



Tax & Finance Steering Committee
Friday, May 4, 2023
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Welcome/Introductions

Chair: Commissioner Richard Elsner, Park County
 Vice Chair: Commissioner Bob Campbell, Teller County
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Legislation for Discussion

SB23-303, Reduce Property Taxes And Voter-approved Revenue Change			
H-Spon	Rep. Chris deGruy Kennedy & Rep. Mike Weissman	S-Spon	Sen. Chris Hansen & Sen. Steve Fenberg
Summary	<p>Section 3 of the bill requires the secretary of state to refer a ballot issue to voters at the November 2023 election that asks voters whether property taxes should be reduced and that seeks voter approval to retain and spend excess state revenues that will be used to backfill some of the reduced property tax revenue. Most of the bill only becomes effective if the voters approve the ballot issue. Local government property tax revenue limit. Beginning with the 2023 property tax year, section 6 establishes a limit on specified property tax revenue for local governments, excluding those that are home rule and school districts, that is equal to inflation above the property tax revenue from the prior property tax year (limit). A local government may establish a temporary property tax credit, which does not change the gross mill levy, that is up to the number of mills necessary to prevent the local government's property tax revenue from exceeding the limit. Alternatively, the governing board may approve a mill levy that would cause the local government to exceed the limit, if the governing board approves the mill levy at a public meeting that meets certain criteria. Valuation changes. The valuation for assessment (valuation) of nonresidential real and personal property, excluding producing mines and lands or leaseholds producing oil or gas, is based on an assessment rate of 29% of actual value, but currently, there are temporary reductions in the valuation for certain subclasses of property. Section 8 creates the additional temporary reductions. For the 2023 property tax year:</p> <p>For lodging property, property listed under any improved commercial subclass code, and all other nonresidential property, excluding agricultural property and renewable energy production property, the assessment rate is reduced from 27.9% to 27.85%;</p> <p>For renewable energy agricultural land, which is a newly created subclass of agricultural property that is valued under section 7 , the assessment rate is reduced from 26.4% to 21.9%.</p> <p>Thereafter, the assessment rate for lodging property and all nonresidential property, excluding agricultural property and renewable energy production property and property that is not under a vacant land subclass, is reduced from 29% to:</p> <p>27.85% for the 2024 through 2026 property tax years; 27.65% for the 2027 and 2028 property tax years; 26.9% for the 2029 and 2030 property tax years; and 25.9% or 26.9% for the 2031 and 2032 property tax years, depending on the increase in the valuation in the 32 counties with the smallest increases from the 2030 to 2031 property tax years (revenue increases).</p>		

The assessment rate for agricultural property, excluding renewable energy agricultural land, and renewable energy property is reduced from 29% to:

26.4% for the 2025 through 2030 property tax years; and
25.9% or 26.4% for the 2031 and 2032 property tax years, depending on the increase in the valuation in the 32 counties with the smallest revenue increases.

The assessment rate for renewable energy agricultural land is reduced from 29% to 21.9% for the 2024 through 2032 property tax years.

Beginning with the 2033 property tax year, all of the temporary valuation reductions expire and the valuation of all nonresidential real property is 29% of the actual value of the property.

The valuation of residential real property is based on an assessment rate of 7.15% of actual value, but currently, there are temporary reductions in the valuation. Section 9 further reduces the valuation of residential real property. For the 2023 property tax year, the valuation is reduced from 6.765% of the amount equal to the actual value minus the lesser of \$15,000 or the amount that causes the valuation to be \$1,000 (alternate amount) to 6.7% of the amount equal to the actual value minus the lesser of \$40,000 or the alternate amount.

For the 2024 property tax year, the valuation is reduced as follows:

For multi-family residential real property, the valuation is reduced from 6.8% of the actual value to 6.7% of the amount equal to the actual value minus the lesser of \$40,000 or the alternate amount; and

For all other residential real property, the valuation is reduced from an estimate of 6.98% of the actual value to 6.7% of the amount equal to the actual value minus the lesser of \$40,000 or the alternate amount.

For the 2025 through 2032 property tax years:

For multi-family residential real property and primary residence real property, including multi-family primary residence real property, the valuation is reduced from 7.15% of the actual value to 6.7% of the actual value minus the lesser of \$40,000 or the alternate amount;

For qualified-senior primary residence real property, including multi-family qualified-senior primary residence real property, the valuation is reduced from 7.15% of the actual value to 6.7% of the amount equal to the actual value minus \$140,000 or the alternate amount; and

For all other residential real property, the assessment rate is reduced from 7.15% to 7.1%.

