HB 24B-1001

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number:	LLS 24B-0011	**Date:**	August 26, 2024
Prime Sponsors:	Rep. McCluskie; Pugliese Sen. Hansen; Kirkmeyer	**Bill Status:**	House Appropriations
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Bill Topic: **PROPERTY TAX**

Summary of Fiscal Impact:

☐ State Revenue ☐ State Transfer ☒ Local Government
☒ State Expenditure ☒ TABOR Refund ☐ Statutory Public Entity

The bill makes reductions in residential assessment rates for property taxation beginning with the 2025 property tax year, with the size of reductions dependent on actual value growth. The bill also reduces assessment rates for many nonresidential property classes. The bill modifies a local revenue growth limit and creates a new limit for school districts. The bill increases state expenditures, decreases local property tax revenue, and increases local expenditures.

Appropriation Summary: For FY 2025-26, the bill requires an appropriation of $81.0 million to multiple agencies.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under HB 24B-1001

		Budget Year FY 2025-26	Out Year FY 2026-27
Revenue		-	-
Expenditures	General Fund	$39,932	-
	School Finance[1]	$81.0 million	$92.9 million
	Centrally Appropriated	$9,271	-
	Total Expenditures	**$81.0 million**	**$92.9 million**
	Total FTE	**0.5 FTE**	**-**
Other Budget Impacts[2]	Property Tax Subtraction	-$17.0 million	-
	Six-Tier Mechanism	$17.0 million	-
	Net TABOR Refund Change	**$0**	-

1 The state share of school finance may be paid from the General Fund, State Education Fund, the Public School Fund, or a combination of these sources

2 The bill also increases the General Fund reserve requirement by at least $5,990 in FY 2025-26. See Other Budget Impacts section.

Summary of Legislation

The bill makes changes to property valuation assessment rates beginning with the 2025 property tax year, modifies a property tax growth limit for some local government entities, and creates a property tax growth limit for school districts. The bill establishes a reimbursement mechanism for certain local government entities. The bill's provisions take effect only if Senate Bill 24-233 takes effect, except that an amendment to the effective date clause of SB 24-233 takes effect immediately.

Property Tax Assessment

The bill lowers residential assessment rates beginning with the 2025 property tax year for both local government entities and school districts based on the growth rate of actual values statewide from 2024 to 2025. The bill permanently steps down the assessment rates for most types of nonresidential property through property tax year 2027.

Property tax year 2025. For the 2025 property tax year, the bill lowers assessment rates for residential property, including for local government entities and school districts, and certain nonresidential property classes. These include:

- *Residential assessment rates for local government entities.* For local government entities' mill levies other than school districts, the bill reduces the assessment rate for all residential property to 6.25 percent from 6.4 percent, unless statewide actual value growth exceeds 5 percent from 2024 to 2025, in which case the rate will decrease to 6.15 percent.
- *Residential assessment rates for school districts.* For school district mill levies, the bill lowers the assessment rate to 7.05 percent from 7.15 percent, unless statewide actual value growth exceeds 5 percent from 2024 to 2025, in which case the rate will decrease to 6.95 percent. The assessment rate for school district mill levies is set at the 2025 level for all future property tax years.
- *Nonresidential assessment rates.* For all district mill levies, the bill lowers the assessment rate for vacant property to 27.5 percent from 29 percent, and for most other nonresidential classes – except for oil and gas, producing mines, improved commercial, and agricultural – from 29 percent to 27 percent. The rate for vacant property is set at 27.5 percent for all future property tax years.

Property tax year 2026. For the 2026 property tax year, the bill continues to lower assessment rates for residential for local government entities, other than school districts, and for most nonresidential property classes, including:

- *Residential assessment rates for local government entities***.** For local government entities, the bill reduces the assessment rate for all residential property to 6.8 percent from 6.95 percent, unless statewide actual value growth exceeds 5 percent from 2024 to 2025, in which case the rate will decrease to 6.7 percent. The rate for local governmental entities is set at this level for all future property tax years. Consistent with current law under SB 24-233, the rate is applied to the actual value of the property after applying a subtraction of 10 percent of the property's actual value, up to $70,000.

