

Proposition HH: Retain State Revenue and Reduce Property Taxes

Placed on the ballot by the legislature • Passes with a majority of the vote

1 Proposition HH, if approved, would:

- 2 • reduce property taxes owed by lowering the portion of a property’s value on
3 which taxes are paid;
- 4 • allow the state to retain money that would otherwise be refunded to taxpayers
5 through at least 2032, with the money spent on education, rental assistance
6 programs, and reimbursements to local governments for some of their
7 reduced property tax revenue;
- 8 • authorize the state legislature to continue to retain revenue after 2032, as
9 long as the property tax decreases in the measure are maintained;
- 10 • distribute TABOR refunds to taxpayers in equal amounts for tax year 2023;
11 and
- 12 • create a new limit on the growth of property tax revenue for some local
13 governments.

14 What Your Vote Means

YES 15 A “yes” vote on
16 Proposition HH lowers
17 property taxes owed, allows the state
18 to keep additional revenue that would
19 otherwise be refunded to taxpayers,
20 temporarily changes how taxpayer
21 TABOR refunds are distributed, and
22 creates a new property tax limit for
23 some local governments.

NO A “no” vote on
Proposition HH maintains
current law for property taxes, TABOR
refunds, and state and local
government revenue limits.

24 For more information on these provisions, see the following:

- 25 • Overview of Proposition HH..... Page X
- 26 • Impacts to Taxpayers Page X
- 27 • Changes to Property Taxes..... Page X
- 28 • Retained State Revenue Page X
- 29 • Changes to TABOR Refunds..... Page X
- 30 • Changes for Local Governments..... Page X
- 31 • Fiscal Impact of Proposition HH..... Page X

1 **Summary and Analysis for Proposition HH**

2 **Overview of Proposition HH**

3 **What does Proposition HH do?**

4 Proposition HH reduces property taxes, while allowing the state to keep
 5 additional revenue that would otherwise be refunded to taxpayers. The retained
 6 revenue is used to reimburse local governments for a portion of the lost property
 7 tax revenue, provide rental assistance, and fund education.

8 **How long will the changes under the measure last?**

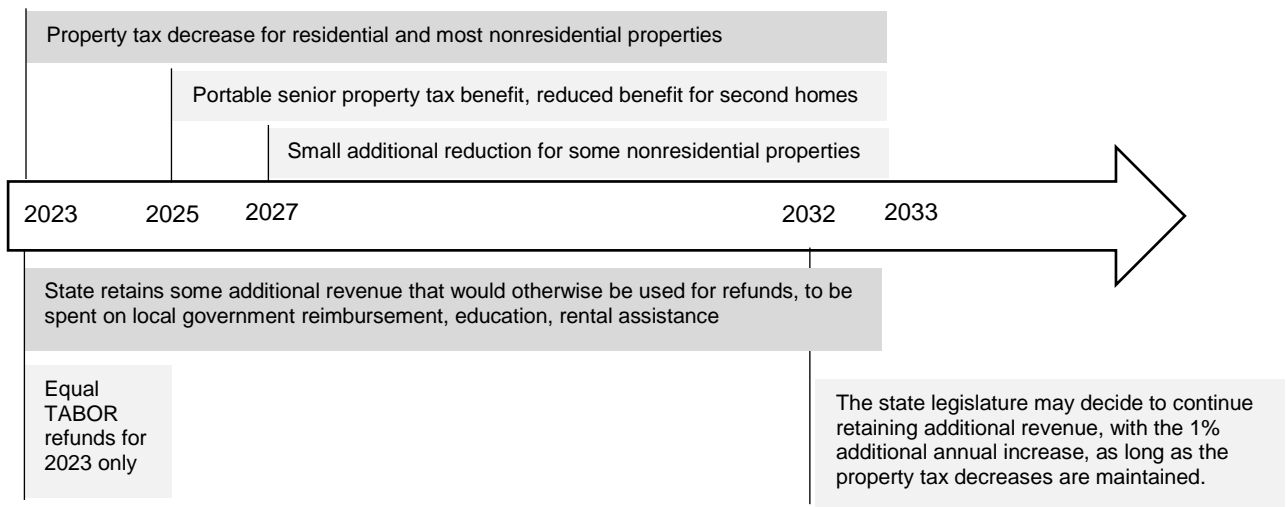
9 Changes under Proposition HH remain in effect through state budget year
 10 2031-32, and may be extended by the state legislature after that. If extended, the
 11 state may continue to retain additional revenue in subsequent years, as long as
 12 property tax reductions equal to or greater than those in the measure are also
 13 extended. The cap grows by 1 percent each year, and continues to apply if the
 14 measure is extended.

