HB 26-1119

Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 26-1119: AUTHORITY FOR DIFFERENT MILL LEVY RATES

Prime Sponsors:
Rep. Woodrow
Sen. Hinrichsen

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Bill Outcome: Postponed Indefinitely
Drafting Number: LLS 26-0402

Version: Final Fiscal Note
Date: June 4, 2026

Fiscal note status: The final fiscal note reflects the introduced bill. The bill was postponed indefinitely by the House Finance Committee on April 16, 2026; therefore, the impacts identified in this analysis do not take effect.

Summary Information

Overview. The bill would have allowed certain local property tax districts to impose a lower mill levy on real property improvements than for land.

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

- State Expenditures
- TABOR Refunds
- Local Government

Appropriations. For FY 2026-27, the bill would have required appropriations of $581,998 to multiple agencies.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	$0	$0
State Expenditures	$584,068	$150,000
Transferred Funds	$0	$0
Change in TABOR Refunds	$0	$0
Change in State FTE	0.1 FTE	0.0 FTE

Fund sources for these impacts are shown in the tables below.

Table 1A
State Expenditures

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	$581,998	$150,000
Centrally Appropriated	$2,069	$0
Total Expenditures	**$584,068**	**$150,000**
Total FTE	**0.1 FTE**	**0.0 FTE**

Summary of Legislation

Beginning with the 2027 property tax year (PTY), the bill allows certain local property tax entities, excluding school districts, to impose a lower mill levy on real property improvements than for land. The bill excludes land and improvements of agricultural property, conservation easements, mining property, oil and gas, renewable energy production, and state-assessed property. Eligible local property tax entities include:

- counties;
- municipalities;
- city and county entities;
- metropolitan districts;
- business improvement districts;
- local improvement districts;
- public improvement districts;
- special improvement districts;
- downtown development authorities;
- urban renewal authorities; and
- county revitalization authorities.

The bill modifies statute to require and accommodate property and tax reporting for the varying mill levy rates in current certifications and forms.

Background

According to data from the Division of Local Government, there are 3,105 taxing entities eligible for varying mill levy rates under the bill, as shown in Table 2.

Table 2
Eligible Taxing Entities Under HB 26-1119

Taxing Entity	Count
County	62
City and County	2
Municipality	271
Metropolitan District	2,557
Business Improvement District	83
Public Improvement District	104
Downtown Development Authority	26
Total	**3,105**

Assessed Value

Property taxes are paid on a portion of a property's actual value. The actual value of real property includes the value of land and the value of improvements, like buildings. The portion of a property's value on which property tax is owed is known as the assessed value. For most classes of property, assessed value is calculated by taking the property's actual value and multiplying it by an assessment rate that is determined in state statute.

Beginning for property tax year (PTY) 2027, the nonresidential assessment rate for most classes will be 25 percent. For residential property, each property has two assessed values beginning for PTY 2025, one for school district mill levies, and one for other local government mill levies. For PTY 2027, the school district assessed value is expected to be 7.05 percent of the actual value of the property under current law. For local governmental entities for PTY 2027, the assessed value will be calculated by taking the property's value, subtracting an amount equal to 10 percent of the property's value up to an estimated $72,000, and then multiplying by the 6.8 percent assessment rate.

State Expenditures

The bill increases state General Fund expenditures by $584,068 in FY 2026-27, by $150,000 in FY 2027-28, and by similar amounts in future years. Costs are in the Department of Local Affairs and Legislative Department, shown in Table 3A and discussed below.

Table 3A
State Expenditures
All Departments

Department	Budget Year FY 2026-27	Out Year FY 2027-28
Department of Local Affairs	$434,068	$0
Legislative Department	$150,000	$150,000
Total Costs	**$584,068**	**$150,000**

Assumptions

The fiscal note assumes that under the bill, the mill levy applied to eligible classes of land is the same as applied to other classes of property like agriculture and mining that are not eligible for separate mill levies on land and improvements. The fiscal note also assumes that local governments will apply uniform mill levies to land across eligible property classes, and to improvements across eligible property classes. However, the bill does not clearly state whether, for eligible classes of property, the mill levy on land may differ from the mill levy imposed on ineligible property classes.

Further, the bill is unclear whether varying mill levies on an eligible property class like residential may differ from varying mill levies on another eligible property class like commercial. If the bill allows mill levies on land and improvements to vary across eligible property classes and across land and ineligible property classes, it will increase the costs estimated below.

