Legislative
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Initiative 110

Fiscal Summary

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LCS TITLE: PROPERTY TAXES

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 **www.colorado.gov/bluebook**. This fiscal summary identifies the following impact.

Local government impact. Assuming that the measure first applies to 2022 property taxes paid in 2023, it reduces property tax revenue to local governments by at least $150 million in 2023, at least $1.5 billion in 2024, and larger amounts in future years. These estimates are based on school district-level assessed value forecasts. However, this method likely underestimates the measure's impact, particularly with respect to areas that include both fast-growing outlier properties, like many oil and gas producing properties, and other properties with slow growing or declining values.

The measure will require statutory changes to the processes that county assessors use to determine the amount of property tax due. Administrative costs in assessors' offices will depend on implementing legislation, and are expected to be significant in the initial years of implementation.

State revenue. The measure reduces property taxes paid by oil and gas producers, thereby reducing future tax credits that they can claim when calculating their severance taxes. This will increase state cash fund revenue from severance taxes beginning in FY 2023-24. The amount of this impact will depend on producers' specific tax situations and has not been estimated.

State expenditures. The measure reduces the local share of total program funding for school finance, correspondingly increasing the state aid requirement. If the property tax revenue impact for each parcel is distributed proportionally to current local mill levies, the measure is expected to increase the state aid requirement by at least $75 million in FY 2022-23, at least $475 million in FY 2023-24, and larger amounts in later years. Subsequent changes in levies by other local governments may reduce the amount of property tax received by school districts, thereby increasing the amount of the required state contribution to school finance.

Economic impacts. Limiting property tax growth will increase the amount of after-tax income available for homeowners and business property owners to spend or save, increasing their spending, saving, or investment elsewhere in the economy. The measure will decrease revenue available for counties, municipalities, school districts, and special districts relative to current law expectations, 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.