Proposition 120: Property Tax Assessment Rate Reduction

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

Proposition 120 proposes amending the <u>Colorado statutes</u> to:

- lower the property tax assessment rate for multifamily housing and lodging properties; and
- allow the state to retain money above constitutional spending limits if it is used to fund existing property tax exemptions.

IMPORTANT NOTE: *The description of the measure in this voter information guide differs from the language in the ballot question because a law that changed the effect of the measure was passed by the state legislature after the ballot question was written.*

What Your Vote Means

YES A "yes" vote on Proposition 120 lowers property tax assessment rates for multifamily housing and lodging properties. It does not impact assessment rates for other types of residential and nonresidential property.

NO A "no" vote on Proposition 120 retains the assessment rates for lodging and multifamily housing properties that are in current law.

Summary and Analysis for Proposition 120

Why is this description of Proposition 120 different from the ballot question and text of the measure?

The effect of Proposition 120 changed due to a law passed by the state legislature during the 2021 session, after the ballot question was set. Specifically:

- Proposition 120 was initially written to permanently lower the assessment rates for all residential property and most nonresidential property.
- Senate Bill 21-293, enacted in June, established new categories of property so that the lower residential assessment rate in Proposition 120 (6.5 percent) applies only to multifamily housing properties, and the lower nonresidential assessment rate (26.4 percent) applies only to lodging properties.

Senate Bill 21-293 also temporarily lowers assessment rates for residential properties, agricultural properties, and renewable energy properties for 2022 and 2023, after which the rates return to 2021 levels.

What does this voter information guide describe?

This voter information guide discusses the impact of Proposition 120 compared with existing law. Existing law includes the changes enacted in Senate Bill 21-293.

What happens if Proposition 120 passes?

Proposition 120 will lower property tax assessment rates for multifamily housing and lodging properties, as shown in Table 1. Through state budget year 2026-27, the measure also allows the state to retain $25.0 million per year in revenue above the constitutional limit if it is used to fund existing reimbursements to local governments for property tax exemptions for seniors and veterans with a service-related disability.

Table 1
Assessment Rate Changes Under Proposition 120

	Without Proposition 120			With Proposition 120
Type of Property	**2021**	**2022 and 2023**	**2024**	**Starting in 2022**
Multifamily Properties	7.15%	6.8%	7.15%	6.5%
Lodging Properties	29%	29%	29%	26.4%

The following classes of property are not impacted by the measure:

- other residential properties, including single-family homes;
- agricultural land;
- mines and oil and gas properties; and
- other nonresidential properties, such as commercial property, industrial property, natural resources, and vacant land.

What are property taxes?

Residential and nonresidential property owners pay property taxes on a portion of their property's value. Nonresidential property includes commercial, industrial, agricultural, and oil and gas property, vacant land, natural resources, and mines. Cities, counties, school districts, and special districts impose and collect the tax annually, and use the revenue to fund public schools and local services such as road and street maintenance, police departments, fire protection, water and sewer infrastructure, parks, and libraries.

How are property taxes calculated?

Figure 1 illustrates how property taxes are calculated. 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 multiplying the actual value by the assessment rate. The actual value of a property is determined by the county assessor or state property tax administrator; the assessment rate is a percentage set in state law. The taxable value is then multiplied by the local tax rate (known as a mill levy) to determine the taxes due. One mill equals $1 for every $1,000 of taxable value.

Figure 1
Property Tax Calculation

Example: Property value of $300,000, taxed at 100 mills, using 2021 assessment rates.

Taxable value = Property value × Assessment rate

Residential	$300,000	×	7.15%	= $21,450 taxable value
Nonresidential	$300,000	×	29%	= $87,000 taxable value

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

Residential	$21,450	×	0.100	= $2,145 owed
Nonresidential	$87,000	×	0.100	= $8,700 owed

How does Proposition 120 impact property taxpayers?

Compared to what would be owed without the measure, Proposition 120 reduces property taxes for most owners of the following types of property:

- **Multifamily housing properties**, which include those with more than one housing unit such as duplexes, triplexes, or properties with four or more units, but do not include condominiums; and
- **Lodging properties**, which include hotels, motels, and bed and breakfasts.

