HB 26-1066

Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 26-1066: TAX EXEMPTIONS LOW INCOME RENTAL PROPERTY DEVELOPMENT

Prime Sponsors:
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Sen. Ball

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Fiscal note status: The fiscal note reflects the introduced bill.

Summary Information

Overview. The bill expands property tax exemptions for property held by nonprofits that build and sell affordable housing units, to nonprofits that build and lease affordable rental units.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Expenditures
- Local Government

Appropriations. No appropriation is required.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue (Cash Funds)	$10,600	$8,800
State Expenditures (School Finance)	$0	$432,100
Transferred Funds	$0	$0
Change in TABOR Refunds	$10,600	$8,800
Change in State FTE	0.0 FTE	0.0 FTE

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

Summary of Legislation

The bill expands the property tax exemptions currently allowed for property held by nonprofit organizations that build and sell affordable housing units to low-income households, or for those like community land trusts that hold and lease the land for affordable homeownership, by extending the exemptions to include property held for building and leasing affordable residential rental units for low-income households.

Background

Originally created in 2011 and expanded through House Bill 23-1184, the low-income housing property tax exemption deems property, such as vacant land, that is held for building homes to sell to low-income applicants as being used for a charitable purpose and exempt from property taxation. Under current law, the exemption is available for 501(c)(3) nonprofit charitable organizations with a primary mission of working with low-income applicants to construct or rehabilitate housing that is sold to the applicant, or for selling property or improvements to low-income applicants for their residential use. In general, the exemption is available up to 10 years until the property is sold, transferred, donated, or leased. Low-income applicants are those with income either at or below 100 percent of the area median income (AMI) of same-sized households in non-rural resort counties, or 120 percent of the AMI of same-sized households in rural resort counties. Qualifying organizations apply for exemptions through the Division of Property Taxation in the Department of Local Affairs.

Similarly, HB 23-1184 created an exemption for land held by community land trusts or nonprofit affordable homeownership developers who lease the land to owners of affordable homes on the property.

There are currently 50 properties exempt under HB 23-1184. This includes 23 in Jefferson County, 11 in Larimer County, six in Boulder County, five in Park County, three each in Alamosa and Archuleta Counties, two in Denver, and one each in Adams, Arapahoe, and Mesa County.

Assumptions

The analysis assumes that about 53 properties with an average value of $2.0 million will be eligible for the expanded exemption under the bill. Estimates are based on industry research on a sample of properties in the Metro Denver area among affordable rental housing providers. An estimated share of value for these properties in their respective counties was calculated based on the LCS December 2025 forecast for assessed values, assuming eligibility and that project concentrations are proportional to residential value. Similarly, a count of properties was estimated assuming potentially eligible properties are proportional to the number of multifamily parcels in each county. The estimated share of properties and value was assumed to be similar for potential projects in each county across Metro Denver, Northern Colorado, El Paso County, Pueblo County, Mesa County, and the rural resort areas of the state. Actual impacts will depend on the number of properties that are eligible for and apply for the exemption.

Based on industry research, the analysis assumes that 50 percent of affected properties are classified as vacant or nonresidential, and 50 percent as residential. Property tax impacts were estimated from PTY 2025 total program mill levies weighted by county and adjusted for mill levy equalization under House Bill 21-1164. Other school district mill levies, such as override mills, and those for local governments were estimated assuming weighted average mill levies by county for PTY 2024.

Fee impacts assume 53 properties will initially apply for an exemption in FY 2026-27. In FY 2027-28, these properties are assumed to file for an annual exemption review, along with an addition of 13 new initial applicants filing for the exemption. The number of initial applications and annual reviews is assumed to be similar in subsequent years. To the extent that actual eligibility and utilization differ from the assumptions in the fiscal note, state fee revenue will correspondingly increase or decrease.

State Revenue

The bill is expected to increase state fee revenue to the Property Tax Exemption Fund by $10,600 in FY 2026-27 and by $8,800 in FY 2027-28, with growing impacts in subsequent years with compounding inflationary adjustments. Applications for exemptions are administered by the Division of Property Taxation in the Department of Local Affairs. The initial application fee for an exemption review for a nonprofit housing provider planning construction on an affordable unit is $200 for each property. After an exemption is granted, property owners must file an annual report for the property and pay a review fee of $110 if filed by April 15, or $300 if filed between April 16 and July 1. Fee revenue is subject to TABOR.

State Expenditures

The bill increases state expenditures by an estimated $432,100 in FY 2027-28, and increasing amounts in future years as property values rise.

School Finance

The bill decreases property tax collections from school district total program mills, requiring an increase in the state share of total program funding for school finance. The increased state aid obligation is estimated to be $432,100 in FY 2027-28, offsetting reductions in local share revenue for the 2027 property tax year. School finance expenditures may be paid from the General Fund, the State Education Fund, the State Public School Fund, or a combination of these.

Division of Property Taxation

The bill requires the Division of Property Taxation in the Department of Local Affairs to update forms and potentially the online filing portal for annual reviews. The portal is updated and maintained by the Office of Information Technology. Workload will also increase to process and review exemption applications, the cost of which will be offset partially by fee revenue. Increased workload under the bill is minimal and expected to be accomplished with existing resources.

TABOR Refunds

The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by amounts shown in the State Revenue section above. This estimate assumes the December 2025 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2027-28. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save in FY 2027-28 and any future years when the state is over its revenue limit.

Local Government

The bill decreases local government revenue for local governments that levy property taxes including counties, municipalities, school districts, and special districts. It also increases county government expenditures. Local government impacts are discussed further below.

Local Revenue

The bill is expected to decrease local government revenue by a net amount of $1.2 million for property tax year 2027, and by increasing amounts in future years as property values rise. This net impact occurs from reduced property tax revenue, which is partially offset by increased state aid to school districts. These impacts are shown in Table 2. The majority of the local impact is expected to occur in Front Range communities, followed by other metropolitan areas of the state including Grand Junction and Colorado Springs. Rural resort communities may also be impacted. To the extent that the portfolio of property held for low-income rental housing under the bill increases, it will further decrease local government revenue.

Table 2
Local Government Revenue

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
Property Tax Revenue	$0	-$1.6 million
State Aid to School Districts	$0	$0.4 million
Net Revenue	**$0**	**-$1.2 million**

County Expenditures

The bill increases workload for county assessors' offices to implement provisions under the bill Local workload increases are expected to be minimal.

Effective Date

The bill takes effect January 1, 2027, assuming no referendum petition is filed.

State and Local Government Contacts

Counties

County Assessors

Local Affairs

Property Taxation

Municipalities

Special District Association

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.