



Legislative
Council Staff

Nonpartisan Services for Colorado's Legislature

Initiative 36

Fiscal Summary

Date:	April 18, 2023	Fiscal Analyst:	David Hansen (303-866-2633)
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LCS TITLE: LIMITATION ON INCREASES IN PROPERTY TAX REVENUE

Fiscal Summary of Initiative 36

This fiscal summary, prepared by the nonpartisan Director of Research of the Legislative Council, contains a preliminary assessment of the measure's fiscal impact. A full fiscal impact statement for this initiative is or will be available at www.colorado.gov/bluebook. This fiscal summary identifies the following impact.

Local government impact. Assuming the measure first applies to 2023 property taxes paid in 2024, it is expected to reduce property tax revenue by \$1.1 billion in 2024, \$1.4 billion in 2025, and larger amounts in later years. For school districts, a portion of lost revenue will be offset by increased state contributions to total program funding for school finance. A portion of lost revenue for fire protection and water conservation districts is expected to be offset by reimbursements paid from TABOR surpluses retained by the state when revenue exceeds the Referendum C cap. The measure will also increase implementation costs for county assessors and treasurers.

State expenditures. The measure reduces the local share of total program funding for school finance, which will result in a corresponding increase in state aid. Assuming that the impact of reduced property tax revenue is distributed across taxing entities proportionally to current total program mill levies, the measure is expected to increase the state aid requirement by \$300 million in FY 2023-24 and \$376 million in FY 2024-25, and by larger amounts in future years. The measure will also increase workload in the Division of Property Taxation for implementation, as well as the Office of Information Technology.

TABOR refunds. The measure allows the state to retain and spend revenue above the Referendum C cap beginning in FY 2024-25, decreasing the amount of state revenue required to be refunded to taxpayers when revenue subject to TABOR is above the cap. In FY 2024-25, the measure allows the state to retain at least \$573 million, the estimated amount required to fully reimburse lost property tax revenue to school districts for losses in the local share of total program funding, and to fire protection and water conservation districts.

Economic impacts. The measure will increase the amount of after-tax income available for some property owners to spend, save, or invest elsewhere in the economy. The measure will decrease revenue available for counties, municipalities, school districts, and special districts relative to current law, lowering the amount of funds available for public services. Any overall change in economic activity will depend on the net economic impacts of higher after-tax household and business income and reduced investment in public services. The measure is also expected to influence property

owners' decisions regarding whether to change their property's use, or to make improvements, if these decisions would raise property values above the thresholds in the measure.