Department of Local Affairs

The bill increases one-time state expenditures in the Department of Local Affairs by $434,068 in FY 2026-27. These costs, paid from the General Fund, are summarized in Table 3B and discussed below. The bill also minimally affects ongoing workload in future years.

Table 3B
State Expenditures
Department of Local Affairs

Cost Component	Budget Year FY 2026-27	Out Year FY 2027-28
Personal Services – Division of Local Government	$6,658	$0
OIT Programming – Division of Local Government	$123,238	$0
OIT Programming – Division of Property Taxation	$302,102	$0
Centrally Appropriated Costs	$2,069	$0
Total Costs	**$434,068**	**$0**
Total FTE	**0.1 FTE**	**0.0**

Division of Local Government

The Division of Local Government tracks and enforces the annual levy law, or 5.5 percent property tax revenue limit, manages local government budget filings, and offers local governments technical assistance. The division will require 0.1 FTE in FY 2026-27 to:

- update forms, worksheets, and applications for the annual levy law;
- update forms for filing certifications of valuation, certifications of tax levies, and other budget templates, in coordination with the Division of Property Taxation; and
- offer technical assistance to local governments and update materials and resources.

In future years, the bill will minimally increase division workload for continued technical assistance and for enforcing the annual levy law.

In addition, updates to the division's IT systems will require 922 hours of programming in the Office of Information Technology, for a total estimated cost of $123,238.

Division of Property Taxation

The Division of Property Taxation maintains a variety of forms utilized by county assessors including notices of value, abatements, and certification of levies templates. The division also publishes an annual report on valuation and property taxes in the state, as well as provides training, manuals, and technical assistance. The division is required to review certifications of levies. Workload for the division will increase to work with the Office of Information Technology on updates to its portal filing system and other resources. Work will also be required for necessary updates to the aforementioned forms, reports, training materials, and manuals that will span both FY 2026-27 and FY 2027-28. Current workload is expected to be accomplished within existing resources.

Updates to the division's filing portal and IT systems will require 2,246 hours of programming in the Office of Information Technology, for a total estimated cost of $302,102.

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 may include employee insurance, supplemental employee retirement payments, indirect cost assessments, and other costs, are shown in Table 2 above.

Legislative Council Staff

Legislative Council Staff is required to contract for a study each property tax year to evaluate the methods utilized by assessors to value property and determine adherence to law. The bill will require the addition of a more in-depth analysis of land valuation and methods to determine consistent application and adherence across property classes and counties. The inclusion of a review and analysis of land will increase the contract cost by an estimated $150,000 in FY 2026-27, and by similar amounts in future years.

Homestead Property Tax Exemption Reimbursements

The bill is expected to impact constitutionally required state expenditures for reimbursements to local governments for homestead exemptions. If the bill results in property tax decreases, it will reduce state General Fund expenditures for reimbursements.

Under current law, 50 percent of the first $200,000 in actual value of an eligible senior or disabled veteran's, or surviving spouse's, primary residence is exempt from property taxes. For example, a $150,000 residence is taxed as if it were worth $75,000, and a $500,000 residence is taxed as if it were worth $400,000. The state reimburses local governments for lost property tax revenue. The bill is unclear on the application of the exemption for varying mill levy rates on land and improvements.

TABOR Refund Mechanisms

The bill has no impact on the amount required to be refunded under TABOR, however it is expected to impact the amount refunded to taxpayers through the homestead property tax exemption reimbursement mechanism in years with sufficient surplus revenue. Reimbursements to local governments for homestead property tax exemptions are the first TABOR refund mechanism under current law. If the bill decreases the amount of refunds for the homestead property tax exemption, it will increase the amount refunded through the six-tier sales tax refund mechanism.

Local Government

Local Revenue

The bill conditionally impacts local government property tax revenue. An example of how property taxes would be calculated for residential real property is shown in the figure below.