- *Nonresidential assessment rates.* For all district mill levies, the bill lowers the assessment rate for most nonresidential classes – except for vacant, oil and gas, producing mines, improved commercial, and agricultural – from 29 percent to 26 percent.

Property tax year 2027 and after. For the 2027 property tax year, the bill continues the lower assessment rates for residential and vacant property, and further lowers the nonresidential assessment rate for most property classes – except for vacant, oil and gas, producing mines, improved commercial, and agricultural – from 29 percent to 25 percent. The 25 percent rate is set for all future property tax years.

Local Governmental Entity Property Tax Limit

The bill modifies the application of the property tax limit, allowing property tax to grow up to the limit from the year in which the district's revenue was greatest rather than from a 2023 base year. The growth limit is also modified so that it applies at a level of 5.25 percent multiplied by the number of years in the current reassessment cycle, rather than from 5.5 percent each year as applied in SB 24-233. The bill also includes an additional exclusion from qualified revenue subject to the limit for an amount equal to disaster emergency spending.

Lastly, the bill includes language for ballot measures to allow local governmental entities to waive the property tax limit for a single year, a specified number of years, or all future property tax years.

School District Property Tax Limit

The bill repeals a limit on local share total program revenue under SB 24-233 and creates a new property tax limit for school districts beginning with the 2025 property tax year, for which taxes are payable in 2026. The bill limits statewide qualified local share property tax revenue, or local share total program revenue excluding certain sources or uses. Qualified revenue excludes certain revenue, such as increases due to valuation from new construction, changes in classification, annexations, changes in exemption status, and increases from oil and gas. It also excludes increases from the expiration of tax increment financing diversions, revenue used for debt service, specific ownership tax, new mill levies, and an amount equal to disaster emergency spending.

The limit is equal to the greatest amount of statewide local share total program property tax revenue collected in previous years, increased by the greater of 6 percent multiplied by the number of years in a reassessment cycle or the percentage the General Assembly increases the statewide base per pupil funding plus public K-12 enrollment growth. If qualified property tax revenue exceeds this limit, the residential assessment rate for school districts will be adjusted to a temporary level that will result in qualified revenue meeting the limit.

The bill requires Legislative Council Staff to calculate the limit, qualifying revenue, and an estimate of the residential assessment rate to meet the limit, an estimate that will be delivered to the State Board of Equalization. Due to lagging data, the bill also specifies a process for Legislative Council Staff to revise the calculation of the residential assessment rate in a following year. In no case will a revision cause the residential assessment rate to exceed its level set in the 2025 property tax year.

Voters may waive the school district limit in the bill by a statewide vote, and the bill specifies ballot language for waiving the limit, which can be waived for a single year, a specified number of years, or all future years.

Local Government Reimbursements

The bill creates a process for local government reimbursements for local governmental entities, except school districts, that had a decline in assessed value from the 2024 property tax year to the 2025 property tax year as a result of the bill's provisions. Reimbursements will be based on the entity's 2024 mill levies, excluding those for bonds and contractual obligations. Reimbursements will be paid from the Local Governmental Entity Backfill Cash Fund created in SB 24-233, and if reimbursements exceed the amount in the fund, payments from the fund will be proportionally reduced.

Adjustment to Effective Date of Senate Bill 24-233

The bill amends the effective date clause of SB 24-233 in the 2024 session laws, adding a condition that will make the bill effective on October 1, 2024 if Initiatives 50 and 108 are withdrawn from November's statewide General Election ballot.

As passed, SB 24-233 only takes effect if voters do not approve 2024 ballot measures that either reduce valuations for assessment and/or require voter approval for retaining property tax revenue that exceeds a limit. Under current law, SB 24-233 will not take effect if either 1) voters do not approve the measures, or 2) if the measures do not appear on the ballot.

Detailed estimates of the fiscal impact of SB 24-233, as referenced below, are available in the fiscal note for SB 24-233.

Tax Statement Requirements

The bill requires that treasurers not include the amount of assessed value on property tax statements beginning with the 2025 property tax year.

