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# *Colorado Property Tax Changes*

**Presented by:**

Carolynne White

Brownstein

# *November 2024 Ballot + New Law*

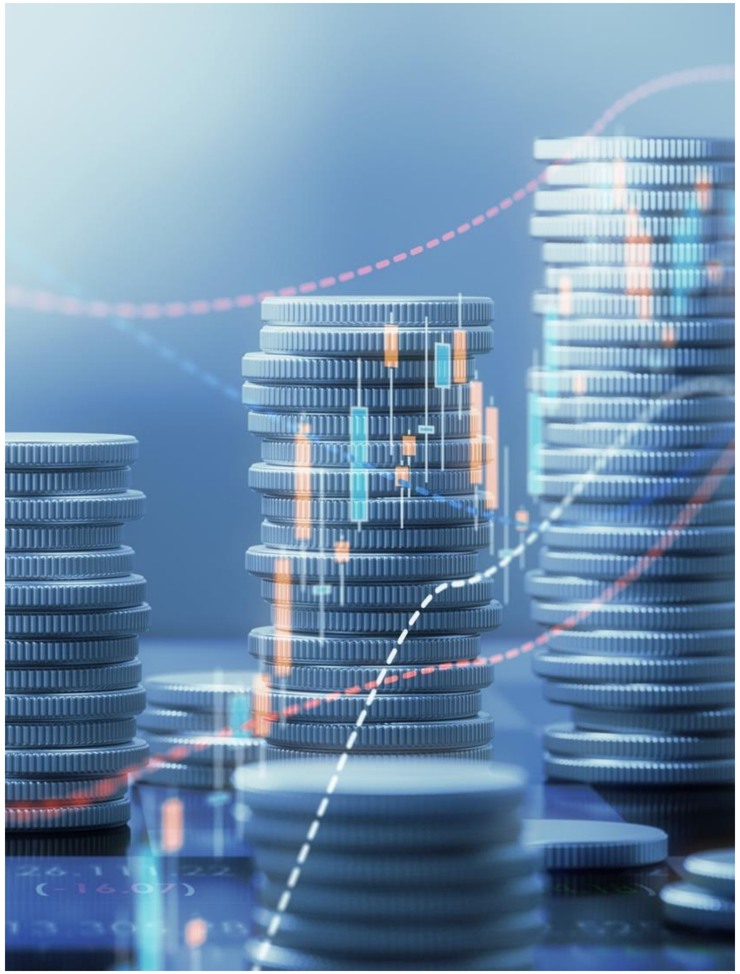
- Initiative 50 (*withdrawn*)
- Initiative 108 (*withdrawn*)
- SB 24-233 (partially in force, as modified by HB 24B-1001)
- HB 24B-1001 (*THIS is the one.)*

# How Did We Get Here?

- Rising Home Values
  - increase in property values, especially in urban and suburban areas
  - housing market boom
  - Population growth
  - pandemic demand
  - higher demand driving up home prices.
- Amendment B (2020)
  - Approved 2020
  - repealed Gallagher Amendment
  - previously limited the growth of residential property taxes by keeping a fixed ratio between residential and commercial property taxes. This allowed residential property taxes to increase more freely as home values increased.

# *Statewide Property Value Increases*

- Denver Metro Area
  - 2021 reassessment, average increase 15% to 30%
  - 2023, 20% to 50% depending on the neighborhood
- Boulder County
  - average 35% to 40%
- Mountain Communities
  - Summit County, 40% to 60%
  - Eagle County 30% to 50%
- El Paso County
  - 20% to 35%
- Western Slope)
  - Mesa County 10% to 25%



