



Legislative
Council Staff

Nonpartisan Services for Colorado's Legislature

Initiative 42

Fiscal Summary

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LCS TITLE: REDUCTION IN ASSESSMENT RATES FOR CERTAIN PROPERTIES

Fiscal Summary of Initiative 42

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. The measure is expected to reduce property tax revenue by \$843 million in 2025 and a larger amount in 2026. Over time, more properties are expected to exceed the measure's value thresholds due to inflation and other market factors that increase property values. 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. The measure is expected to increase the state aid requirement by \$280 million in FY 2024-25, and a larger amount in 2026. Over time more properties are expected to exceed the measure's value thresholds as noted in the Local Government Impact section above. The measure will also increase workload in the Division of Property Taxation for implementation, as well as in 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 \$427 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 expected to influence property owner's decisions regarding whether to change their property's use, or to make improvements, if these decisions would raise property values above thresholds in the measure.