Background

Senate Bill 24-233. In May 2024, the General Assembly passed SB 24-233 that made changes to property valuation assessments beginning in the 2024 property tax year, imposed a new property tax limit for non-school local governmental entities, and made changes to the property tax deferral program. All of its provisions take effect only if voters do not approve 2024 ballot measures that either reduce valuations for assessment and/or require voter approval for retaining property tax revenue that exceeds a limit. Major provisions of the bill included:

- carrying over assessment rates and actual value subtractions from the 2023 property tax year into 2024;
- creating two assessed values for each residential property beginning with the 2025 property tax year, one used for mill levies assessed by school districts, and one used for all other local governmental entities;

- lowering the assessment rate for residential property for mill levies of local governmental entities for the 2025 property tax year to 6.4 percent, and set the assessment rate for 2026 and later property tax years at 6.95 percent applied to the actual value of the property minus 10 percent of the property's actual value, up to $70,000, or an amount that reduces assessed value to $1,000 (and increasing the $70,000 maximum by inflation for the 2027 and later property tax years);
- creating a provision that would lower the residential assessment rate for schools so that the local share of school total program funding would not exceed 60 percent in 2026 or later property tax years;
- lowering the assessment rate for improved commercial and agricultural property to 27 percent for the 2025 property tax year, and then to 25 percent for the 2026 and later property tax years;
- creating a process to provide reimbursements to local governmental entities, except school districts, that had a decline in assessed value from the 2022 property tax year to the 2024 property tax year;
- creating a property tax limit for certain local governmental entities, except school districts and home-rule municipalities, equal to 2023 property tax collections growth annually by 5.5 percent; and
- removing a cap on property tax deferral for homeowners starting with the 2025 property tax year.

Assumptions

Changes in Assessed Value

Based on the December 2023 Legislative Council Staff (LCS) forecast for assessed values, updated to reflect changes to policy, the bill is expected to reduce assessed values relative to current law under SB 24-233 by the amounts shown in Tables 3 and 4.

Table 3
Projected Statewide Assessed Values for Non-School Local Governments
Millions of Dollars

Year	Assessed Value (SB 24-233)	Change from Prior Year (SB 24-233)	Assessed Value (HB 24B-1001)	Change from Prior Year (HB 24B-1001)
2023	$187,315	24.7%	$187,315	24.7%
2024f	$184,314	-1.6%	$184,314	-1.6%
2025f	$189,597	2.9%	$184,989	0.4%
2026f	$189,213	-0.2%	$183,910	-0.6%

Table 4
Projected Statewide Assessed Values for School Districts
Millions of Dollars

Year	Assessed Value (SB 24-233)	Change from Prior Year (SB 24-233)	Assessed Value (HB 24B-1001)	Change from Prior Year (HB 24B-1001)
2023	$187,315	24.7%	$187,315	24.7%
2024f	$184,314	-1.6%	$184,314	-1.6%
2025f	$200,721	8.9%	$196,855	6.8%
2026f	$199,174	-0.8%	$194,470	-1.2%

Property Tax Revenue Impacts

The bill affects property tax revenue through reduced assessed values and application of the property tax revenue limit. This fiscal note assumes actual value growth for property tax year 2025 will be less than 5 percent year-over-year.

Reduced assessed values are assumed to reduce property tax revenue for local governments that levy fixed mills, including most counties, municipalities, and special districts. School districts are assumed to experience reductions in revenue generated from their total program mills, as well as from override mills in districts where voters have approved fixed mill overrides.

Some levies are not expected to generate less revenue from reduced assessed values. These include bond indebtedness mills for many local governments, metropolitan districts, and school districts. School district override mills are assumed not to generate less revenue if the school district is already at its statutory override revenue cap, or where voters have approved overrides to generate fixed dollar amounts or inflation-adjusted dollar amounts.

In years when market conditions drive sufficient growth in assessed values, the property tax revenue limit is assumed to reduce revenue to statutory counties, municipalities, and special districts as discussed in the Local Government section below. Reduced property tax revenue attributable to the revenue limit has no direct state fiscal impact.

State Expenditures

The bill increases state expenditures by $81.0 million in FY 2025-26, and $92.9 million in FY 2026-27, and by greater amounts in later years. Costs are for the state share of school finance and local government reimbursements. The bill also increases administrative expenditures for the Department of Local Affairs. Expenditures are shown in Table 5 and detailed below.