# *Property Tax Relief Efforts*

- Proposition HH
  - State Legislature Referred Measure
  - Would have cut property tax rates, while allowing the state to retain more excess tax revenue
  - Would have reduced the state's assessment rate for residential property to 6.7% (down from 6.765%) for 10 years.
  - Would have increased the amount of excess revenue state could retain under TABOR.
  - November 2023 ballot
  - Failed with only 39% of voters supporting
- Initiative 50 and Proposition 108
  - Initiative 50 submitted May 2023, October 2023
  - Proposition 108 submitted January 2024, certified August 2024
- General Assembly – SB 24-233
  - Passed May 8, 2024
- General Assembly – HB 24B-1001
  - Passed August 29, 2024
  - Signed by Governor September 4, 2024

# *Initiative 50*

- Constitutional Amendment
- Would have created a cap on the amount by which property tax revenue in the state can increase year-over-year

*"If the total statewide property tax revenue is projected to go up more than 4% over the preceding year, voter approval is needed for government to retain the additional revenue"*

# Initiative 50 Questions and Concerns

- Overall, less revenue for local governments
- What pool of voters must approve?
  - Unclear whether the vote is statewide or local government specific
- When can such an election be held?
  - Modified Article X, but not Section 20. Potentially any time, not just at TABOR election dates (November of every year, or May of odd years)
- What happens if the property tax revenues are not projected to be more than 4% in the aggregate, but end up generating more than 4% after all?
- How would the 4% be measured?
  - Language indicates statewide, "total" – so this references the aggregate of all revenues statewide
- How would it be implemented?
  - Assumed General Assembly and/or the Division of Property Tax would promulgate implementing statutes or regulations
  - Delay between effective date and implementing legislation
- How would the bill interact with TABOR and other tax laws

# *Initiative 108*

- Statutory Amendment, not Constitutional
- Changes assessment ***rate***
  - Changes assessment rate to 24% for all nonresidential property except
    - Residential
    - Mines
    - Oil and gas
  - Changes assessment rate to 6.7% for residential property
- Includes state backfill
  - "state treasurer shall issue  a warrant to be paid yearly from the general fund to reimburse local districts for lost revenue as a result of the passage of this measure"
  - State required to maintain current funding for the state education fund

# *Proposition 108 Questions and Concerns*

- Overall, less property tax revenue available for local governments
- If local governments' "lost revenue" would have been increment, are local governments required to share with URAs all or a portion of the "backfill" received from the state?
- Unlike Initiative 50, could be amended

# *Senate Bill 24-233*

- Status
  - Passed by General Assembly
  - Would not have taken effect if either Initiative 50 or Initiative 108 passes
  - Modified by HB 24B-1001
- Establishes 5.5% cap on year-over-year property tax revenue increases
  - "Qualified Property Tax Revenue" excludes property tax revenue
    - "attributable to new construction and personal property connected therewith"
    - Revenue increases resulting from a change in law, or annexation
    - Increases attributable to the termination of TIF authorizations (URA or DDA)
    - previously tax-exempt federal land which becomes taxable
    - From producing mines or oil or gas
    - Voter approved debt obligations
    - Voter approved mill levy increases
- Measured at the individual local government level, not statewide
  - "Local government" excludes school districts, home rule cities or counties, local governments which have not de-Bruced

# *SB 24-233 - continued*

- Reduces commercial assessment rate to 25% by 2027; gradual decreases between 2024 and 2027
- Generally, reduces residential assessment rate to 6.7% for property tax year 2024; 6.4% for property tax year 2025; and 6.95% for property tax year 2026
- Adjustments for school districts
  - 7.15% for tax year 2025, or a percentage of the actual value of the property determined by the property tax administrator
  - 2026 and later – 7.15% or percentage of actual value necessary for the local share of “total program” to equal 60%
- State will reimburse non-school local governments for decreases in value between 2022 and 2024
- Allows deferral of tax payments by residential property owners (homestead) according to a formula
- Allows for a local government to seek voter approval to: exceed the property tax revenue limit for a single year, multiple years, or all future property tax years; levy new mills that are not subject to the property tax revenue limit; and levy a floating mill up to the property tax revenue limit.