15 If Proposition HH passes, state law also distributes refunds under the Taxpayer’s
 16 Bill of Rights (TABOR) in equal amounts in tax year 2023 only.

17 Figure 1 shows the measure’s changes through at least 2033.

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**Figure 1.
 Proposition HH Timeline**



20 **Impact on Taxpayers**

21 **How does Proposition HH impact taxpayers?**

22 The measure primarily impacts taxpayers in two ways: reducing the amount paid
 23 in property taxes and changing the amount of TABOR refunds. Figure 2 shows
 24 the impact on three example taxpayers. The impact on a taxpayer depends on a
 25 taxpayer’s income, whether they own property, the type of property, and the
 26 value and location of that property.

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**Figure 2.
Example Impacts of Proposition HH
for an Owner-Occupied Primary Residential Property***

Example 1:	Example 2:	Example 3:
\$500,000 property value \$70,000 income	Does not own property \$50,000 income	\$1,500,000 property value \$200,000 income
<u>2023</u> Property taxes owed <i>decreases</i> by \$221	<u>2023</u> Not impacted by property tax changes	<u>2023</u> Property taxes owed <i>decreases</i> by \$275
TABOR refund <i>increases</i> by \$33	TABOR refund <i>increases</i> by \$192	TABOR refund <i>decreases</i> by \$203
<u>2024 through 2032</u> Property taxes owed <i>decreases</i>	<u>2024 through 2032</u> Not impacted by property tax changes	<u>2024 through 2032</u> Property taxes owed <i>decreases</i>
TABOR refund <i>decreases</i> by \$42 in 2024 and continues to decrease in future years (see note below)	TABOR refund <i>decreases</i> by \$32 in 2024 and continues to decrease in future years (see note below)	TABOR refund <i>decreases</i> by \$58 in 2024 and continues to decrease in future years (see note below)
<p><i>Note: TABOR refunds continue to decrease from the amounts shown for 2024 through at least 2032 and for as long as state revenue exceeds the current law TABOR limit. The actual impact on the TABOR refund in future years depends on how much revenue the state collects each year, which is dependent on the economy and other future changes to law.</i></p>		

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**These examples assume the statewide average mill levy and no reductions from the local government property tax limit, and reflect TABOR refund amounts for a single filer. For a joint filer, the TABOR impact will be double. Income shown is adjusted gross income, which may be lower than total income due to exemptions and deductions.*

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For 2023, TABOR refunds increase for low-income and some middle-income taxpayers, while property owners also see a savings in their property taxes. For higher-earning homeowners, a reduction in TABOR refunds likely offsets the savings from the property tax changes.

In 2024 and later years, the reduction in TABOR refunds could, over time, offset the amount of property tax savings depending on the value of the property.

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Changes to Property Taxes

How does Proposition HH change property taxes?

Proposition HH lowers the property taxes owed by property owners. Property values are increasing significantly in most areas of the state, resulting in higher property taxes owed. The measure results in a smaller increase in property taxes than under current law.