Table 5
Expenditures Under HB 24B-1001

	FY 2025-26	FY 2026-27
State Share of School Finance	**$80,981,160**	**$92,927,242**
Department of Local Affairs - DPT		
Personal Services	$32,622	-
Operating Expenses	$640	-
Capital Outlay Costs	$6,670	-
Centrally Appropriated Costs[1]	$9,271	-
FTE – Personal Services	0.5 FTE	-
DPT Subtotal	**$49,203**	**-**
Total Costs	**$81,030,363**	**$92,927,242**
Total FTE	**0.5 FTE**	**-**

[1] Centrally appropriated costs are not included in the bill's appropriation.

School Finance

The bill decreases property tax collections from school district total program mills, requiring an equivalent increase in the state share of total program funding for school finance. The state aid obligation is expected to increase by $81.0 million in FY 2025-26 and $92.9 million in FY 2026-27. The state aid obligation may be paid from the General Fund, the State Education Fund, the State Public School Fund, or a combination of these sources.

Department of Local Affairs – Division of Property Taxation

In FY 2025-26, the bill requires the addition of temporary staff, estimated at 0.5 FTE, to calculate reimbursement amounts for local governments. Table 5 shows expenditures for these staff and standard operating and capital outlay costs. The analysis assumes calculating reimbursements as required in the bill can be accomplished with updates to the Division's portal system under SB 24-233. If the reimbursements require further updates by the Office of Information Technology to the portal system, costs will be more than estimated. The Division will also have increased workload to review and update procedures, forms, manuals, and to provide technical assistance to local governments.

Department of Treasury

The bill requires that the Treasurer issue warrants from the Local Governmental Entity Backfill Cash Fund to reimburse revenue losses for local governments, except school districts, due to the bill's provisions where assessed valuations decrease between 2024 and 2025 because of the bill's provisions. As reimbursements will be proportionally reduced to meet the amount of money available in the fund, reimbursements under the bill are not expected to have an impact above those estimated for SB 24-233.

Legislative Council Staff

The bill requires Legislative Council Staff to calculate the balancing percentage, correction percentage, and counterfactual percentage for the school district property tax limit that will increase workload for the agency. Increased workload is expected to be accomplished within existing appropriations. If workload exceeds expectations and additional personnel or costs are needed to meet the requirement, the fiscal note assumes that these resources will be appropriated through the Legislative Appropriations Act.

Centrally appropriated costs

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 4.

Other Budget Impacts

TABOR Refund Mechanisms

The bill does not change the amount required to be refunded under TABOR but will shift the amount refunded through various refund mechanisms. The bill makes conforming amendments to assessed valuation for qualified-senior primary residence properties to match the residential assessed value changes in the bill. Based on the changes, the bill is estimated to require $17.0 million that would otherwise be refunded via property tax reductions, and paid via reimbursements to local governments for their losses, to instead be refunded via the six-tier sales tax refund mechanism in FY 2025-26.

General Fund Reserve

Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by at least $5,990, decreasing the amount of General Fund available for other purposes. The reserve requirement will be higher if school finance costs are paid from the General Fund.

Local Government

Local government Revenue

The bill decreases revenue to local governments compared with current law, on net, beginning with 2025 property taxes payable in 2026. The bill decreases property tax revenue to all local governments that levy a property tax. These revenue reductions are offset by state funds to school districts from state aid payments for school finance and to local governments other than school districts for those that lost value from 2022 to 2024. Local government revenue impacts are summarized in Table 6 and discussed in more detail below.

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

	Property Tax Year 2025	Property Tax Year 2026
Property Taxes – Local Gov't Entities	-$115.4 million	-$121.0 million
Property Taxes – School Districts	-$132.3 million	-$150.1 million
Property Taxes – Local Gov't Revenue Limit	$0	$0
Property Taxes – School District Revenue Limit	$0	$0
State Aid for School Finance	$81.0 million	$92.9 million
State Reimbursements to Local Gov'ts	$0	$0
Total	**-$166.7 million**	**-$178.2 million**

Assessment rate reductions. The bill decreases revenue from property taxes due to assessment rate reductions. The revenue estimates in Table 6 show changes relative to current law under SB 24-233.

