



Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Final Fiscal Note

Drafting Number: LLS 23B-0005
Prime Sponsors: Rep. Marshall

Date: December 5, 2023
Bill Status: Postponed Indefinitely
Fiscal Analyst: House Trans. & Local Govt.
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Bill Topic: **2023 PROPERTY TAX REDUCTION POLICY STUDY**

- Summary of Fiscal Impact:**
- State Revenue
 - State Expenditure
 - State Transfer
 - TABOR Refund
 - Local Government
 - Statutory Public Entity

The bill would have changed how assessed value is calculated for residential property for tax year 2023, extends tax reporting deadlines, and altered the scope of a legislative committee. It would have increased state expenditures and decreased local revenue in the FY 2023-24 only.

Appropriation Summary: For the FY 2023-24, the bill would have required an appropriation of up to \$316.5 million. See State Appropriations section.

Fiscal Note Status: The fiscal note reflects the introduced bill. The bill was postponed indefinitely by the House Transportation, Housing & Local Government committee on November 17, 2023; therefore, the impacts identified in this analysis do not take effect.

Table 1
State Fiscal Impacts Under HB 23B-1004

		Current Year FY 2023-24	Budget Year FY 2024-25	Out Year FY 2025-26
Revenue		-	-	-
Expenditures	School Finance ¹	\$316,450,828	-	-
Transfers		-	-	-
Other Budget Impacts		-	-	-

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

Summary of Legislation

In current law, the tax year 2023 assessed valuation for residential property is based on the property's actual value less \$15,000. The bill changes this to the actual value less \$115,000.

For the 2023 tax year, the bill extends various certification and reporting deadlines for school districts and local officials based on the changes to property valuations.

The bill requires the Legislative Oversight Committee Concerning Tax Policy to consider a long-term solution for property taxes beginning with the 2024 legislative session.

Background

Property assessment. Property valuations ("actual values") are usually determined by county assessors. Valuation methods depend on the property class. For example, residential and commercial property is valued biennially in each odd-numbered year based on market conditions as of June 30 of the preceding even-numbered year.

Actual values are multiplied by assessment rates, set by the state, to determine assessed values. Assessment rates may vary across property classes. Assessed values are multiplied by mill levies, set by local governments, to determine the amount of tax due. The same mill levies are applied to assessed values in all property classes.

Property taxes are paid in arrears. For example, a residential property's valuation for the 2023 tax year is based on market conditions as of June 30, 2022, and taxes for the 2023 tax year are paid to local governments in the first half of 2024.

School finance. Public schools in Colorado are funded through a combination of state and local government revenue. A formula in state law determines the amount of total program funding that each district should receive. District property taxes and specific ownership taxes make up the local share of funding, and a state aid requirement is set to equal the difference between the local share and the total program funding amount. Changes to property taxes affect the local share of school finance. Reductions (or increases) in the local share of total program funding require an equivalent increase (or decrease) in the state aid requirement.

Assumptions

Assessed value impacts. The bill is expected to reduce assessed values by amounts shown in Table 2. Assessed value for 2023 under current law is based on preliminary abstract data from the Division of Property Taxation.

Table 2
Assessed Value Impacts
Millions of Dollars

Year	Current Law		HB 23B-1004	
	Assessed Value	Percent Change	Assessed Value	Percent Change
2022	\$150,166		\$150,166	
2023p	\$195,956	30.5%	\$182,583	21.6%

Source: Colorado Legislative Council Staff. p=preliminary

Property tax revenue impacts. The bill affects property tax revenue through reduced assessed values. 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 and school district override mill levies if a district is already at its override revenue cap or where voters have approved overrides to generate fixed dollar amounts or inflation-adjusted dollar amounts. Districts that are constrained by revenue limitations under TABOR, the 5.5 percent property tax growth limit in current law, or other local policy are also not expected to generate less revenue under the bill. Districts that experienced a reduction in mill levies from the 2020 to 2021 property tax year, adjusted to exclude general mill levies from school districts, are assumed to be unaffected under the bill. Actual levies that will be impacted by the bill depend on local policy constraints and decisions and could vary from the estimate in the analysis.

The estimates assume weighted average mill levies by county for the 2022 property tax year from the Division of Property Taxation, except that school district total program mills are adjusted where required under current law enacted in House Bill 21-1164.

State Expenditures

The bill increases state expenditures for the state share of school finance and local government reimbursements. Expenditures are shown in Table 3 and detailed below.

**Table 3
Expenditures Under HB 23B-1004**

	FY 2023-24	FY 2024-25	FY 2025-26
Department of Education			
State Share of School Finance ¹	\$316,450,828	-	-
Total Cost	\$316,450,828	-	-

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 \$316.5 million in FY 2023-24. 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.

Department of Local Affairs. Workload may increase in the Division of Local Government to respond to additional inquiries and to provide technical guidance on the new assessments and deadlines. No change in appropriations is required.

Legislative Department. The Legislative Oversight Committee Concerning Tax Policy receives administrative and technical support from Legislative Council Staff and the Office of Legislative Legal Services. Because the bill only alters the committee’s scope but does not change the number or frequency of the committee’s meetings, the fiscal note assumes that no change in appropriations is required for legislative support agencies or legislator reimbursements.

Local Government

The bill is expected to reduce local property tax revenue by a net amount of \$620 million for property tax year 2023. Total loss in property tax from the impact of reduced property values will be partially offset by increased state aid to school districts and local government reimbursements. These components are summarized in Table 4.

**Table 4
Local Government Revenue Impacts of Assessment Provisions in HB 23B-1004**

	FY 2023-24 <i>Property Tax Year 2023 Collected in 2024</i>
Property Tax Revenue	(\$936.4 million)
School Districts – State Aid	\$316.5 million
Net Revenue Impact	(\$620.0 million)

Property tax revenue. Changes to assessment rates and property values under the bill are expected to reduce local property taxes by \$936.4 million for the 2023 property tax year.

State aid to school districts. The bill is expected to increase the required amount of state aid to school districts by \$316.5 million for property tax year 2023 as a result of reduced property tax revenue from total program levies..

Local workload and expenditures. The bill increases expenditures for assessors to implement the property tax changes in the bill for software updates.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For the current FY 2023-24, the bill increases the required state aid appropriation for school finance by \$316,450,828 relative to current law. However, based on updated local share data, the current FY 2023-24 appropriation for state aid is estimated to exceed the current law requirement by \$262,081,945. Therefore, the bill may only require that the state aid appropriation in current law be increased by \$54,368,883. Appropriations for school finance may be paid from the General Fund, the State Education Fund, the State Public School Fund, or a combination of these.

State and Local Government Contacts

Counties
Local Affairs

County Assessors
Revenue

Information Technology
Treasury