Property taxes are paid on a portion of a property's market value. This portion is known as the taxable value, or assessed value, and is calculated by

Online Calculation Tool:

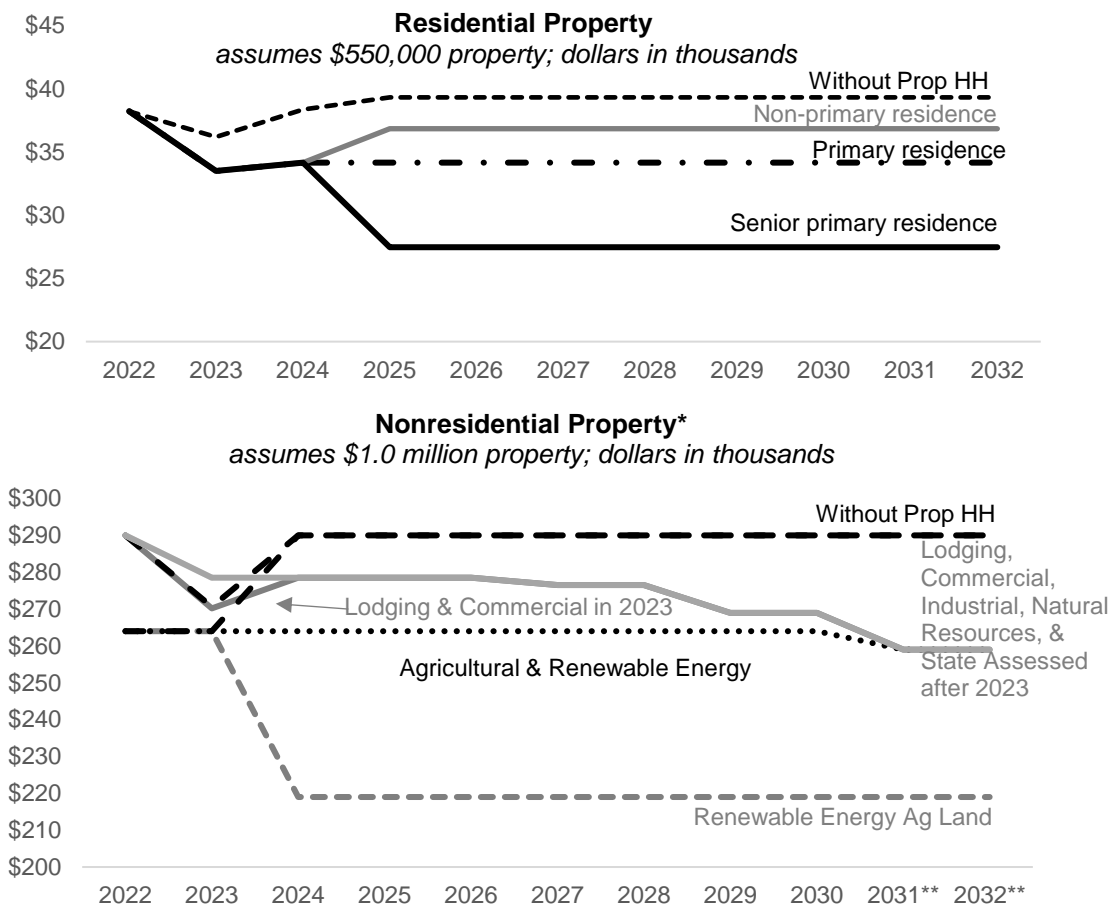
To see how the combination of the property tax changes and TABOR refund changes impact an individual taxpayer, please scan the QR code below, or visit: [will be included in future drafts]

1 multiplying the market value by the assessment rate. To lower property taxes, the
 2 measure:

- 3 • lowers assessment rates for residential property and most nonresidential
- 4 property and subtracts a set amount from most properties' values before
- 5 applying the new assessment rates;
- 6 • creates an additional subtraction for some seniors, beginning in 2025, that is
- 7 similar to the current senior homestead exemption, except that a senior is not
- 8 required to live in their home for ten years in order to claim it; and
- 9 • distinguishes owner-occupied primary residences from other residential
- 10 property and provides a smaller subtraction for other properties, beginning in
- 11 2025.

