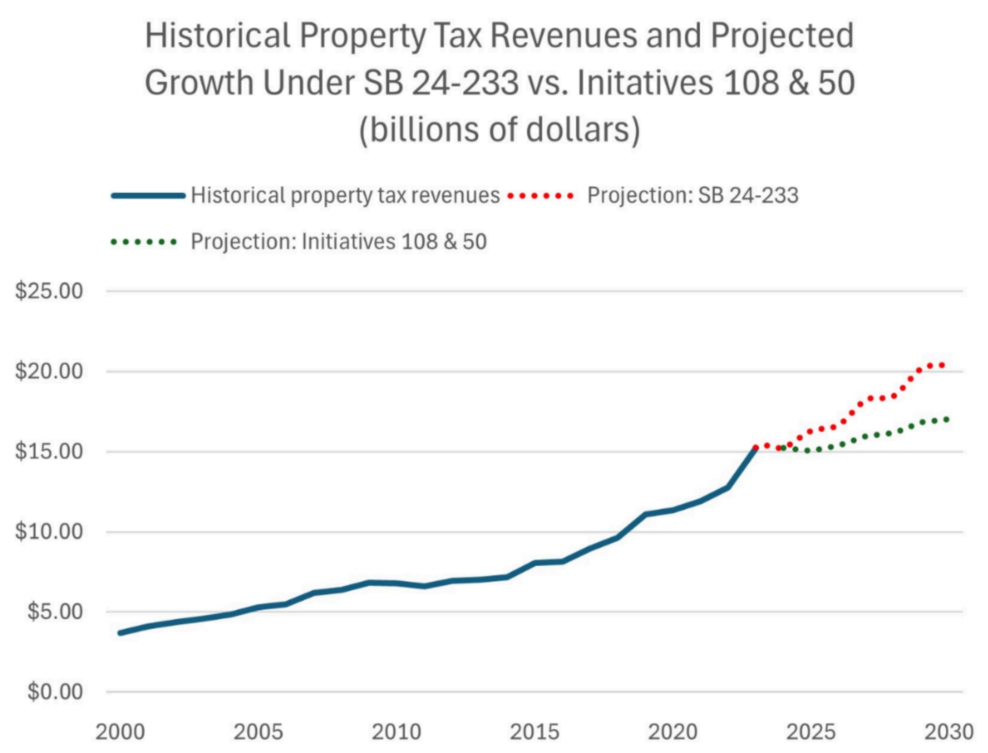
Balanced Property Tax Reform for Colorado: The Data Dispelling Doomsday Budget Warnings of the Politicians Who Want to Increase Your Property Taxes

After decades of ever-increasing property tax bills, Colorado voters will have a chance this November to impose reasonable controls on future increases through two connected ballot measures – Initiatives 108 and 50.

Predictably, critics of the ballot measures are painting doomsday budget scenarios, claiming that local tax districts will lose billions of dollars of property tax revenue each year. A budget official with the Polis administration, for example, is claiming local tax districts will experience revenue losses of up to $3.1 billion per year, which the state will have to reimburse.

This is simply untrue. Local tax districts will not lose billions of dollars due to Initiatives 108 and 50. In fact, after the initial implementation of the ballot measures, property tax revenues will continue to grow from their historically high levels, but at a more responsible rate.



Sources: Department of Local Affairs Annual Property Tax Reports, Colorado Concern analysis

Initiatives 108 and 50 are needed because lawmakers have failed to take the state's property tax inflation crisis seriously. Statewide property tax bills surged by $2.5 billion – almost 20% – to $15.25 billion last year.

This isn't just a record high. The current total of $15.25 billion means that property tax revenues have more than doubled over the past decade and more than quadrupled since 2000, when they were $3.69 billion, vastly outpacing growth in household incomes, population and inflation.

For the past several years, state lawmakers have approved a series of deals that claim on the surface to fix the problem – most recently, Senate Bill 24-233. But in reality, these deals have merely locked in continued unsustainable growth in property tax bills.

Modeling commissioned by Colorado Concern, a coalition of state business leaders, shows that the passage of SB 24-233 earlier this year will see property tax revenues continue to surge, exceeding $20 billion by the end of the decade.

But there is a better way forward.