The actual impact on an individual property owner will depend on several factors, including the local jurisdictions in which their property is located, actual future mill levies and the actual value of their property. The taxpayer impact section below includes the estimated property tax decrease for several examples at different property values, assuming the statewide average mill levy for the 2020 tax year.

How does Proposition 120 impact local governments?

Proposition 120 reduces property tax revenue to most local governments, compared to what would be collected without the measure, and may impact local services such as education, fire protection, police, transportation, and libraries. The impact on each individual local government's revenue and services will vary across the state, depending on:

- **Mix of properties** – areas with a higher portion of multifamily housing and lodging properties will be more heavily impacted.
- **Mill levies** – actual mill levies are determined at the local level. Local governments could choose to ask voters to raise future mill levies. Some local governments already have permission from their voters to adjust the tax rate to make up for reductions in assessment rates, and thus may not experience any revenue impacts.

Property values are growing at different rates around the state. In areas where property values are growing quickly, the reduction in assessment rates in Proposition 120 will cause property tax revenue overall to grow at a slower rate. In areas where values are not growing quickly, this reduction could cause overall property tax revenue to decrease from one year to the next.

How does Proposition 120 impact school funding?

Public schools are funded through a combination of state and local government revenue. The state pays the difference between an amount of school district funding required by a formula in state law, and the amount of local tax revenue generated. A reduction in property tax revenue to school districts increases the amount that the state must pay to make up the difference, although actual funding is determined by the state legislature. Property tax reductions from Proposition 120 that are not offset by additional state funding will result in lower school funding for some districts. The impact will vary by district.

What is the homestead property tax exemption?

The homestead property tax exemption allows eligible veterans with service-related disabilities and seniors to exempt 50 percent of the first $200,000 of residential property value from property taxes. The average exemption was $584 in 2020.

In years the exemption is available, the state reimburses local governments for the revenue reduction resulting from the property tax exemption. The state spent $157.9 million on local government reimbursements in state budget year 2020-21. In some years, the state legislature has made the exemption temporarily unavailable as a budget balancing decision. The last year the exemption was not available was 2011.

Does Proposition 120 change the homestead property tax exemption?

No. The measure does not change the homestead property tax exemption. Rather, the measure allows the state to retain $25.0 million above constitutional spending limits per year through the 2026-27 state budget year if that amount is spent on homestead exemptions.

For information on those issue committees that support or oppose the measures on the ballot at the November 2, 2021, election, go to the Colorado Secretary of State's elections center web site hyperlink for ballot and initiative information:

http://www.sos.state.co.us/pubs/elections/Initiatives/InitiativesHome.html

Argument For Proposition 120

1) The measure provides targeted tax relief for important sectors of Colorado's economy. Reducing property taxes for most multifamily properties may ease pressure on rents and encourage investment to address Colorado's housing shortage. In addition, lodging owners may hire and retain more employees and potentially reduce lodging rates, attracting additional visitors.

Argument Against Proposition 120

1) Permanently reducing property tax revenue to local governments may result in cuts to important government services. Proposition 120 will pose challenges for special districts, cities, or counties that rely on property tax revenue from multifamily homes or lodging properties to maintain services, such as water, transportation, education, and emergency services. In particular, critical fire protection needs are increasing rapidly, and not all areas of the state are able to generate the funding needed to support these local services.

Fiscal Impact for Proposition 120

This measure decreases local government property tax revenue and increases state spending requirements as described below.

Local government impact. Proposition 120 is expected to decrease property tax revenue to local governments statewide by an estimated $45.9 million in 2022, and $50.3 million in 2023. The revenue decrease is expected to be larger in later years, due to a scheduled increase in the assessment rate for multifamily housing in 2024 under current law. Prior to the passage of Senate Bill 21-293, the measure was expected to decrease property tax revenue to local governments by an estimated $1.03 billion, which is why this number appears in the ballot question.

The impact will vary among local governments across the state, and the specific impact on each city, county, special district, or school district will depend on several factors, including mill levies and the composition of properties in each jurisdiction.

State spending. The measure increases state spending to backfill lost property tax revenue to school districts. If the measure passes, the state share of school finance is estimated to increase by at least $12.8 million in state budget year 2022-23, and $14.1 million in state budget year 2023-24 and subsequent years compared to what would have happened under current law. Additionally, the measure will decrease state spending for the senior and disabled veteran homestead exemption by a minimal amount, and increase workload for the

Division of Property Taxation to update forms and training materials and respond to inquiries regarding the changes.