# *HB 24B-1001 – This is the law now. For real.*

- A "local government" may not retain and spend "qualified property tax" revenues in excess of the cap amount.
  - A home rule municipality is not a local government.
- Assessment ratios reduced across the board
  - Different for different types of property
- Different rules for school districts v. other local government entities
- Voter approval to exceed cap
  - May be for a single property tax year, a specified number of property tax years, or all future property tax years
  - For local governments, only that local government's voters must approve
  - For school districts, vote must be statewide
- Commission on property tax to evaluate equity of valuation under both SB 24-233 and HB 24B-1001

**Comparison: Non-School Local Governments, SB24-233 to HB24B-1001**
*Dianne Criswell, SDA Chief Legal Counsel*
*September 3, 2024*

## 1. Residential Assessment Rates (RAR)

| | SB24-233 | Changes in HB24B-1001 | HB24B-1001 – as passed |
|---|---|---|---|
| PTY 2024 | • 6.7%<br>• $55,000 exemption from actual value | Same | • 6.7%<br>• $55,000 exemption from actual value |
| PTY 2025 | Schools are de-coupled hereafter<br><br>RAR = 6.4% | Same de-coupling<br>• If statewide actual value change is more than 5%, RAR = 6.15%<br>• If statewide actual value change is less than or equal to 5%, RAR = 6.25% | Schools are de-coupled this year and thereafter<br>• If statewide actual value change is more than 5%, RAR = 6.15%<br>• If statewide actual value change is less than or equal to 5%, RAR = 6.25% |
| PTY 2026 | • 6.95%<br>• Non-school homestead exemption, 10% of actual value up to $700,000, indexed to inflation | • If statewide actual value change is more than 5%, RAR = 6.7%<br>• If statewide actual value change is less than or equal to 5%, RAR = 6.8%<br>• Same homestead exemption | • If statewide actual value change is more than 5%, RAR = 6.7%<br>• If statewide actual value change is less than or equal to 5%, RAR = 6.8%<br>• Non-school homestead exemption, 10% of actual value up to $700,000, indexed to inflation |

## 2. Non-Residential Assessment Rates (AR)

*Oil and gas are not included in the below*

| | SB24-233 | Changes in HB24B-1001 | HB24B-1001 – as passed |
|---|---|---|---|
| PTY 2024 | • 27.9%<br>• $30,000 exemption from actual value | Same, but also extends reduction to lodging properties in PTY 2024 | • 27.9% (including lodging properties)<br>• $30,000 exemption from actual value |
| PTY 2025 | 27% | Same, but adds that AR for vacant land is 27.5% | • 27% for most nonresidential<br>• 27.5% for vacant land |
| PTY 2026 | 25% | • 25% for improved commercial and ag<br>• 26% for most other<br>• 27.5% for vacant land | • 25% for improved commercial and ag<br>• 26% for most other<br>• 27.5% for vacant land |
| PTY 2027 | 25% | Same, but adds that AR for vacant land is 27.5% | • 25% for most nonresidential<br>• 27.5% for vacant land |

# What is “qualified property tax revenues?”

- Excludes new construction and personal property connected with new construction
- Property tax revenue attributable to a change in law regarding classification; or annexation or inclusion of additional land
- Expiration of a TIF “clock”
- Property omitted from the preceding year’s tax roll
- Property tax revenue abated or refunded by the local government entity from the property tax year
- Property tax revenue attributable to property which was previously tax exempt becoming taxable
- Tax revenue from mines or oil and gas
- Revenue earmarked to pay outstanding voter approved bonded indebtedness (debt issued as of November 5, 2024)
- Revenue attributable to voter approved mill levy increases
- Specific ownership tax revenue

