by
17 the legislature.

1 **How does this measure impact the state budget?**

2 Depending on how the measure is implemented, it will result in the state spending between
3 \$630 million and \$1.7 billion to make up for a portion of reduced local property tax revenue
4 in the first year. These reimbursements will limit other areas of state spending for state
5 services such as health care, K-12 schools, human services, and the judicial and corrections
6 systems.

7 **How does the measure impact school funding?**

8 Under current law, the state covers the difference between local school district tax revenue,
9 most of which is property tax, and an amount determined by a state formula for each school
10 district. By reducing local property tax revenue for school districts, Proposition __ requires
11 the state to pay more to school districts to make up the difference, estimated to be
12 \$630 million in 2025. This must be paid without reducing the amount spent from the state's
13 dedicated fund for education, the State Education Fund. In 2024 only, the state portion of
14 school finance is expected to decrease.

15 Some school districts collect property taxes outside the school funding formula for voter-
16 approved purposes such as capital projects, operations, and salaries. Lower assessment rates
17 will reduce revenue collected from these taxes. The state is not required to reimburse school
18 districts for this lost revenue.

19 In addition, the state is currently implementing a new formula for allocating funding to
20 school districts. By reducing property tax collections, this measure will stop the
21 implementation of the new formula. This would result in less money for most school districts
22 than under the new formula.

23 **What is Senate Bill 24-233 and how do Amendment __ and Proposition __ interact**
24 **with it?**

25 In May 2024, the state legislature passed a bill, SB 24-233, that only goes into effect if both
26 Amendment __ and Proposition __ do not pass. Among other things, the bill:

- 27 • lowers assessment rates from what they would otherwise be for residential and some
28 non-residential property, beginning in 2024;
- 29 • creates a subtraction from a home's value that further reduces assessed value for
30 property tax year 2024, and an ongoing subtraction equal to 10 percent of a home's
31 value, up to \$70,000, beginning in 2026; and
- 32 • creates a 5.5 percent property tax limit on non-school local governments that are not
33 already subject to other property tax revenue limits.

34 The different ways Amendment __ and Proposition __ interact with SB 24-233 are detailed in
35 Table 1. For more information about Amendment __ and how it interacts with SB 24-233, see
36 page __.

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Table 1
Potential Outcomes of Amendment __ and Proposition __

Outcomes for Ballot Measures	Amendment __ Passes	Amendment __ Fails
Proposition __ Passes	<ul style="list-style-type: none"> • Because SB 24-233 does not go into effect, assessment rates go up in 2024. However, they are permanently reduced by Proposition __ beginning in 2025. • The 4 percent statewide property tax revenue limit in Amendment __ goes into effect. • The 5.5 percent local property tax revenue limit in SB 24-233 does not go into effect. 	<ul style="list-style-type: none"> • Because SB 24-233 does not go into effect, assessment rates go up in 2024. However, they are reduced by Proposition __ beginning in 2025. • No new property tax revenue limit, either from Amendment __ or SB 24-233.
Proposition __ Fails	<ul style="list-style-type: none"> • Because neither SB 24-233 nor Proposition __ goes into effect, assessment rates continue at higher rates. • The 4 percent statewide property tax revenue limit in Amendment __ goes into effect. • The 5.5 percent local property tax revenue limit in SB 24-233 does not go into effect. 	<ul style="list-style-type: none"> • SB 24-233 goes into effect: <ul style="list-style-type: none"> ○ Assessment rates are lowered beginning in 2024. Most rates are lower than they would be without SB 24-233, but higher than if Proposition __ had gone into effect. ○ The 5.5 percent local property tax revenue limit in SB 24-233 goes into effect. • The 4 percent statewide property tax revenue limit in Amendment __ does not go into effect.

3 **How do the assessment rates in Proposition __ compare to those in Senate Bill 24-233?**

4 SB 24-233 lowers assessment rates starting in 2024, whereas Proposition __ lowers rates
5 beginning in 2025.

6 Proposition __ lowers assessment rates to 5.7 percent for residential properties and
7 24 percent for all nonresidential properties, except for mines and oil and gas properties.