For up to five budget years, the measure allows the state to retain $25.0 million in revenue above constitutional spending limits, for the purpose of offsetting lost local government revenue and funding state reimbursements through the homestead exemption. In years when the state collects revenue above its constitutional limit, this provision of the measure effectively has no net impact on state spending or the availability of the homestead exemption.

The state's budget year runs from July 1 through June 30.

Taxpayer impacts. The measure lowers property taxes paid by owners of multifamily housing and lodging properties. Table 2 shows the estimated property tax decrease for example property values, assuming the statewide average mill levy (83.537 mills) for the 2020 tax year. The actual impact on an individual property owner will depend on several factors, including the local jurisdictions in which their property is located, actual future mill levies, and the actual value of the property.

Table 2
Example Taxpayer Impacts – Proposition 120
Tax Year 2022

Example Property Value	Estimated Change in Property Taxes	
	Multifamily Property	Lodging Property
$500,000	($125)	($1,086)
$1,000,000	($251)	($2,172)
$10,000,000	($2,506)	($21,720)
$50,000,000	($12,531)	($108,598)
$100,000,000	($25,061)	($217,196)

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The description of the measure in this voter information guide differs from the language in the ballot question because a law that changed the effect of the measure was passed by the state legislature after the ballot question was written.

What Your Vote Means

YES A “yes” vote on Proposition ? lowers property tax assessment rates for multi-family housing and lodging properties. It does not impact assessment rates for other types of residential and nonresidential property.

NO A “no” vote on Proposition ? retains the assessment rates for lodging and multi-family housing properties that are in current law.

Summary and Analysis for Proposition ?

What happens if Proposition ? passes?

Proposition ? will lower property tax assessment rates for multi-family housing and lodging properties, as shown in Table 1. Through state budget year 2026-27, the measure also allows the state to retain $25.0 million per year in revenue above the constitutional limit if it is used to fund existing reimbursements to local governments for property tax exemptions for seniors and veterans with a service-related disability.

Table 1
Assessment Rate Changes Under Proposition?

	Without Proposition?			With Proposition?
Type of Property	**2021**	**2022 and 2023**	**2024**	**Starting in 2022**
Multi-family Properties	7.15%	6.8%	7.15%	6.5%
Lodging Properties	29%	29%	29%	26.4%

The following classes of property are not impacted by the measure:

- other residential properties, including single-family homes;
- agricultural land;
- mines and oil and gas properties; and
- other nonresidential properties, such as commercial property, industrial property, natural resources, and vacant land.

Why is this description of Proposition ? different from the ballot question and text of the measure?

The effect of Proposition ? changed due to a law passed by the state legislature during the 2021 session. Specifically:

- Proposition ? was initially written to permanently lower the assessment rates for all residential property and most nonresidential property.
- Senate Bill 21-293, enacted in June, established new categories of property so that the lower residential assessment rate in Proposition ? (6.5 percent) applies only to multi-family housing properties, and the lower nonresidential assessment rate (26.4 percent) applies only to lodging properties.

Senate Bill 21-293 also temporarily lowers assessment rates for residential, agricultural, and renewable energy properties for 2022 and 2023, after which the rates return to 2021 levels. Proposition ? does not affect the temporary rate reductions in the bill, with the exception of multi-family housing.

What are property taxes?

Residential and nonresidential property owners pay property taxes on a portion of their property's value. Nonresidential property includes commercial, industrial, agricultural, and oil and gas property, vacant land, natural resources, and mines. Cities, counties, school districts, and special districts impose and collect the tax annually, and use the revenue to fund public schools and local services such as road and street maintenance, police departments, fire protection, water and sewer infrastructure, parks, and libraries.

How are property taxes calculated?

Figure 1 illustrates how property taxes are calculated. 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 multiplying the actual value by the assessment rate. The actual value of a property is determined by the county assessor or state property tax administrator; the assessment rate is a percentage set in state law. The taxable value is then multiplied by the local tax rate (known as a mill levy) to determine the taxes due. One mill equals $1 for every $1,000 of taxable value.

Figure 1
Property Tax Calculation
Example: Property value of $300,000, taxed at 100 mills, using 2021 assessment rates.