12 Figure 3 shows how the taxable value of a median property in different property
 13 classes is impacted over the next ten years. The impact on an individual property
 14 owner depends on the type and value of the property and the tax rates for the
 15 jurisdictions where the property is located.

16 **Figure 3.**
 17 **Changes in Taxable Values Under Prop HH**



18 *Excludes vacant land. Assessment rates for vacant land drop in 2022 and 2023 only, from 29% to
 19 27.85% ("Lodging, Commercial, Industrial, Natural Resources, State Assessed" line), before
 20 returning to the assessment rates under current law.

21 **Reflects the potential decrease in tax years 2031 and 2032 for agricultural, commercial, industrial,
 22 lodging, natural resources, renewable energy, and state assessed property, assuming that growth
 23 in the 32 slowest-growing counties exceeds 3.7 percent from 2030 to 2031.

1 Retained State Revenue

2 **What is the state’s revenue limit, known as the TABOR limit?**

3 The Colorado Constitution includes a section, “The Taxpayer’s Bill of Rights,”
 4 commonly known as TABOR, that limits the amount of money that the state
 5 government can collect and spend or save each year. Money collected above the
 6 state revenue limit must be refunded to taxpayers, called a TABOR refund.

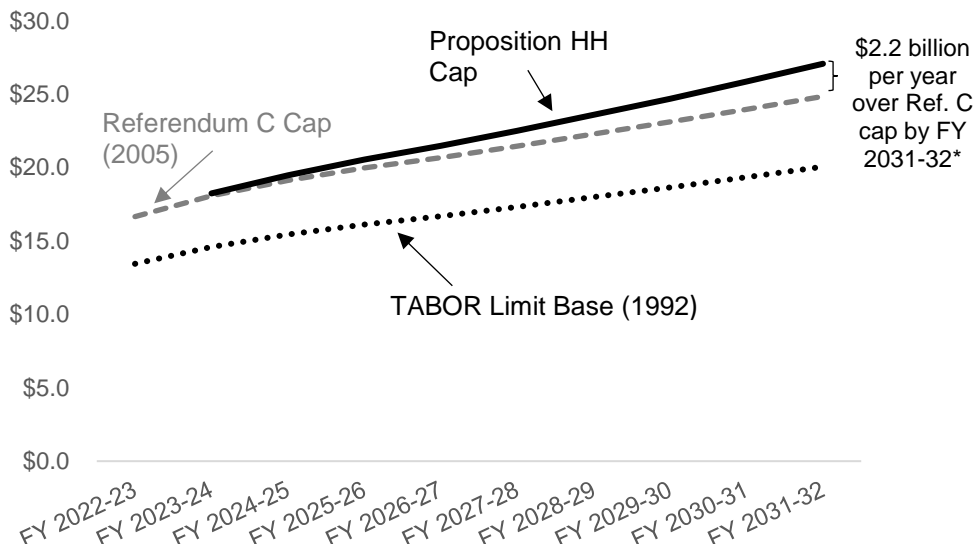
7 Currently, a portion of this money is refunded through existing property tax
 8 reductions, and the remainder is distributed as a tiered sales tax refund using the
 9 state income tax return. For last year only, part of the TABOR refund was
 10 distributed to taxpayers through checks in the amount of \$750 for a single filer
 11 and \$1,500 for a joint filer, rather than through the tiered system. Flat refunds
 12 provide larger amounts for lower-income taxpayers and smaller refunds for
 13 higher-income taxpayers when compared with the tiered refund system.

14 **What happens to the state revenue limit if Proposition HH passes?**

15 Proposition HH creates a new cap on the amount of money the state may retain
 16 over its revenue limit that is higher than the current cap established by
 17 Referendum C in 2005. Proposition HH allows the state to retain additional
 18 revenue up to the new cap, which grows by population growth and inflation, plus
 19 1 percent, each year. Figure 4 shows the new cap over the next ten years.