8 If neither Proposition __ nor Amendment __ passes, SB 24-233 includes temporary tax cuts
9 for tax years 2024 and 2025 and then beginning in 2026, sets the permanent assessment
10 rates at:

- 11 • 6.95 percent, after reduction in property value of 10 percent or up to \$70,000, for
12 non-school district taxes on residential property;

- 1 • 7.15 percent for school district taxes on residential property;
 - 2 • 25 percent for commercial and agricultural property; and
 - 3 • 29 percent for all other nonresidential property, except for mines and oil and gas
 - 4 properties.
- 5 Detailed descriptions of the rates with and without SB 24-233 can be found here. [The Blue
6 Book will include a link to a separate memo listing all the assessment rates in each scenario]

For information on those issue committees that support or oppose the measures on the ballot at the November 5, 2024, 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/InitiativesHome.html>

7 **Arguments For Proposition __**

- 8 1) Property taxes have soared in recent years, growing much faster than incomes and
9 inflation. Beginning in 2025, the measure reduces property taxes for homeowners and
10 small business owners across the state, who are already struggling with a high cost of
11 living and doing business. The measure provides much needed property tax relief.
- 12 2) Passing Proposition __ goes further than SB 24-233 by providing more long-term
13 property tax relief. Even with this tax cut, local property tax revenue is still expected to be
14 higher than before the recent spike in taxes. The measure gives policymakers the
15 flexibility to ensure that state reimbursements are sufficient for local governments while
16 protecting important state services.

17 **Arguments Against Proposition __**

- 18 1) The large property tax reductions in Proposition __ will require steep cuts to important
19 state services, local services, or both. The measure's vague reimbursement requirement
20 makes it impossible to know whether state or local services will be cut, and what
21 programs will be lost. The measure is a heavy-handed cut and there is no way for voters
22 to know in advance what services they are giving up.
- 23 2) The measure removes local governments' control over their finances. The measure shifts
24 a portion of local government funding from property tax revenue to unreliable state
25 reimbursements, compromising local governments' ability to secure long-term financing
26 and plan for the future. Local governments should be in control of their own finances,
27 with local elected officials accountable to voters in their district.

28 **Fiscal Impact of Proposition __**

29 Proposition __ decreases assessment rates for most classes of nonresidential property and
30 for residential property beginning in the 2025 property tax year, decreasing local property
31 tax revenue. By causing Senate Bill 24-233 not to take effect, the measure increases property
32 taxes for the 2024 property tax year only. The measure directs the state to reimburse local

1 districts for lost revenue due to the measure, but legislation is needed for these
2 reimbursements to occur. These impacts are discussed below. The state budget year runs
3 from July 1 to June 30.

4 **Taxpayer impacts.** The measure increases property tax revenue paid by property owners by
5 an estimated \$1 billion for property tax year 2024, compared with current law. The measure
6 reduces local property taxes by up to \$2.4 billion for property tax year 2025, by up to
7 \$2.2 billion for property tax year 2026, and by larger amounts in future years assuming
8 growth in property values. Decreased property taxes increase the amount of after-tax
9 income available for property owners to spend, save, or invest elsewhere in the economy.

10 **Local government impact.** Proposition __ increases revenue to local governments
11 statewide, on net, by \$660 million for property tax year 2024. For later years, the measure
12 decreases local government revenue, but the amount of the net decrease depends on the
13 amount of reimbursements paid by the state, if any. Depending on the reimbursements, the
14 measure will decrease revenue by between \$700 million and \$1.8 billion for property tax year
15 2025, and by between \$700 million and \$1.7 billion for property tax year 2026. The low end
16 of the range assumes complete reimbursements for all property tax revenue losses to
17 non-school local governments and represents lost revenue to school districts outside the
18 state school funding formula. The high end of the range represents no state reimbursement
19 payments to local governments beyond those to school districts required through the state's
20 school funding formula.

21 **State spending.** The measure decreases state spending in state budget year 2024-25 by
22 \$390 million, primarily for school finance but also from the elimination of relatively small
23 reimbursements for some local governments that would occur under current law.
24 Additionally, the measure will stop the implementation of the new school finance formula in
25 House Bill 24-1448, beginning in FY 2025-26, which provides additional funding to school
26 districts statewide. In state budget year 2025-26, state spending could range from
27 \$630 million for required state spending on schools, up to \$1.7 billion depending on local
28 government reimbursements under the measure as described above. In state budget year
29 2026-27, state spending will increase by between \$480 million and \$1.5 billion.