Taxable value = Property value × Assessment rate

Residential	$300,000	×	7.15%	= $21,450 taxable value
Nonresidential	$300,000	×	29%	= $87,000 taxable value

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

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How does Proposition ? impact property taxpayers?

Compared to what would be owed without the measure, Proposition ? reduces property taxes for most owners of the following types of property:

- **Multi-family housing properties**, which include those with more than one housing unit such as duplexes, triplexes, or properties with four or more units, but do not include condominiums; and
- **Lodging properties**, which include hotels, motels, and bed and breakfasts.

The actual impact on an individual property owner will depend on several factors, including the local jurisdictions in which their property is located, actual future mill levies and the actual value of their property. The taxpayer impact section below includes the estimated property tax decrease for several examples at different property values, assuming the statewide average mill levy for the 2020 tax year.

How does Proposition ? impact local governments?

Proposition ? reduces property tax revenue to most local governments, compared to what would be collected without the measure, and may impact local services such as education, fire protection, police, transportation, and libraries. The impact on each individual local government's revenue and services will vary across the state, depending on:

- **Mix of properties** – areas with a higher portion of multi-family housing and lodging properties will be more heavily impacted.
- **Mill levies** – actual mill levies are determined at the local level. Local governments could choose to ask voters to raise future mill levies. Some local governments already have permission from their voters to adjust the tax rate to make up for reductions in assessment rates, and thus will not experience any revenue impacts.

Property values are growing at different rates around the state. In areas where property values are growing quickly, the reduction in assessment rates will cause property tax revenue overall to grow at a slower rate. In areas where values are not growing quickly, this reduction could cause overall property tax revenue to decrease from one year to the next.

How does Proposition ? impact school funding?

Public schools are funded through a combination of state and local government revenue. The state pays the difference between an amount of school district funding required by a formula in state law, and the amount of local tax revenue generated. A reduction in property tax revenue to school districts increases the amount that the state must pay to make up the difference, although actual funding is determined by the state legislature. Property tax reductions from Proposition ? that are not offset by additional state funding will result in lower school funding for some districts. The impact will vary by district.

What is the homestead property tax exemption?

The homestead property tax exemption allows eligible veterans with service-related disabilities and seniors to exempt 50 percent of the first $200,000 of residential property value from property taxes. The average exemption was $584 in 2020.

In years the exemption is available, the state reimburses local governments for the revenue reduction resulting from the property tax exemption. The state spent $157.9 million on local government reimbursements in state budget year 2020-21. In some years, the state legislature has made the exemption temporarily unavailable as a budget balancing decision. The last year the exemption was not available was 2011.

Does the measure change the homestead property tax exemption?

No. The measure does not change the homestead property tax exemption. Rather, the measure allows the state to retain $25.0 million above constitutional spending limits per year through the 2026-27 state budget year if that amount is spent on homestead exemptions.

For information on those issue committees that support or oppose the measures on the ballot at the November 2, 2021, election, go to the Colorado Secretary of State's elections center web site hyperlink for ballot and initiative information:

http://www.sos.state.co.us/pubs/elections/Initiatives/InitiativesHome.html

Argument For Proposition ?

1) The measure provides targeted tax relief for important sectors of Colorado's economy as they recover from the COVID-19 pandemic recession. Reducing property taxes for most multi-family properties may ease pressure on rents and encourage investment to address Colorado's housing shortage. In addition, lodging owners may hire and retain more employees and potentially reduce lodging rates, attracting additional visitors.

Argument Against Proposition ?

2) Permanently reducing property tax revenue to local governments may result in long-term cuts to important government services. Proposition ? could pose challenges for special districts, cities, or counties that rely on property tax revenue from multi-family homes or lodging properties to maintain services, such as water, transportation, education, and emergency services. In particular, critical fire protection needs are increasing rapidly, and not all areas of the state are able to generate the funding needed to support these local services.

Fiscal Impact for Proposition ?

This measure decreases local government property tax revenue and increases state spending requirements as described below.

Local government impact. Proposition ? is expected to decrease property tax revenue to local governments statewide by an estimated $XXX beginning in 2023. Prior to the passage of Senate Bill 21-293, the measure was expected to decrease property tax revenue to local governments by an estimated $1.03 billion, which is why this number appears in the ballot question.

