Initiative 110

Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Preliminary Fiscal Summary

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LCS TITLE: PROPERTY TAX VALUATION

Fiscal Summary of Initiative 110

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 **leg.colorado.gov/bluebook**. The estimates in this fiscal summary are preliminary and may be revised with additional time for property tax modeling and/or new information from state and local government agencies. This fiscal summary identifies the following impact.

Local government impact. The measure reduces property tax revenue to local governments by an estimated $3.4 billion in property tax year 2024, for which taxes are paid in 2025, and by larger amounts in later years. About $900 million in lost school district revenue will be made up through state aid for total program funding for school finance as required under current law. The measure is expected to slow growth in property tax revenue nearly to zero for 2025 and all later years.

The measure increases expenditures for county assessors' offices to identify unusual conditions requiring property revaluations. For large counties, costs for software enhancements and personnel are estimated at $500,000 annually.

For 2024 only, the measure requires that property revaluations occur in a short time period between the measure's effective date, expected to be in late November or early December, and the end of the calendar year. This will require significant expenditures in local agencies. The compressed timeline could affect valuation accuracy, which would necessitate additional expenditures in 2025 to address assessment appeals.

State expenditures. The measure increases state expenditures by an estimated $900 million in FY 2024-25, and by larger amounts in later years, for the state aid obligation for school finance as required under current law. Because the measure would take effect during the fiscal year when expenditures are required, appropriations would be made via the school finance mid-year adjustment. Assuming the General Assembly enacts a balanced budget for FY 2024-25 during the 2024 legislative session, the measure would require equivalent mid-year reductions in appropriations to other programs.

The measure increases expenditures for the Department of Local Affairs to update the Assessors' Reference Library to provide guidance to assessors concerning property valuations. For 2024 only, the measure will require these updates to occur immediately in order to allow time for properties to be revalued before the end of the calendar year.

Economic impacts. Limiting property valuations will increase the amount of after-tax income available for homeowners and business property owners to spend, save, or invest elsewhere in the economy. The measure will decrease revenue available to 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 creates a strong financial disincentive against making improvements to one's property, since these would qualify as an "unusual condition" and significantly increase the amount of tax owed relative to if the improvement had not been made. As a result, the measure is expected to decrease demand for property improvements, shifting consumption away from architects, general contractors and subcontractors, materials suppliers, and other businesses that produce or sell associated goods or services.

Technical note. The measure requires that the 2021 reassessment be used for four property tax years, 2021 through 2024. However, the measure takes effect after property taxes for 2023 will have been paid, and elsewhere limits valuations for 2024 to no more than 4 percent more than their 2022 level. This preliminary fiscal summary anticipates that the four-year reassessment provision has no impact, and does not calculate an estimate for it. If the measure requires property tax paid for the 2023 tax year to be refunded, it will cause a much greater local revenue reduction and a much greater state and local expenditure increase than estimated here.