



**Colorado  
Legislative  
Council  
Staff**

**SCR16-004**

**FISCAL NOTE**

**FISCAL IMPACT:**  State  Local  Statutory Public Entity  Conditional  No Fiscal Impact

**Drafting Number:** LLS 16-0712  
**Prime Sponsor(s):** Sen. Ulibarri

**Date:** April 18, 2016  
**Bill Status:** Senate SVMA  
**Fiscal Analyst:** Larson Silbaugh (303-866-4720)

**BILL TOPIC:** REAL ESTATE TRANSFER TAX FOR AFFORDABLE HOUSING

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019	FY 2019-2020
<b>State Revenue</b>	<b>\$36.0 million</b>	<b>\$73.3 million</b>	<b>\$76.1 million</b>
Real Estate Transfer Tax	\$36.0 million	\$73.3 million	\$76.1 million
<b>State Expenditures</b>			
<b>FTE Position Change</b>			
<b>Appropriation Required:</b> None.			
<b>Future Year Impacts:</b> Ongoing conditional state revenue increase.			

**Summary of Legislation**

This bill submits a ballot question to voters to approve a new transfer tax on the sale of real property with the new revenue dedicated to increase affordable housing. If approved by voters, the state constitution is amended to allow a new transfer tax on real property and create a new transfer tax with a rate of 0.1 percent. The new tax is collected by the County Clerk and Recorder when the deed is recorded. The tax revenue is deposited in the new State Affordable Housing Trust Fund administered by the Colorado Housing Finance Agency (CHFA).

**Background**

A real estate transfer tax is a tax based on the sale or transfer of real property. The amount of the tax is determined by the sale price of the property. Real property includes land and buildings but does not include any personal property such as machinery. The Colorado Constitution prohibits a new transfer tax on real property.

**State Revenue**

If voters approve the new tax, state revenue will increase by \$36.0 million in FY 2017-18, \$73.3 million in FY 2018-19, and \$76.1 million in FY 2019-20.

**Value of residential property.** The Colorado Realtors Association reports that \$39.2 billion in residential property was sold in 2015. According to the Division of Property Taxation (DPT) in the Department of Local Affairs, the total value of residential property increased by an average annual rate of 4.5 percent between 2011 and 2015. Growing the 2015 residential sales by this amount, it is estimated that \$44.8 billion in real residential property will be sold in 2018, \$46.8 billion in 2019, and \$48.9 billion in 2020. This amount will be subject to the new transfer tax.

**Value of nonresidential real property.** Based on assessed values in the state, the real property of nonresidential property classes was 72.5 percent of the value of residential real property in 2014. Applying 72.5 percent to the value of residential property sold in Colorado it is assumed that \$28.4 billion in nonresidential real property was sold in 2015. According to DPT, the total value of nonresidential real property in Colorado increased by an average annual rate of 2.8 percent between 2011 and 2015. Applying this percentage to the \$28.4 billion in nonresidential property sales in 2015, there will be \$30.9 billion sold in 2018, \$31.8 billion sold in 2019, and \$32.7 billion sold in 2020.

**Tax revenue.** The total value of property sales subject to the new transfer tax will be \$75.7 billion in 2018, \$78.6 billion in 2019, and \$81.6 billion in 2020. The new tax rate is 0.1 percent, generating \$75.7 million on real property tax transfers in 2018, \$78.6 million in 2019, and \$81.6 million in 2020. Accounting for fiscal years, there will be \$37.8 million in transfer taxes collected in FY 2017-18, \$77.1 million in FY 2018-19, and \$80.1 million in FY 2019-20.

The County Clerk and Recorder is allowed to retain 5.0 percent of the new transfer tax revenue. Applying this percentage to the totals estimated above, \$36.0 million will be transferred to CHFA in FY 2017-18, \$73.3 million in 2018-19, and \$76.1 million in 2019-20.

## **TABOR Impact**

If voters approve the new tax, the new revenue will be a voter approved revenue increase and have no impact on the TABOR situation.

## **State Expenditures**

**Election expenditure impact (existing appropriations).** The bill includes a referred measure that will appear before voters at the November 2016 general election. Although no additional appropriation is required in this bill to cover election costs associated with this ballot measure, certain election costs to the state are appropriated as part of the regular budget process. First, state law requires that the state reimburse counties for costs incurred conducting a ballot measure election, paid from the Department of State Cash Fund. Second, the text and title of the measure must be published in one legal newspaper per county and an analysis of the measure must be included in the Ballot Information Booklet (Blue Book) mailed to all registered voter households prior to the election paid from the Ballot Analysis Revolving Fund. As of this writing, there will be at least one citizen-initiated measure on the ballot at the 2016 election, which will trigger the ballot costs shown in Table 1 below for a single ballot measure. Costs in 2016 will increase by approximately \$100,000 per measure beyond this base amount for any additional referred or initiated measures placed on the ballot.

<b>Cost Component</b>	<b>Amount</b>
County Reimbursement for Statewide Ballot Measures	\$2,400,000
Ballot Information Booklet (Blue Book) & Newspaper Publication	\$670,000
<b>TOTAL</b>	<b>\$3,070,000</b>

**Local Government Impact**

County Clerk and Recorders will be required to collect the tax before the property deed can be recorded. This will increase the workload of county governments, which are allowed to retain 5 percent of the new taxes collected. County revenue will increase by \$1.9 million in FY 2017-18, \$3.9 million in FY 2018-19, and \$4.0 million in FY 2019-20.

**Statutory Public Entity Impact**

CHFA will receive the additional revenue generated by this bill. A new affordable housing trust fund is created to receive the new tax revenue. CHFA will use the fund to increase the availability of affordable housing through new construction, rehabilitation, or financing.

**Effective Date**

The bill takes effect after the date of the official declaration of the vote by proclamation of the Governor, not later than 30 days after the votes have been canvassed. If voters approve the transfer tax, taxes will be collected on real property transfers starting on January 1, 2018.

**State and Local Government Contacts**

Counties  
Information Technology  
Treasury

County Clerk And Recorders  
Secretary Of State  
Colorado Housing Finance Agency