20 **Figure 4.**
 21 **Proposition HH Cap on State Revenue**

22 *The measure allows the state to retain an estimated \$167 million in state budget year 2023-24 and*
 23 *\$359 million in state budget year 2024-25.*



24 **Assumes inflation through 2025 from the June 2023 Legislative Council Staff forecast and*
 25 *2.5 percent annual inflation for 2025 to 2031. Population growth projections from the Colorado*
 26 *State Demography Office.*

1 **How will the retained revenue be spent?**

2 The measure specifies the following purposes for the retained money:

- 3 • up to 20 percent to reimburse local governments for lost property tax
- 4 revenue;
- 5 • up to \$20.0 million for rental assistance; and
- 6 • the remaining funds for school finance and education-related programs,
- 7 estimated at \$124.9 million in state budget year 2024-25, and up to
- 8 \$2.16 billion in state budget year 2031-32.

9 Over ten years, local reimbursements are expected to decrease, rental
 10 assistance will reach its \$20.0 million limit, and the amount retained by the state
 11 will increase. As a result, the amount allocated to education funding will increase,
 12 assuming consistent revenue growth. The new education funding must not
 13 replace current General Fund spending for public school finance; however, the
 14 state legislature will determine exactly how to spend the funds.

15 **Changes to TABOR Refunds**

16 **How does the measure impact TABOR refunds?**

17 **Long-term TABOR refunds.** If Proposition HH is adopted, the state will retain
 18 additional revenue and the total amount refunded to taxpayers will decrease.
 19 Depending on economic conditions, TABOR refunds could be eliminated in some
 20 years. These changes are in place until 2032, but the measure allows the state
 21 legislature to extend them without additional voter approval.

22 **2023 TABOR refunds.** A separate bill passed by the legislature changes the
 23 way that refunds are distributed for tax year 2023 only if Proposition HH passes.

24 Under current law, TABOR refunds to taxpayers are typically distributed through
 25 the state income tax, based on the taxpayer’s income. Under Proposition HH,
 26 the refunds are distributed in an equal amount for each taxpayer, estimated at
 27 \$820 for single filers and \$1,640 for joint filers. Figure 5 shows the change in the
 28 refund amount forecasted for tax year 2023 under Proposition HH.

29 **Figure 5.**
 30 **2023 TABOR Refunds Under Prop HH**

Income	Current Law		Under Prop. HH		Change in Refund	
	<i>Single</i>	<i>Joint</i>	<i>Single</i>	<i>Joint</i>	<i>Single</i>	<i>Joint</i>
Up to \$50,000	\$587	\$1,174	\$820	\$1,640	+\$233	+\$466
\$50,001 to \$100,000	\$783	\$1,566	\$820	\$1,640	+\$37	+\$74
\$100,001 to \$157,000	\$901	\$1,802	\$820	\$1,640	-\$81	-\$162
\$157,001 to \$219,000	\$1,071	\$2,142	\$820	\$1,640	-\$251	-\$502
\$219,001 to \$279,000	\$1,152	\$2,304	\$820	\$1,640	-\$332	-\$664
\$279,001 and up	\$1,854	\$3,708	\$820	\$1,640	-\$1,034	-\$2,068

1 Changes for Local Governments

2 **How does the measure impact local governments?**

3 Proposition HH slows revenue growth for local governments by creating a new
4 property tax revenue limit and reducing property tax collections, which is partially
5 offset by reimbursements from the state. Cities, counties, school districts, and
6 special districts collect property taxes to fund public schools and local services
7 such as road maintenance, police departments, fire protection, water and sewer
8 infrastructure, parks, and libraries. Not all local governments that collect property
9 taxes are treated the same by Proposition HH, as explained below.

