



Proposition HH: Reduce Property Taxes and Retain State Revenue

Proposition HH will appear on Colorado voters' November ballots. In addition to the below summary and analysis from CML, a detailed analysis of the measure by the General Assembly's Legislative Council Staff is available at <http://leg.colorado.gov/ballots/reduce-property-taxes-and-retain-state-revenue>.

CML Summary and Analysis

Assessment rate/valuation changes: The General Assembly referred Proposition HH to voters by [SB 23-303](#). The measure temporarily lowers the assessment rates for both residential and certain types of nonresidential properties for a ten year-period. For the 2023 property tax year, the measure provides all residential properties with a \$50,000 reduction in value, and for the 2024 property tax year, provides all residential properties with a \$40,000 reduction in value. Starting in the 2025 tax year, the measure creates a distinction between owner-occupied primary residences and non-owner-occupied residences and, starting that same year, only owner-occupied homes will be afforded the \$40,000 reduction in actual value on an annual basis. The measure also creates a "qualified-senior primary residence" exemption of \$140,000 starting in the 2025 property tax year, which will be portable. Both the owner-occupied primary residence exemption and qualified-senior primary residence exemption require taxpayers to apply with their respective county assessor to obtain the exemption.

These changes to assessment rates and valuation provide some property tax relief by lowering the property taxes owed by property owners, compared to what would be owed without the measure. This results in a decrease in property tax revenue collected by local governments, compared with what is authorized under current law. This means that in property tax years when property values increase, like the 2023 property tax year, taxpayers will still see an increase in property taxes under Proposition HH, but the increase will likely be less than the increase would be without the measure; likewise, local governments may see an increase in property tax revenue even if Proposition HH passes, but it will likely be less of a revenue increase than would occur without the measure. If property values remain stagnant or decrease in future property tax years, Proposition HH may result in a greater decrease in property taxes owed by taxpayers and may result in a greater decrease in property tax revenue for local governments. This analysis rests on the assumption that local governments keep their mill levy the same each year, which is not typically the case, and would further impact the analysis.

Revenue limit: Starting in the 2023 property tax year, Proposition HH limits growth in property tax revenue for local governments, except for school districts and home rule municipalities and counties (but not any of their special purpose districts). The limit is the rate of inflation, as dictated by the Denver-Aurora-Lakewood CPI (based on the most recently published estimate of inflation for the prior calendar year), over the prior year's property tax revenue. The measure sets forth certain categories of revenue that are exempt from this limit.



Local governments can exceed the revenue limit if the governing body, on an annual basis, notifies the public, holds a public meeting for public comment, and adopts an ordinance or resolution. The local government's decision would be a final decision that is not subject to appeal. This new limit applies in addition to local TABOR expenditure limits and any other legal limits on revenue. Notably, local governments already have authority to temporarily lower mill levies to provide property tax relief and many have implemented property revenue growth limitations. Although local governments are given authority to exceed this new inflationary limit, Proposition HH may constrain the authority of local governments to create locally appropriate solutions.

Retention of state surplus and revenue backfill: Finally, the measure allows the state to retain and spend part of the state surplus (TABOR cap) up to the "Proposition HH cap" through at least 2032.¹ This, in turn, reduces TABOR refunds.² Up to 20 percent of the retained revenue will be used to partially backfill the property tax revenues that local governments will lose out on because of the various reductions that will go into effect. However, lost property tax revenue resulting from reduced mill levies (e.g., due to the local property tax limit in the act) will not be reimbursed to local governments. Additionally, starting with the 2024 property tax year, once a municipality reaches an increase of 20% or more in the assessed value of real property from the 2022 property tax year, it will no longer be eligible for backfill. Most local governments are likely to become ineligible for any backfill early in the ten-year period. Fire Districts, EMS, and Hospital Districts will receive 50% of their backfill amount if they go over the 20% increase in assessed value and are at the front of the line for available backfill dollars. Up to \$20 million of the state-retained revenue may go to rental assistance. The largest portion of the state-retained revenue will go to fund K-12 education and will likely increase significantly over the ten-year period.

Proposition HH is a complicated measure with many moving pieces, making it difficult to fully explain and understand the scope of changes, let alone for state and local governments to implement the changes. The measure will require state and local governments to establish new processes to effectuate these changes, making Proposition HH administratively difficult to navigate, particularly regarding municipal budgeting. To compound that challenge, the measure's impact is dependent on many economic factors that are constantly in flux.

¹ The state can continue the Proposition HH cap after 2032, without further voter approval, if it maintains property tax decreases equivalent to those in the measure.

² For the 2023 tax year, the measure will distribute TABOR refunds to taxpayers in equal amounts rather than through the tiered refund system.