One source of estimation uncertainty is that some mill levies remain constant, while others move, or "float," in response to changes in assessed values in order to generate a certain amount of tax revenue. For municipalities and special districts, and for school district override mills, the analysis excludes mill levies that floated down from 2022 to 2023, which are assumed to float up in response to the assessed value reductions in the bill. County impacts are based on county mill levies where voters have waived TABOR limitations or that remained fixed between the 2022 and 2023 property tax years; therefore, the bill is assumed not to affect revenue collected under these levies. If fewer levies float than assumed, the revenue impact will be greater than estimated, and if more levies float, the revenue impact will be less than estimated.

Local governmental entities revenue limit. The bill limits each affected local government's property tax revenue to its highest level for a previous property tax year, grown by 5.25 percent multiplied by the number of years in the reassessment cycle. With the tax cuts in the measure, the fiscal note estimates that no local governments will be affected by the limit through tax year 2026; however, there may be impacts in some areas with volatile real estate markets with the 2025 reassessment. This provision is expected to reduce local government revenue in future years when market conditions drive revenue growth that would otherwise exceed the limit.

School district revenue limit. The bill limits aggregate school district qualified local share property tax revenue to total local share property tax revenue grown by the greater of 6 percent multiplied by the number of years in the reassessment cycle or the percentage the General Assembly increases the statewide base per pupil funding plus public K-12 enrollment growth. Based on estimated assessed value growth under the bill as shown in Table 4, total program mill levies, and estimated local share property tax revenue for the 2024 property tax year, qualified local share property tax revenue is not expected to be constrained by the bill's limit in the forecast period. Data required to estimate the qualified local share property tax revenue is not available at this time, but will be made available in the future under the requirements in the bill.

State aid for school districts. The School Finance Act requires the state government to pay the difference between a district's property tax revenue collected from its total program mill levy, and the amount of total program funding calculated for the district under state law. The bill decreases school district property tax revenue, thereby increasing the state aid requirement as shown in Table 6. Other mill levies assessed by school districts, such as override mills, are not reimbursed.

State reimbursements. For property tax year 2025 only, the bill requires that the state reimburse lost revenue to local governments, other than school districts, for those that had a decrease in assessed value from 2024 to 2025 as a result of the bill. Reimbursements will be paid from money in the Local Governmental Entity Backfill Cash Fund created in SB 24-233. As reimbursements will be proportionally reduced to match the amount of money available in the fund, reimbursements under the bill are not expected to have an impact above those estimated for SB 24-233.

Local Government Expenditures

The bill increases expenditures for county assessors to implement the property tax changes in the bill. The bill requires local governments to update software systems, calculate assessed value, update tracking fields, develop new reports, calculate and receive reimbursements, coordinate with the state and other affected local governments, and respond to taxpayer inquiries. Assessors estimate implementation costs ranging from tens of thousands to hundreds of thousands of dollars for each county assessor depending on vendors and county. In total, implementation costs would likely be millions of dollars statewide.

Technical Note

The bill requires reimbursements for local governmental entities, except schools, based on decreased assessed value from 2024 to 2025. This fiscal note assumes the decrease is determined by assessed value for local government entities. The bill includes a definition of assessed value that means either the assessed value for the purpose of a levy imposed by a local government entity or the assessed value for the purpose of a levy imposed by a school district, as best determined in the particular context by the property tax administrator.

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Effective Date

The provision of the bill that amends the effective date of SB 24-233 takes effect upon signature of the Governor, or upon becoming law without his signature. If SB 24-233 goes into effect, all other provisions of the bill take effect.

State Appropriations

For FY 2025-26, the bill requires that the appropriation for the state share of total program funding for school finance be increased by $80,981,160. This appropriation may be made from the General Fund, the State Education Fund, the State Public School Fund, or a combination of these sources.

In addition, for FY 2025-26, the bill requires an appropriation of $39,932 from the General Fund to the Department of Local Affairs, and 0.5 FTE.

State and Local Government Contacts

Counties	County Assessors	Information Technology
Legislative Council Staff	Local Affairs	Municipalities
Property Tax Division	Special Districts	Treasury

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the General Assembly website.