Initiative 198

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Summary

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LCS TITLE: PROPERTY TAX REVENUE

Fiscal Summary of Initiative 198

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.

Local government impact. By reducing residential and nonresidential assessment rates, the measure reduces property tax revenue to local government by an estimated $3 billion for property tax year 2025, $3.1 billion for property tax year 2026, and by larger amounts in later years.

In years when statewide property tax revenue for certain property classes is projected to grow more than 4 percent over the prior year, the measure conditionally decreases property tax revenue further, unless voters approve a ballot measure allowing for the additional revenue to be collected and retained. Based on the December 2023 Legislative Council Staff forecast for assessed values, statewide assessed value is not expected to grow by more than 4 percent in property tax year 2026. Therefore, property tax revenue growth for 2026 will be less than the limit in the measure if revenue growth is proportional to growth in assessed values. A forecast of assessed value is not available beyond property tax year 2026.

The measure requires the state to reimburse local districts for lost revenue as a result of the measure. An estimated $2.2 billion will be reimbursed by the state in 2025 and 2026 for counties, municipalities, and special districts, and for school districts exclusive of revenue from total program mill levies. An estimated $870 million in FY 2025-26 and $890 million in FY 2026-27 will be made up through state aid for total program funding for school finance as required under current law.

Overall, the measure is not expected to result in a net revenue loss for local governments and school districts due to the state reimbursement requirement.

State expenditures. The measure will increase state expenditures by an estimated $3 billion in FY 2025-26 and $3.1 billion in FY 2026-27, and by larger amounts in later years. In years when statewide property tax revenue for certain property classes is projected to grow more than 4 percent over the prior year and voters do not vote to allow revenue to exceed the limit, the measure conditionally increases state expenditures further for local government reimbursements and state aid for school finance.

Local reimbursements. The measure increases General Fund expenditures for local reimbursements by an estimated $2.2 billion in FY 2025-26 and FY 2026-27, and larger amounts in later years, as described in the Local Government Impact section above.

School finance. The measure increases expenditures for the state aid obligation for school finance by an estimated $870 million in FY 2025-26 and $890 million in FY 2026-27.

Department of Local Affairs. The measure increases General Fund expenditures in the Department of Local Affairs, Division of Property Taxation by about $16,000 each year for personnel costs to process information for local reimbursements.

Elections. If a ballot measure to allow for property tax revenue is initiated or referred, expenditures for certain election costs incurred by the state related to ballot measures will increase.

Economic impacts. Reducing assessment rates will increase the amount of after-tax income available for homeowners and business property owners to spend, save, or invest elsewhere in the economy.

The measure obligates a significant portion of the state General Fund to reimburse lost property tax revenue to local governments, estimated at about 15 percent of the amount forecast to be collected in FY 2025-26 that the state is permitted to retain and spend under TABOR. This amount will be unavailable for other state services.

Technical note. The fiscal summary assumes that, under the measure the multifamily residential property class is assessed at 5.7 percent and that the agricultural and renewable energy production property classes are assessed at 25.5 percent. However, this conflicts with higher assessment rates established for these classes in sections of current law that the measure does not amend.