Initiative 96

Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Fiscal Summary

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LCS TITLE: STATEWIDE TAX ON LUXURY REAL PROPERTY

Fiscal Summary of Initiative 96

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.

State revenue. State revenue will not be impacted by the measure unless a statewide property tax revenue limit is imposed. If a limit is imposed, state revenue will increase by the amount that the limit reduces statewide property tax revenue beginning in FY 2027-28. This revenue is exempt from TABOR as a voter-approved revenue change.

State expenditures. The Department of Local Affairs (DOLA) is responsible for creating criteria for distributing revenue from the luxury property tax to local governments, which is expected to require expenditures of $46,827 in FY 2024-25 and $82,313 in FY 2025-26. If a statewide property tax limit is imposed, the state will also be responsible for working with county assessors to determine the total amount of revenue lost due to the property tax limit, determining the necessary tax rate each year, and distributing revenue to local governments. The costs associated with these responsibilities would depend on the distribution criteria developed by DOLA and the characteristics of the statewide property tax revenue limit.

Local government impact. The measure's impact on local governments will depend on whether a statewide property tax limit is imposed in the future. If no limit is imposed, the measure will have a minimal impact on local governments. If a limit is imposed, the measure will increase local government revenue from state distributions of the luxury property tax, with the amounts distributed based on the revenue loss incurred from imposition of the statewide limit. The measure will also increase costs and workload for county assessors to upgrade software, to create a new class of property, and to receive, evaluate, and settle an increased number of valuation appeals from property owners potentially subject to a luxury property tax. Additionally, workload will increase for local taxing authorities who will need to collect the supplemental tax.

Economic impacts. If a statewide property tax limit is adopted and triggers the imposition of a new tax on luxury properties, then owners of residential property valued at more than $2 million will have less after-tax income available to spend or save, reducing their consumption and investments throughout the economy. Revenue collected from the tax will be distributed to local governments, keeping these governments at approximately the same size that they would have been without the property tax limit. Additional local government revenue may impact the economy depending on how governments choose to spend, save, or refund this revenue.