

Your Property Taxes

In May this year, our legislature passed Senate Bill-24-233 building on SB-22-238, a tax relief measure from 2023. SB-24-233 “does not lower property taxes but slows the pace at which they are climbing” with an estimated \$1.3 billion in relief for residential tax years 2024-2025. The exact amount of homeowner relief will be a function of various residential assessment rates and the funding of budgets through politically created mill levies.

The bill capped annual local government property tax revenue growth at 5.5%. It also continues rate reductions for tax years 2023 into 2024 by reducing the assessment rate for residential (non-multi-family), from 7.15% to 6.7% with up to a \$55,000 per home discount before assessment rates. In 2026 and beyond, that discount goes to \$70,000 based on 10% of property actual value.

Not everyone was happy with SB-24-233. The passed bill was immediately challenged and threatened with two property tax ballot measures (to be known as Initiatives 50 and 108) for this November’s election. Initiative 50 would cap property tax revenue increase at 4% vs 5%, and 108 would cut residential assessment rates to 5.7% for homes and 24% for commercial.

If one, let alone both passed, then Colorado would be mandated to use the General Fund to “backfill” revenue losses to the approximately 4600 state wide entities using property tax revenue to operate. Such an expense was estimated to be \$3 billion or more from the state’s budget (\$38.5 billion for 2024).

To the rescue, or “hostage compromise” said some legislators, was House Bill-24B-1001, which was the result of a special legislative session called by our governor. HB-24B-1001 is an amendment to rather than a replacement of SB-24-233. The legislature had to act fast to pump this bill out, otherwise Initiatives 50 and 108 would go to the voters this November with a decent chance of passing. Many viewed that as a catastrophe in the making.

The specific changes to SB-24-233 by HB-24B-1001 for residential properties are:

- In 2024, carrying over the assessment rates and actual values subtractions from 2023 property tax year (SB-22-238) into 2024. The assessment rate will be 6.765% changed from 7.15%. Also, the value exemption to be subtracted from actual value before the tax assessment rate was changed to \$55,000 from \$15,000. Property tax revenue growth will be capped at 5.25%, not 5.5.
- In 2025, the residential assessment rate for local governments will remain 6.25% unless statewide actual growth exceeds 5% from 2023 to 2024, and then reduced to 6.15%. Plus, 10%

of the property's actual value, up to \$70,000, is subtracted from actual value before the assessment rate is applied.

- In 2026, the residential assessment rate for local governments is 6.8% unless statewide actual growth exceeds 5% in 2024 to 2025. In that case the rate is 6.7%. ALSO, 10% of the property's actual value, up to \$70,000, is subtracted from actual value before the assessment rate is applied.
- In 2007 and thereafter, "the bill continues the lower assessment rates for residential property."
- The total property tax savings for residential owners is \$1.554--\$1.6 billion vs \$1.3B.

Also to be noted in 2025 and thereafter, different assessment rates will be used for local governments, school and fire districts, and other property tax funded entities. This a change from the previous concept that one assessment rate fits all properties.

Three concluding observations: Colorado has the third lowest property tax levels in the nation, but the rate of tax increases here raised strong objections about affordability and living costs. It found an audience in the legislature.

Secondly, property tax savings for the metro Denver area based on a \$625,000 property will be approximately \$230 for 2025, and \$310 for 2026. Savings means you will spend less than if no property tax relief bills.

Lastly, rescinding the Gallagher Amendment in 2020 made things worse for property tax payers given the unforeseen "Covid Housing Bump" that blew home prices and property taxes out of the water. Removing Gallagher was thought to be the answer to "property tax fairness," but little did voters know what was coming in 2020. In the jargon of decision making, these unintended consequences are known as "unk-unks" – unknown unknowns - "you don't know what you don't know."