Figure 1
Example Property Tax Calculation for Residential Real Property Under HB 26-1119

Local Governmental Entities Land

$$\text{Local Governments Assessed Value Land} \times \frac{\sum \text{Local Land Mill Levies}}{1{,}000} = \textbf{Local Gov't Tax Land}$$

Local Governmental Entities Improvements

$+$

$$\text{Local Governments Assessed Value Improvements} \times \frac{\sum \text{Local Imp. Mill Levies}}{1{,}000} = \textbf{Local Gov't Tax Imp.}$$

School District Land & Improvements

$+$

$$\text{School District Assessed Value Land \& Improvements} \times \frac{\sum \text{District Mill Levies}}{1{,}000} = \textbf{School District Tax}$$

$$\boxed{= \textbf{Total Property Tax}}$$

For local governments that reduce mill levies on improvements, without accompanying adoption of increases in mill levy rates on land and other classes of property, local property tax revenue will decrease. If lower mill levy rates on improvements incentivizes more development and building activity than would occur without the incentive, it may expand the tax base and partially offset the effect of mill levy reductions. However, the impact of the incentive is not modeled or estimated in this analysis.

Beginning for PTY 2026, the assessed value for residential properties for local government mill levies will be reduced through a subtraction from actual value before the assessment rate is applied. The subtraction will be equal to 10 percent of the actual value of the home, up to a threshold of $70,000 that will be adjusted for inflation each reassessment cycle. If varying mill levy rates are applied to land and improvements, it is unclear how the subtraction should be applied to the value of land and improvements when determining property taxes.

The bill includes URA's and CRA's among those eligible to impose varying mill levies on land and improvements. However, URA's and CRA's are not districts that may impose mill levies and the fiscal note assumes the revenue of these entities is not impacted beyond the effect of the measure on TIF diversions.

Tax Increment Finance Districts

Tax increment financing diverts property tax revenue from taxing districts to an urban renewal authority, downtown development authority, or county revitalization authority for use in raising capital through bond proceeds and for utilizing diverted revenue for debt service payments. If varying mill levy rates are utilized in tax districts whose taxes are diverted to TIF districts, it will impact the revenue the district receives and may impact financing agreements. Tax increment finance districts rely on incremental revenue from building improvements on the land.

Local Expenditures

Local Districts

The bill conditionally increases expenditures for local districts that adopt varying mill levy rates on land and improvements. Adopting varying mill rates will increase districts' reporting costs and mill levy certification. Districts will also require accounting system updates. For districts considering adopting varying mill levy rates, costs will increase for personal services, financial modeling, and legal fees.

Costs for districts without fixed mill levy rates that need to meet revenue limitations for TABOR or other statutory property tax limits could be proportionally higher to ensure compliance with the limits and to manage annual fluctuations in property values and district budgetary needs.

County Assessors

County assessors will need to update their Computer Assisted Mass Appraisal (CAMA) systems to apply separate mill levies for land and improvements. Counties will be required to upgrade to newer software versions offered by third-party vendors rather than rely on updates to existing systems. The estimated software cost for small and mid-sized counties is about $280,000 for each county. The cost for larger counties would average about $350,000 per county depending on county needs and vendor.

The bill will also require county assessors to separately classify conservation easement land and conduct associated legal research on these properties to ensure varying mill levies are not applied to these properties.

County assessors will likely need to report land and improvements separately on notices of value. The bill will also conditionally require more resources for appeals and abatements that are expected to increase with larger numbers of districts employing varying mill levy rates. Lastly, costs will increase for assessors related to statutorily required reports certifying levies and revenue, filing abstracts, and other duties. The increased workload will require additional employees in county assessors' offices.

County Treasurers

The bill requires county treasurers to calculate, report, and distribute property taxes under varying tax rates for land and improvements to participating taxing entities. The bill will require new or updated software for treasurer's offices. The cost of software conversions to meet the scope of potential changes under the bill could total between a few hundred thousand dollars to $800,000 depending on the size of the county. Software system replacements, if necessary, could increase costs further.

County treasurers will also require additional staff and time for project management, and to test, validate, and implement software changes with vendors. Workload will also increase to update tax notice statements, printing, escrow reporting, and taxpayer assistance and communications. The estimated cost of increase workload could total a few hundred thousand dollars depending on the county.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2026-27, the bill requires the following General Fund appropriations for FY 2026-27:

- $431,998 to the Department of Local Affairs, and 0.1 FTE, of which $425,340 is reappropriated to the Office of Information Technology; and
- $150,000 to the Legislative Department.

State and Local Government Contacts

Counties	Local Affairs
County Assessors	Municipalities
County Treasurers	Property Tax Division
Information Technology	Special District Association