Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Initiative 148

Fiscal Summary

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LCS TITLE: DETERMINATION OF PROPERTY TAXES

Fiscal Summary of Initiative 148

This fiscal summary, prepared by the nonpartisan Director of Research of the Legislative Council, contains a preliminary assessment of the measure's fiscal impact. A full fiscal impact statement for this initiative is or will be available at **leg.colorado.gov/bluebook**. This fiscal summary identifies the following impact.

Local government impact. The measure reduces property tax revenue to local governments by an estimated $3.7 billion in property tax year 2024 (collected in 2025), $3.6 billion in property tax year 2025, and increasing amounts in later years.

Impacts are expected to vary across local governments based on the tenure of homeowners in their homes, and based on the level of home price appreciation in the district. Districts with long homeowner tenure and/or rapid home price appreciation are expected to experience greater revenue loss from the measure. For school districts only, a portion of lost revenue will be offset by increased state contributions to school finance, as discussed below.

The measure significantly increases costs for local governments to update software programs to accommodate having different mill levies for residential and nonresidential real property. Additionally, reduced property tax revenue may make it more expensive to issue bonds that are backed by property tax revenue due to increased interest and legal costs, and may make defaults on current bonds more likely. Finally, the requirement of an election to be held for mill levy changes would increase election costs.

State expenditures. The measure increases state expenditures by an estimated $1.0 billion in FY 2024-25, $1.0 billion in FY 2025-26, and increasing amounts in later years from increased state aid obligation for school finance as required under current law.

Economic impacts. Reducing the amount of property taxes owed will increase the amount of after-tax income available for homeowners and business property owners to spend, save, or invest elsewhere in the economy. The measure may incentivize more property improvements than under current law, as improvements will not result in increased property taxes until the property's next sale.

The measure will decrease revenue available for counties, municipalities, school districts, and special districts relative to current law, lowering the amount of funds available for public services. The measure will decrease revenue collected by school districts under mill levy overrides and bond approvals, lowering the amount of funds available for school services.

Any overall change in economic activity will depend on the net economic impacts of higher after-tax household and business income and reduced investment in public services.