The impact will vary among local governments across the state, and the specific impact on each city, county, special district, or school district will depend on several factors, including mill levies and the composition of properties in each jurisdiction.

State expenditures. The measure increases state expenditures to backfill lost property tax revenue to school districts. If the measure passes, the state share of school finance is estimated to increase by approximately $XXX in state budget year 2022-23 and subsequent years compared to what would have happened under current law. Additionally, the measure will decrease state expenditures for the senior and disabled veteran homestead exemption by a minimal amount, and increase workload for the Division of Property Taxation to update forms and training materials and respond to inquiries regarding the changes.

For up to six budget years, the measure allows the state to retain $25.0 million in revenue above constitutional spending limits, for the purpose of offsetting lost local government revenue and funding state reimbursements through the homestead exemption. In years when the state collects revenue above its constitutional limit, the measure may increase the amount of funding available for the state government to save or spend and reduce the state obligation for refunds to taxpayers. The state's budget year runs from July 1 through June 30.

Taxpayer impacts. The measure lowers property taxes paid by owners of multi-family housing and lodging properties. Table 2 shows the estimated property tax decrease for example property values, assuming the statewide average mill levy (83.537 mills) for the 2020 tax year. The actual impact on an individual property owner will depend on several factors, including the local jurisdictions in which their property is located, actual future mill levies, and the actual value of the property.

Table 2
Example Taxpayer Impacts – Proposition ?
Tax Year 2022

Example Property Value	Estimated Change in Property Taxes: Multi-family Property	Estimated Change in Property Taxes: Lodging Property
$500,000	-$XX	-$XX
$1,000,000	-$XX	-$XX
$10,000,000	-$XX	-$XX
$50,000,000	-$XX	-$XX
$100,000,000	-$XX	-$XX

Last Draft Comments from Interested Parties

Initiative 27
Property Tax Reduction Rate Assessment

Dianne Criswell, representing the Special Districts Association of Colorado:

Dear Legislative Council,

Thank you for the opportunity to submit comments on behalf of the Special District Association of Colorado (SDA) on the second draft of the blue book analysis of Initiative #27 (Proposition # TBD).

Description of Initiative #27
On p. 2, line 21: Initiative #27 (Proposition # TBD) is described as "permanently lower[ing] the assessment rates for all residential property and most nonresidential property."

While we understand that the purpose of this statement is likely to distinguish the assessment rates in Initiative #27 from some of the temporary assessment rates in SB21-293, there is no *permanent* setting of assessment rates by statute. Therefore, we believe the use of the word "permanently" on p. 2, line 21 of the draft is potentially misleading and confusing to voters.

We suggest striking the word "permanently" from the draft, p. 2, line 21.

Description of the Impact of Initiative #27 on Local Governments
On p. 4, line 3, the draft provides that local government services "may" be impacted by Initiative #27. While some local governments may take actions, near or long-term, to off-set the impacts of Initiative #27, should it be approved by voters, we believe a better characterization is that Initiative #27 will impact local government services.

On p. 4, starting on line 14, we suggest the following changes in redlines to explain to voters how property tax revenues in different areas of the state will be impacted by Initiative #27:

Property values are growing at different rates around the state. In areas where property values are growing quickly, the reduction in assessment rates proposed in Proposition ? will cause property tax revenue overall to grow at a slower rate. In areas where values are not growing quickly, ~~this~~ the reduction proposed by Proposition ? ~~could~~ will cause overall property tax revenue to decrease from one year to the next.

Argument for Initiative #27
Starting on p. 5, line 1: we strongly object to the inclusion of references to COVID-19 in this section. There are many long-term economic or other trends that may weigh in favor of tax relief. The inclusion of COVID-19 in this section is misleading to voters.

Dianne Criswell, representing the Special Districts Association of Colorado (Cont.):

The emotional impact on voters by including COVID-19 relief as one of the arguments in favor of Initiative #27 is prejudicial to entities with concerns about Initiative #27, including the SDA. If COVID-19 relief is retained in the "arguments for" section, we encourage inclusion of a COVID-19 statement in the "arguments against," as below.

