Initiative 97

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Summary

Date:	December 19, 2023	**Fiscal Analyst:**	David Hansen (303-866-2633)

LCS TITLE: CONCERNING PROPERTY TAXES

Fiscal Summary of Initiative 97

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**. This fiscal summary identifies the following impact.

Local government impact. The measure is expected to reduce local property tax revenue beginning for property tax year 2025, for which taxes are paid in 2026. The measure is estimated to reduce property tax revenue by $2.3 billion for property tax year 2025, and larger amounts in later years, by limiting growth in actual value for unsold properties and properties that are not substantially improved to the lesser of inflation or 2.5 percent annually.

This estimate contains considerable uncertainty because the measure uses sale prices to value vacant, commercial, and industrial property classes. Under current law, these properties may be valued using other approaches, including the income approach and/or cost approach. If the use of sales prices results in higher or lower values than those currently used, this will impact the estimates in the analysis. To the extent that mill levies float up in response to the measure's limitations, the expected impacts will be reduced.

For school districts only, a portion of lost revenue will be offset by increased state contributions to school finance, as discussed below.

The measure will require costs for county assessors to implement software enhancements and update procedures, and may require more employees.

State expenditures. The measure is expected to reduce the local share of total program funding for school finance, correspondingly increasing the state aid requirement. Based on total program mill levies, the measure is expected to increase the state aid requirement by $738.3 million in FY 2025-26, and by larger amounts in later years.

The measure is expected to increase workload for the Division of Property Taxation to update manuals and procedures and to provide technical assistance to local governments.

Economic impacts. Resetting the value of many properties to their 2021 level and thereby reducing property taxes 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 is also expected to dampen residential and nonresidential sales activity over time, because it associates property transactions with rising property taxes. A smaller supply of properties on the market could lead to higher sales prices relative to the status quo.