# *What is the cap?*

- "Base amount" + "growth rate percentage" + "carryover amount"
- Base amount
  - Amount of qualified property tax revenue collected and lawfully retained in the prior property tax year
- Growth rate percentage
  - 5.25% for local governments (2 years in assessment cycle – 10.5% per cycle)
  - 6% for school districts (= 12% per cycle)
- Carryover amount
  - Base amount + growth rate + property tax revenue from the year with the greatest property tax revenue in the most recent reassessment cycle; except that
    - If the total amount retained in that year was greater than the base plus growth rate percentage then there is no carryover amount.
  - In other words, the carryover amount is the difference between the allowed growth rate of 5.25% and the actual growth rate.
  - The carryover amount is only available for one assessment cycle.
  - Disaster emergency spending is exempt from cap
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# *Carryover Calculation Examples*

**Figure B - Local Taxing District Cap Scenarios**

| *Cycle* | *Actual Growth after exemptions* | *Statutory Cap (fixed)* | *Remaining Cap Capacity (fixed less actual growth)* | *Cap with Carry Forward (fixed + remaining cap capacity)* | *Actual Growth Allowed w carry forward cap* | *Impact of carry forward cap on allowed growth* |
|---|---|---|---|---|---|---|
| 1 | 5% | 10.5% | 5.5% | 10.5% | 5% | 0% |
| 2 | 15% | 10.5% | 0% | 16% | 15% | 0% |
| 3 | 6% | 10.5% | 4.5% | 15% | 6% | 0% |
| 4 | 10% | 10.5% | .5% | 11% | 10% | 0% |
| 5 | 16% | 10.5% | 0% | 11% | 11% | -4.5% |

# *HB24B-1001 – Principal Impacts*

- For Homeowners
  - Many people think this legislation will result in lower property tax bills, but the main impact will be to slow the **rate** at which property values grow. So individual homeowners and business will still see increased property tax bills most years, but should see less dramatic increases in future years.
- For Local Governments
  - **Less Revenue**. Unless and until local governments have sought and received voter approval to keep and spend revenues in excess of the cap, local governments may see reduced general fund revenues.
  - **Alternative Revenues**. Local governments will be under increasing pressure to identify alternative revenues that are not subject to the property tax caps.
  - Will affect different types of local governments differently, depending on their revenue mix.