Further, on p. 5, line 3, on the sentence beginning with "Reducing…": the statement that lower property taxes on multi-family properties may inure to the benefit of renters (by lowering rents) or leading to additional development of affordable housing is highly speculative. We believe this statement will mislead voters, especially renters, who may falsely believe that their rents will be reduced if they vote in favor of Initiative #27. Further, for Coloradoans who have been priced out of the housing market, they may falsely believe that Initiative #27 will result in more affordable housing options. The economic factors impacting rental and housing markets are multiple and dynamic – and claims that lower property taxes will have any impact on these national problems are misleading.

<u>Argument against Initiative #27</u>
Starting on p. 5, line 8: similar to the comment above on the Impact of Initiative #27 on local governments, the use of the verb "may" lead to cuts to important government services fails to describe the potential impacts. For example, there will be immediate impacts, not just long-term reductions.

On p. 5, line 10, the statement "Proposition ? could pose challenges…" does not give voters a sense of the magnitude of the potential impact on essential services in order to make an informed decision about Initiative #27. This is a general statement that may apply to any government, anywhere, when a reduction of any tax is proposed.

On p. 5, line 9, we suggest the following changes in <u>redlines</u>:

~~Permanently reducing property tax revenue to local governments may result in long-term cuts to important government services.~~ Proposition ? <u>will permanently reduce revenues used by</u> ~~could pose challenges for~~ special districts, cities, or counties that rely on property tax revenue from multi-family homes or lodging properties to maintain services such as water, transportation, education, and emergency services <u>and will have near and long-term impacts on government services, programs, and infrastructure</u>. ~~In particular,~~ <u>With numbers and severity of wildfires worsening, the state's</u> critical fire protection needs are increasing rapidly, and not all areas of the state are able to generate the funding needed to support these local services. <u>In addition, Proposition ? will impact the ability of local governments to provide emergency and health services in response to the on-going COVID-19 pandemic, future pandemics, and regular emergencies.</u>

Last Draft Comments from Interested Parties

Michael Fields, representing Colorado Rising Action:

Good afternoon-

There was nothing new in the second draft to clarify what is really going on with this ballot issue. There is no explanation of the legal issue that is at the heart of the conflict between Initiative #27 and SB 293. In fact, there isn't a single word or argument from the proponents at all in this whole Blue Book draft about the initiative we wrote.

At the most recent Title Board meeting, Jason Gelender, the Managing Senior Attorney for the Office of Legislative Legal Services made a comment about a different tax cut that we are putting through the process. He said:

“At least for statutes, we have a statute that says, if we have irreconcilable statutory provisions, well first, the goal is to harmonize them to the extent possible, and if you can’t harmonize them, the later in date controls…If this passed after the General Assembly did something, and there was conflict, I think this would probably just control.”

This was a statement from the Managing Senior Attorney. It is the exact argument we made to the Blue Book drafters, but yet there is no discussion about this whole topic in the Blue Book draft. Again, I would like an explanation about why this is being ignored when even the top OLLS attorney has said the above statement about the topic.

Eric Gamm, representing the Common Sense Institute:

Dear Legislative Council Staff,

The 2021 Blue Book will be a crucial resource for Colorado voters interested in casting sound and informed votes this November; thus, it is similarly crucial that each proposition’s ballot analysis explain the measure clearly and comprehensively, present all the relevant background information, and contain relevant and well-sourced fiscal impact estimates. The 2021 Senate Bill 293, by fundamentally undermining the initiative’s ballot language and radically tempering its presumptive impact, presents an unusual challenge to the pursuit of these ideals during the drafting process of Initiative #27’s analysis, but the current ballot analysis draft is well-positioned to succeed at them should its authors be prepared to apply some minor changes and finish the endeavor properly. To this end, CSI offers the following comments and suggestions:

• If Initiative #27’s ballot language cannot be changed to properly reflect the impact of SB21-293, the Blue Book ought to make especially and immediately clear to readers precisely what the bill changed. The explanation presented by the current draft may be insufficiently prominent, especially the part of it which concerns the old revenue estimate.
• The total fiscal estimates, once they are determined, should be presented in a similar table to the one at the top of the May 17th fiscal note. This should make them clearer and easier to locate.

