



# Initiative 27

## Legislative Council Staff

*Nonpartisan Services for Colorado's Legislature*

# Fiscal Impact Statement

**Date:** May 17, 2021

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**LCS TITLE: PROPERTY TAX ASSESSMENT RATE REDUCTION AND VOTER-APPROVED REVENUE CHANGE**

<b>Fiscal Impact Summary</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>
State Revenue	-	-
State Expenditures	-	\$257.7 million
Local Government Revenue	-	(\$1.03 billion)

## Summary of Measure

Beginning in the 2022 tax year, the measure reduces the property tax assessment rate from 7.15 percent to 6.50 percent for residential property and from 29.00 percent to 26.40 percent for most nonresidential property, excluding mines and lands producing oil and gas. Property tax rates for mines and lands producing oil and gas will remain at their current law rates.

In addition, the measure authorizes the state to retain \$25 million per year in budget years 2022-23 through 2026-27 for the purpose of offsetting lost property tax revenue and to fund state reimbursements to local governments for the homestead exemption.

## State Expenditures

**School finance.** The measure increases state expenditures by at least \$257.7 million per year beginning in budget year 2022-23 to backfill lost property tax revenue to school districts. To the extent that state funding for school finance is increased, spending may be reduced elsewhere in the state budget. By lowering property tax assessment rates, the measure will decrease the local share of school finance; thus, increasing the state share. This estimate is based on a 9 percent decrease from the projected 2021-22 property tax contribution to school finance as a result of the lower assessment rates; however, the actual state share in future years will depend on the state budget situation and funding decisions made by the General Assembly, among other factors. The state share of school finance is paid from the General Fund, State Education Fund, and the State Public School Fund.

**Homestead exemption.** The measure gives the General Assembly the authority to retain \$25.0 million above constitutional spending limits, for the purposes of the offsetting lost government revenue and funding state reimbursements through the homestead exemption.

**Division of Property Taxation.** The measure increases workload for the Division of Property Taxation in the Department of Local Affairs to update and review forms and training materials, as well as to respond to inquiries regarding the assessment rate changes. No change in funding is required.

## Local Government

**Revenue.** The measure decreases property tax revenue to local governments statewide by an estimated \$1.03 billion beginning in 2023. This estimate is based on projected 2022 assessed values under current law, mill levies applied for 2019, and a decrease in property taxes under the lower rates of approximately 9 percent. The specific impact will vary among local governments across the state, including cities, counties, special districts, and school districts, and will depend on several factors, including mill levies and the mix of residential and nonresidential properties in each jurisdiction. The impact on individual local governments has not been estimated.

## Taxpayer Impact

The measure lowers property taxes paid by homeowners and nonresidential property owners. Table 2 shows the estimated property tax decrease for four example property values, assuming the statewide average mill levy (81.748 mills) for the 2019 tax year. The actual impact on property owners will vary significantly based on several factors, including actual future mill levies, the local jurisdictions in which the property is located, and the actual value of the property.

**Table 2**  
**Example Taxpayer Impacts – Initiative #27**  
*2022 tax year*  
*Assumes 2019 statewide average mill levy (81.748 mills)*

Example Property Value	Estimated Change in Property Taxes <sup>1</sup>	
	Residential Property	Nonresidential Property
\$100,000	(\$53)	(\$213)
\$250,000	(\$133)	(\$531)
\$500,000	(\$266)	(\$1,063)
\$1,000,000	(\$531)	(\$2,125)

<sup>1</sup> Parentheses indicate a reduction in taxes.

## Effective Date

If approved by voters at the 2021 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. The decreased assessment rates first apply for the 2022 property tax year, for which tax is paid in the spring of 2023.

## State and Local Government Contacts

Counties

Municipalities

County Assessors

Division of Property Taxation

Education