Beginning with the 2033 property tax year, all of the temporary valuation reductions expire and the valuation of all residential real property is 7.15% of the actual value of the property.

The bill also establishes that all of the temporary reductions in valuation for residential and nonresidential property created in the bill are contingent on the state's ability to retain and spend state surplus up to the proposition HH cap. If, for any reason, excluding a legislative enactment by the general assembly, the state is not permitted to retain and spend this money, then the temporary reductions in the bill do not apply.

Section 11 creates the residential subclass of primary residence real property for owner-occupiers and establishes administrative procedures related to the classification that are based on the procedures for the homestead exemption, with those procedures expanded to treat civil union partners like spouses. Section 11 also creates the residential subclass of qualified-senior primary residence real property, which is a property with an owner-occupier who previously qualified for the senior homestead exemption for a different property and who does not qualify for the exemption for the current property tax year. Sections 1, 12, 13, 15, and 16 delay deadlines as necessary due to the valuation changes for the 2023 property tax year.

	<p>The state is currently required to reimburse local governmental entities for property tax revenue lost as a result of the reductions in valuation enacted in Senate Bill 22-238. Section 14 modifies this backfill mechanism by:</p> <ul style="list-style-type: none"> Specifying that the amount of revenue lost for a property tax year is based on a local governmental entity's mill levy for the 2022 property tax year, excluding specified mills; Including the additional property tax revenue reductions that result from the bill in the backfill for the 2023 property tax year; Eliminating the maximum amount of the backfill for the 2023 property tax year that is a refund of excess state revenues; Extending the backfill for the 2024 through 2032 property tax years for the valuation reductions in the bill, but making a local governmental entity that has an increase in real property total valuation of 20% or more from the 2022 property tax year ineligible for the backfill; Creating the local government backfill cash fund, which includes a \$128 million general fund transfer, and requiring the money from the fund to be used to backfill revenue to local governments beginning with the 2024 property tax year; and Beginning with the 2024 property tax year, proportionally reducing the amount that each eligible local government receives, if necessary to avoid exceeding the total amount that is available for the backfills statewide. <p>Section 14 also modifies the backfill mechanism to treat cities and counties as counties instead of municipalities, and this change is not contingent on voter-approval of the ballot issue. Section 18 requires the department of revenue to calculate the amount of excess state revenues that will be refunded for the fiscal year 2022-23 with and without the changes from the bill. Voter-approved revenue change. If the voters approve the referred ballot issue, then the state will be authorized to retain and spend revenues up to the proposition HH cap, created in section 3. For the 2023-24 fiscal year, the proposition HH cap is equal to the excess state revenues cap for the prior fiscal year, adjusted for inflation plus 1% and population changes. Thereafter, the proposition HH cap is equal to the proposition HH cap for the prior fiscal year, adjusted for inflation plus 1% and population changes. The proposition HH cap is also annually adjusted for the qualification or disqualification of enterprises and debt service changes.</p> <p>If the general assembly does not enact assessment rates for the 2033 property tax year that are the same or lower than the assessment rates for the 2032 property tax year described above, then the proposition HH cap is reduced to be equal to the excess state revenues cap, and the state will retain \$0 under this authority beginning with the 2031-32 fiscal year. Thereafter, the general assembly may partially or wholly restore the proposition HH cap without additional voter approval if the general assembly enacts valuation reductions equal to or greater than those for the 2032 property tax year.</p> <p>The amount retained under this authority is first used in the following fiscal year to backfill certain local governments for the reduced property tax revenue as a result of the property tax changes in the bill and Senate Bill 22-238, and the remainder is transferred to the state education fund to offset the revenue that school districts lose as a result of the property tax changes. Section 5 requires the state controller to include the new voter-approved revenue change in the annual report on TABOR revenues. Sections 2, 4, 10, and 17 make conforming amendments related to the valuation changes and related procedures and the voter-approved revenue changes.</p>
Status	In Progress
Position	Pending

CCI Property Tax chart can be found [here](#).

Bill language can be found [here](#).

Fiscal Notes can be found [here](#).

Adjourn