Eric Gamm, representing the Common Sense Institute (Cont.):

• It may also be helpful if the analysis explains the timing of the fiscal impacts with respect to the proposition's interaction with SB21-203. CSI's preliminary and unpublished analysis estimates that the impact of the initiative to local revenues in 2023 would be approximately $100 million, but that, due to the expiration of SB21-293's rate cuts, the relative impact would increase to $120 million in 2024.

• At the very least, if the fiscal impact estimates cannot be finalized before completion of the next draft, the authors should populate Table 2 for the sake of the participating public. Those numbers do not appear to depend upon the total revenue impact estimates.

Thank you for your consideration, and we look forward to reading the third draft.

Joann Groff, representing the Colorado Department of Local Affairs:

Hi, Initiative 27 team! I think this is very well written. I think the addition of "all other residential properties" or the suggestion of Cary Kennedy of "including single family homes" would be clarifying.
Again, great work and thanks for the opportunity for input! JoAnn

---------- Forwarded message ---------
From: **Kennedy - GOVOffice, Cary** <cary.kennedy@state.co.us>
Date: Tue, Aug 10, 2021 at 1:53 PM
Subject: bluebook - assessment rates
To: Meredith Moon - GovOffice <meredith.moon@state.co.us>, Aaron Ray - GOVOffice <aaron.ray@state.co.us>, Jacki Melmed - GovOffice <jackic.melmed@state.co.us>, JoAnn Groff - DOLA <joann.groff@state.co.us>
Meredith, Aaron, Jacki and JoAnn

The 2nd draft of the Bluebook for Initiative 27 - Assessment Rates - is posted and OLLS is accepting comments through Friday. Here's the link.
https://leg.colorado.gov/sites/default/files/initiative%2520referendum_2021-2022%2027v2.pdf

I think the draft looks good. I have only one small change I'd recommend, which is Page 2 line 27 "Senate Bill 21-293 also temporarily lowers assessment rates for residential, (insert) INCLUDING SINGLE FAMILY HOMES,"

Please let me know if you have any other thoughts/suggestions.
Thanks!!

Cary Kennedy
Senior Policy Advisor

Last Draft Comments from Interested Parties

Suzanne Taheri, representing herself as a proponent:

Good Afternoon,
I am submitting this comment on Initiative 27. As drafted, the ballot analysis contains nothing offered by the proponents related to our interpretation of the measure. If the measure is passed there is a legal argument that the language can be harmonized in favor of the right to initiative. Additionally, the statute will have passed later in time than Senate Bill 21-293 and will take precedence. This should be explained on the pro side. It is unfair to the proponents to take the con argument and put it on the pro side. The analysis as presented will be confusing to voters and is certainly not “non-partisan”. Voters should understand that this alternate argument may in fact be the final application of the initiative. Additionally, the analysis does not explain the operation of section 15 of Senate Bill 21-293. A yes votes means the amendment to Section 39-1-104.2 and section 4 of the bill will go into effect. A no votes means it will not. Because the legislature made these amendments dependent upon the vote of the people the analysis should explain the legislature’s actions.

Chris Truty, representing Forum Strategies LLC:

Thank you for providing me with this draft analysis. I would like to offer a few suggestions:

1) It’s not always clear whether the analysis is regarding the original initiative or the legislatively-modified outcome. It seems like the analysis jumps back and forth between the two and I consider myself pretty education on the issues.
2) Pg 1 – Line 6-8 – Should be significantly emphasized through larger fonts and positioning and possibly different background color. An analysis that does not align with the ballot question is going to create extraordinary voter confusion and perpetuate concerns about the voting process. The legislative council will get plenty of negative voter feedback to the extent they did not apply appropriate analysis to the question. I don’t think footnoting it, as it currently appears, will be sufficient notation to alert the voter. One other option would be before the analysis even begins to have a paragraph that states *** IMPORTANT ANALYSIS VARIATION *** and then offer your explanatory paragraph. One other note would be to have a paragraph that identifies the statutes that say legislation supercedes voter initiatives or vice versa.
3) ***Pg 2 – Line 11-12 – Your analysis says that residential properties not including single-family homes are not affected by this measure. I must be seeing this different as Section 3 of SB21-293 clearly sets the residential rate at 6.95% versus the voter initiative of 6.5%. (39-1-104.2 (3)(r) How is this not reflected in the analysis or am I missing something? Whether it’s the voter initiative or the legislation, residential tax rate is being reduced to at least 6.95% for two years***.

