Initiative 303

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Summary

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LCS TITLE: LIMIT ON PROPERTY TAX INCREASES

Fiscal Summary of Initiative 303

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 is expected to reduce local property tax revenue by limiting annual growth in a property's taxes for most property classes. Assuming the measure first applies to the 2025 property tax year, it is expected to reduce property tax revenue by at least $145 million for property tax year 2025, at least $40 million in property tax year 2026, and larger amounts in later years. These estimates contain greater uncertainty than usual because there is no available forecast for parcel-level taxes, only for school district-level assessed values. The estimates assume that each parcel in a school district experiences the same level of value appreciation.

Reduced local property tax revenue will require at least an estimated $35 million in FY 2025-26 and $10 million in FY 2026-27 to be made up through state aid for total program funding for school finance under current law. Overall, the measure is expected to reduce revenue for local governments and school districts by at least $110 million in FY 2025-26, at least $30 million in FY 2026-27, and larger amounts in later years.

The measure will require changes to state laws that direct how counties determine the amount of property tax due. Administrative costs will depend on implementing legislation and are expected to require significant software upgrades and additional local tax administration personnel on an ongoing basis.

State expenditures. The measure will increase state expenditures at least $35 million in FY 2025-26, at least $10 million in FY 2026-27, and larger amounts in later years for the state aid obligation for school finance. The analysis assumes a proportional reduction in revenue generated under total program mill levies compared with revenue from all mill levies.

Economic impacts. Limiting property tax growth will increase the amount of after-tax income available for homeowners and business property owners to spend or save, increasing their spending, saving, or investment elsewhere in the economy. The measure will decrease revenue available for counties, municipalities, school districts, and special districts relative to current law, lower the amount of funds available for public 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. The measure is also expected to reduce property improvements and changes in use, as these changes could result in large increases in property tax.