10 **Property tax revenue limit.** Under Proposition HH, some local governments
11 cannot collect property tax revenue above the amount they collected in the prior
12 year plus inflation. If a local government will exceed this limit, it must temporarily
13 lower its tax rates (mill levy) or may temporarily waive the limit by notifying the
14 public, holding a public hearing, and adopting an ordinance or resolution.
15 Otherwise, any property tax revenue collected above the limit must be refunded
16 to taxpayers. School districts and home-rule cities are not subject to this limit.

17 **Reimbursements.** Under Proposition HH, the state reimburses local
18 governments for some of the revenue lost due to property tax reductions. This is
19 paid from the revenue that the state retains under the new revenue cap, and
20 other state funds, with some limitations.

21 Reimbursements range from 65 percent to 100 percent of lost revenue, based on
22 the type of local government, the size of the county in which the local
23 government is located, and growth of property values in the jurisdiction. Smaller
24 counties and those with slower property value growth generally receive higher
25 reimbursement rates.

26 Most counties, cities, and special districts are initially eligible for reimbursement;
27 however, local governments are not reimbursed once their assessed value
28 exceeds 2022 levels by 20 percent, which is expected to happen at some point
29 between 2023 and 2031 depending on the local governments. School districts
30 are not included in the reimbursement provisions for Proposition HH, but are
31 instead fully reimbursed through the public school funding formula under current
32 law.

*For information on those issue committees that support or oppose the
measures on the ballot at the November 7, 2023, election, go to the
Colorado Secretary of State's elections center web site hyperlink for ballot
and initiative information:*

<http://www.sos.state.co.us/pubs/elections/Initiatives/InitiativesHome.html>

1 **Arguments For Proposition HH**

- 2 1) After a historic increase in residential property values, Proposition HH
3 provides long-term property tax relief for homeowners and businesses. In
4 doing so, the measure also softens the impact on local governments, makes
5 Colorado a more competitive environment for businesses, and allows seniors
6 to downsize or move without losing the benefits of their homestead
7 exemption.
- 8 2) The new property tax limit makes local taxing entities more accountable to
9 their constituents. By requiring a public process to waive the limit,
10 Proposition HH gives people a say in how much they are taxed while
11 providing flexibility for local governments to retain revenue needed to provide
12 important services.
- 13 3) By allowing the state to retain additional revenue, the measure significantly
14 benefits public schools. The state’s spending cap has limited Colorado’s
15 ability to fully fund education for years. Proposition HH provides a dedicated
16 funding source for at least ten years, using money the state already collects.
- 17 4) Proposition HH benefits low- and middle-income people, many of whom are
18 renters, by providing a more equitable distribution of TABOR refunds in 2023.
19 With recent high inflation and housing costs, this puts more money in the
20 pockets of those who need it most.

21 **Arguments Against Proposition HH**

- 22 1) Proposition HH is effectively a tax increase, growing the state budget by up to
23 \$2.2 billion in 2032. It removes important taxpayer protections by reducing
24 TABOR refunds by the same amount, and giving the state legislature the
25 power to extend the new revenue cap in perpetuity without asking voters.
- 26 2) Proposition HH does little to blunt the impact of a historic increase in property
27 values. Taxpayers get some property tax relief, but in the long term the
28 measure reduces and could eliminate TABOR refunds, including for those
29 who do not own property and do not benefit from property tax relief. Property
30 tax relief is needed, but not at the cost of TABOR refunds.
- 31 3) Property taxes are a local issue, best handled by local governments.
32 Proposition HH pushes state priorities and an unnecessary new revenue limit
33 onto local governments, instead of letting them find solutions that work for
34 their community.
- 35 4) Proposition HH adds unnecessary complexity to an increasingly confusing
36 property tax system, with new classes of property and an additional
37 administrative burden for homeowners, seniors, county assessors, and
38 potential homebuyers. As a result, the measure makes it harder for people to
39 access their tax benefits and navigate the housing market, opening the door
40 to unintended consequences.

41 **Fiscal Impact for Proposition HH**

42 [The fiscal impact will be included in the second draft of this ballot analysis.]