Chris Truty, representing Forum Strategies LLC (Cont.):

4) Pg 4 – Line 11-13 – While some governments have passed de-Gallaghering type legislation, the language of the some of the initiatives ALLOWS the Boards to raise their mill levies. They do not mandate the mill levies be raised. Change in line 12, "…and thus *will* not…" to "…and thus *may* not…"

5) In sections were the language states "The measure", would it be more beneficial to say "The measure combined with recently passed legislation…" It's possible the analysis will be received as misleading since it's not just the measure that is being analyzed.

6) On Pg 5 – it's difficult to tell whether the arguments are explaining the original ballot language or the legislation-affected ballot language.

7) On Pg 6 -Line 1, you identify $25 million state retained revenue for six years, which was part of the original ballot language but the property classifications in line 9 appear related to the new legislative language. It appears sometimes the analysis is about the initiative and sometimes its about the legislation.

Initiative #27
Property Tax Assessment Rate Reduction
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Initiative #27
Property Tax Assessment Rate Reduction
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Proposition 120
Property Tax Assessment Rate Reduction

Ballot Title:

Shall there be a change to the Colorado Revised Statutes concerning property tax reductions, and, in connection therewith, reducing property tax revenue by an estimated $1.03 billion in 2023 and by comparable amounts thereafter by reducing the residential property tax assessment rate from 7.15% to 6.5% and reducing the property tax assessment rate for all other property, excluding producing mines and lands or leaseholds producing oil or gas, from 29% to 26.4% and allowing the state to annually retain and spend up to $25 million of excess state revenue, if any, for state fiscal years 2022-23 through 2026-27 as a voter-approved revenue change to offset lost revenue resulting from the property tax rate reductions and to reimburse local governments for revenue lost due to the homestead exemptions for qualifying seniors and disabled veterans?

Text of Measure:

Be it Enacted by the People of the State of Colorado:

SECTION 1. In Colorado Revised Statutes, 39-1-104 **amend** (1) as follows:

(1) THROUGH DECEMBER 31, 2021 the valuation for assessment of all taxable property in the state shall be twenty-nine percent, AND BEGINNING ON JANUARY 1, 2022 THE VALUATION FOR ASSESSMENT OF ALL TAXABLE PROPERTY IN THE STATE SHALL BE TWENTY-SIX AND FOUR-TENTHS PERCENT of the actual value thereof as determined by the assessor and the administrator in the manner prescribed by law, and such percentage shall be uniformly applied, without exception, to the actual value, so determined, of the various classes and subclasses of real and personal property located within the territorial limits of the authority levying a property tax, and all property taxes shall be levied against the aggregate valuation for assessment resulting from the application of such percentage. This subsection (1) shall not apply to residential real property, producing mines, and lands or leaseholds producing oil or gas.

SECTION 2. In Colorado Revised Statutes, 39-1-104.2 **amend** (3)(q) as follows:

39-1-104.2. Adjustment of residential rate - legislative declaration - definitions.

(3) (q) The ratio of valuation for assessment for residential real property is 7.15 percent of actual value for property tax years commencing on or after January 1, 2019 and 6.5 PERCENT OF THE ACTUAL VALUE FOR PROPERTY TAX COMMENCING JANUARY 1, 2022, until the next property tax year that the general assembly adjusts the ratio of valuation for assessment for residential real property.

SECTION 3. In Colorado Revised Statutes, 39-3-207 **add** (6) as follows:

39-3-207. Reporting of exemptions—reimbursement to local governmental entities.

(6) FOR THE PURPOSE OF OFF-SETTING LOST REVENUE RESULTING FROM A REDUCTION IN PROPERTY TAX AND TO FUND STATE REIMBURSEMENTS TO LOCAL GOVERNMENT ENTITIES FOR THE APPLICATION OF THE HOMESTEAD EXEMPTION, IN FISCAL YEAR COMMENCING ON JULY 1, 2022 THROUGH FISCAL

YEAR ENDING JULY 1, 2027, THE STATE SHALL BE AUTHORIZED TO RETAIN AND SPEND UP TO 25 MILLION PER YEAR IN REVENUE FOR WARRANTS OTHERWISE AUTHORIZED UNDER THIS SECTION.