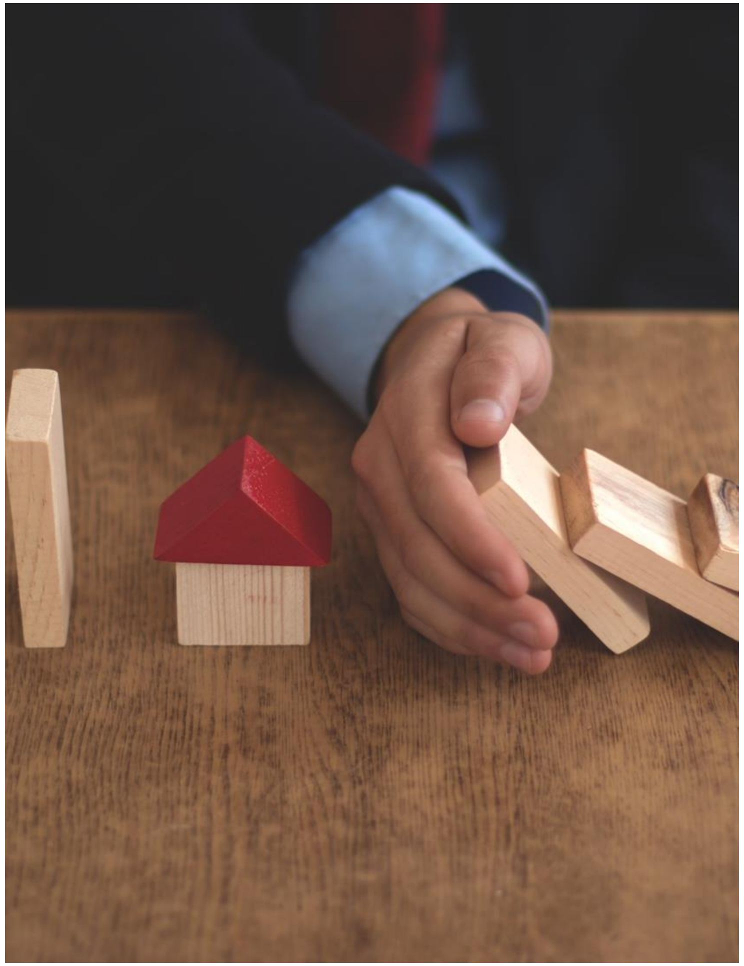

**Table 6**
**Local Government Revenue Impacts under HB 24B-1001**

| | Property Tax Year 2024 | Property Tax Year 2025 | Property Tax Year 2026 |
|---|---|---|---|
| Property Taxes – Local Gov't Entities | -5.0 million | -$118.5 million | -$130.5 million |
| Property Taxes – School Districts | -8.1 million | -$135.9 million | -$161.0 million |
| Property Taxes – Local Gov't Revenue Limit | - | $0 | $0 |
| Property Taxes – School District Revenue Limit | - | $0 | $0 |
| State Aid for School Finance | $4.9 million | $83.2 million | $99.8 million |
| State Reimbursements to Local Gov'ts | - | $0 | $0 |
| **Net Change** | **-$8.2 million** | **-$171.2 million** | **-$191.7 million** |

***Source:*** *Revised Fiscal Note – Legislative Council Staff – August 28, 2024*

# *Local Government Reimbursements ("Backfill")*

BASED ON LOCAL GOVERNMENT ENTITY'S 2024 MILL LEVIES, EXCLUDING BONDS AND CONTRACTUAL OBLIGATIONS

PAID FROM STATE FUND "LOCAL GOVERNMENTAL ENTITY BACKFILL CASH FUND" CREATED IN SB 24-233

IF REIMBURSEMENTS EXCEED AMOUNT IN FUND, PAYMENTS WILL BE PROPORTIONALLY REDUCED

# *What do Assessors need to do Differently?*

- Tracking Revenue Limits
  - Assessors will need to work closely with local governments to ensure that total property tax revenues comply with the annual growth limits.
  - Assessors will need to adjust their calculations and projections to factor in the cap on tax revenue growth
  - Separate calculations will be required for all property values and “qualified property values” as defined in the bill.
- Communicating Changes to Property Owners
  - Enhanced communication with property owners will be advisable.
  - The new system could lead to confusion, as taxpayers may see rising valuations but smaller-than-expected tax increases. Assessors will need to be prepared to explain the mechanics of the revenue cap and how it affects individual tax bills.

# *What do Assessors Need to do Differently?*

- Coordination with Local Taxing Authorities
  - Assessors will need to work closely with local governments to ensure that total property tax revenues comply with the annual growth limits.
  - Assessors will have to coordinate more closely with local taxing authorities to help manage and enforce the revenue growth limits.
  - They may need to provide detailed property value data earlier or in a more coordinated manner, helping local governments track whether they're approaching the revenue cap and preventing unintentional exceedances.
- Impact on Future Property Valuations
  - While the bill doesn't directly change how property values are assessed, the revenue cap may lead local governments to request more conservative estimates for future budgeting purposes.
  - Assessors may also have to provide more frequent projections of assessed values and potential tax revenues to help local governments plan within the bill's constraints.
- New Software or Tracking Systems
  - To manage the complexities introduced by the bill, assessors may need to adopt new software or tracking systems.

# *What do Local Governments Need to do Differently?*

- Monitor Revenue Caps Closely
- Adjust Budget Planning
- Engage with Voters for Revenue Increases
- Coordinate with Property Assessors
- Identify Alternative Revenue Sources
- Adapt to Legal and Administrative Changes.
- Maintain Transparency and Accountability

# *Fearless Predictions*

- Confusion will reign

# *Thank you!*

CONTACT
Carolynne White
cwhite@bhfs.com
303.223.1197