Initiative 50

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Impact Statement

Date: July 7, 2023 **Fiscal Analyst:** David Hansen (303-866-2633)

LCS TITLE: VOTER APPROVAL TO RETAIN ADDITIONAL PROPERTY TAX REVENUE

Summary of Measure

In years when statewide property tax revenue is projected to grow by more than 4 percent, the measure modifies the state constitution to require statewide voter approval for governments to retain property tax revenue more than 4 percent over statewide property tax revenue from the prior year. If a referendum is referred by the General Assembly to allow jurisdictions to retain the additional revenue, the measure specifies that the referendum must be a stand-alone subject and specifies text for the ballot title.

Local Government

Property tax revenue. The measure conditionally decreases property tax revenue in years when statewide property tax revenue is projected to grow more than 4 percent over the prior year, unless voters approve a ballot measure allowing for the additional revenue to be retained. This analysis assumes the limitation in the measure is effective beginning for property tax year 2025, for which taxes are payable in 2026. The December 2022 Legislative Council Staff forecast for assessed values currently projects assessed values will increase 4.7 percent for property tax year 2025. Assuming a proportional increase in projected local property tax revenue, a ballot measure may be referred for voters to approve or reject allowing local governments to retain revenue above the measure's 4 percent growth limit. If a referred measure to retain revenue is not approved, Initiative 50 would decrease revenue by an estimated $115 million, assuming the 2022 statewide average levy of 85.034 mills. This analysis assumes additional revenue applies to total statewide property tax revenue. To the extent each local jurisdiction is subject to the 4 percent limit individually will increase the impacts estimated in this analysis.

State aid to school districts. Assuming school districts are subject to the measure's conditional limitations, a portion of lost revenue will be offset by increased state contributions to total program funding for school finance. Based on estimated total program mills for the 2025 property tax year and estimated revenue loss based on the statewide average mill levy, if a referred measure to retain revenue is not approved, Initiative 50 would decrease the local share of the school funding formula and increase the state aid to school districts by an estimated $30 million, partially offsetting the decreased local revenue estimated above. To the extent each district is subject to the 4 percent limit individually will increase the impacts estimated in this analysis.

Local expenditures. The measure is expected to increase costs for local county assessors and treasurers to either refund tax revenue or otherwise meet the requirements of the measure when the limitation is imposed. If the measure results in property tax revenue projections and reporting from counties and districts, it may have ongoing annual costs for local governments.

State Revenue

The measure may conditionally increase severance tax revenue by reducing future ad valorem tax credits available to oil and gas producers when calculating their severance taxes. The amount of this impact depends on how the limit in the measure is implemented in taxing jurisdictions that impose property taxes on oil and gas producers.

State Expenditures

State workload. The measure increases state expenditures to produce a projection of property tax revenues each year depending on how the measure is implemented. The measure is expected to increase workload for the Division of Property Taxation to update manuals and procedures and to provide technical assistance to local governments.

School finance. The measure conditionally reduces the local share of total program funding for school finance assuming school districts are subject to the limitation and depending on how the limit in the measure is implemented, which will result in a corresponding increase in the state aid requirement in certain years. As noted in the local government section, the estimated increase in the state aid requirement is $30 million in property tax year 2025.

Election expenditure impact. If ballot measures to allow for property tax revenue retention are referred, expenditures for certain election costs incurred by the state related to ballot measures will conditionally increase in certain years. Expenditures include reimbursing counties for increased election costs, publishing the text and title of the measure in newspapers across the state, and preparing and mailing the Blue Book.

Taxpayer Impact

The measure conditionally reduces property taxes paid by property owners, increasing the amount of after-tax income available for some property owners to spend, save, or invest elsewhere in the economy in certain years. Based on the assumptions in the Local Government section above, after tax income could increase by $115 million in FY 2025-26.

The measure will conditionally decrease revenue available for counties, municipalities, school districts, and special districts relative to current law, lowering the amount of funds available for public services and potentially impacting certain taxpayers.

Effective Date

If approved by voters at the 2024 general election, this measure takes effect upon proclamation of the Governor, no later than 30 days after the official canvass of the vote is completed.

State and Local Government Contacts

Counties	Municipalities
County Assessors	Office of Legislative Legal Services
Information Technology	Property Taxation Division
Legislative Council Staff	Secretary of State
Local Affairs	Special Districts