Under Initiatives 108 and 50, assessment rates will be reduced to 5.7% for residential property and 24% for commercial property, providing much-needed tax relief for Colorado homeowners and businesses. Continued growth in the state's property tax base, along with budget safeguards in the ballot measures themselves, will maintain robust funding for local tax districts in the short term. Then, a 4% annual cap will allow property tax revenues to continue to increase, but at a responsible rate, over the long term.

Modeling indicates that by 2030, statewide property tax revenues will grow to $17 billion under Initiatives 108 & 50. This is an increase of $1.79 billion or 12% over today's record high levels of funding for local districts from property tax revenues.

To be clear: It is impossible to compare the merits of the ballot measures and SB 24-233 without reviewing year-by-year projections for total property tax revenues – and those year-by-year projections were noticeably missing from a June 14, 2024 presentation from the Governor's Office of State Planning and Budgeting.

The following table provides a side-by-side comparison of Colorado Concern's modeling and what's missing from the OSPB presentation now in circulation. The past 10 years of statewide property tax revenues are also provided for additional context:

Recent and Projected Statewide Property Tax Revenues: SB 24-233 vs. Initiatives 108 & 50

Year	Historical Statewide Property Tax Revenues	SB 24-233: Colorado Concern projections	Initiatives 108 & 50: Colorado Concern projections	SB 24-233: OSPB presentation 6/14/2024	Initiatives 108 & 50: OSPB presentation 6/14/2024
2014	$7.18 billion				
2015	$8.06 billion				
2016	$8.13 billion				
2017	$8.96 billion				
2018	$9.64 billion				
2019	$11.08 billion				
2020	$11.37 billion				
2021	$11.92 billion				
2022	$12.76 billion				
2023	$15.25 billion				
2024*		$15.24 billion		Missing	
2025**		$16.27 billion	$15.04 billion	Missing	Missing
2026		$16.64 billion	$15.37 billion	Missing	Missing
2027		$18.22 billion	$15.98 billion	Missing	Missing
2028		$18.46 billion	$16.18 billion	Missing	Missing
2029		$20.16 billion	$16.83 billion	Missing	Missing
2030		$20.41 billion	$17.04 billion	Missing	Missing

**SB 24-233 takes effect in 2024. **If approved by voters, Initiatives 108 & 50 would take effect in 2025.*

So where is all this talk about billions of dollars of losses coming from? In short, critics of the ballot measures are distorting a key budget safeguard that was included to ensure a smooth transition for local tax districts.

Under Initiative 108, a tax district that experiences an actual loss in revenue when the new assessment rates are implemented in 2025 will have the difference made up from the state budget. Per the ballot title, the state must “reimburse local districts for revenue lost as a result of these changes.” The amount of money from the state budget needed to backfill local tax districts in 2025 will be entirely manageable, if it is needed at all.

Current modeling indicates a potential one-time reduction of around 1.3% in statewide property tax revenues from 2024 to 2025, or roughly $200 million. For additional perspective, a one-time $200 million loss in revenue to local tax districts across Colorado is:

- Less than 0.5% of the $41 billion state budget
- Less than 1.5% of the state's $15.8 billion general fund
- Less than 10% of the state's $2.3 billion statutory reserve (i.e. Colorado's rainy day fund)
- Less than half of what state lawmakers currently spend on the Colorado Department of Revenue
- The same amount of budget backfill due to local tax districts and schools under last year's failed Proposition HH, which was supported by the state legislature and the governor (i.e. $128 million for local governments and $72 million for schools).

Faced with these facts, critics of the ballot measures are ignoring the ballot language of Initiative 108 and trying to redefine the term "revenue loss" to mean the difference between the revenue increases under SB 24-233 and the revenue increases under Initiatives 108 and 50. In other words, anything less than explosive growth in future property tax bills should be considered a "loss."

This defies common sense. Tax districts can't lose revenue they never collected in the first place. A "revenue loss" means exactly what it sounds like – the amount of revenue collected during one year is lower than the amount of revenue collected in the previous year.

Therefore, the losses being claimed by critics of the ballot measure aren't real. At best, they're phantom losses. Colorado voters are too smart to fall for this kind of fear mongering and deception, especially when it would rob them of urgently needed property tax relief.

Bottom line: Colorado's property tax system is out of balance.

After years of volatility and rapidly rising property tax bills, stability is needed for both taxpayers and tax districts. Initiatives 108 and 50 will provide that stability.