



Proposition HH

Retain State Revenue & Reduce Property Taxes

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July 10, 2023

Overview

- Background
- Summary of Proposition HH
- Questions?

Background

- Proposition HH was placed on the ballot by the state legislature (Senate Bill 23-303)
- Ballot Question:

Shall the state reduce property taxes for homes and businesses, including expanding property tax relief for seniors, and backfill counties, water districts, fire districts, ambulance and hospital districts, and other local governments and fund school districts by using a portion of the state surplus up to the Proposition HH cap as defined in the measure?

A “yes” vote on Proposition HH would....

- lower property taxes owed for homes and businesses, compared to what would be owed under current law
 - Including an additional benefit for seniors, beginning in 2025
- allow the state to retain money that would otherwise be refunded to taxpayers through at least 2032
 - Used for education, rental assistance programs, and reimbursements to local governments for some of their reduced property tax revenue;
- distribute TABOR refunds to taxpayers in equal amounts for tax year 2023; and
- create a new local government property tax revenue limit

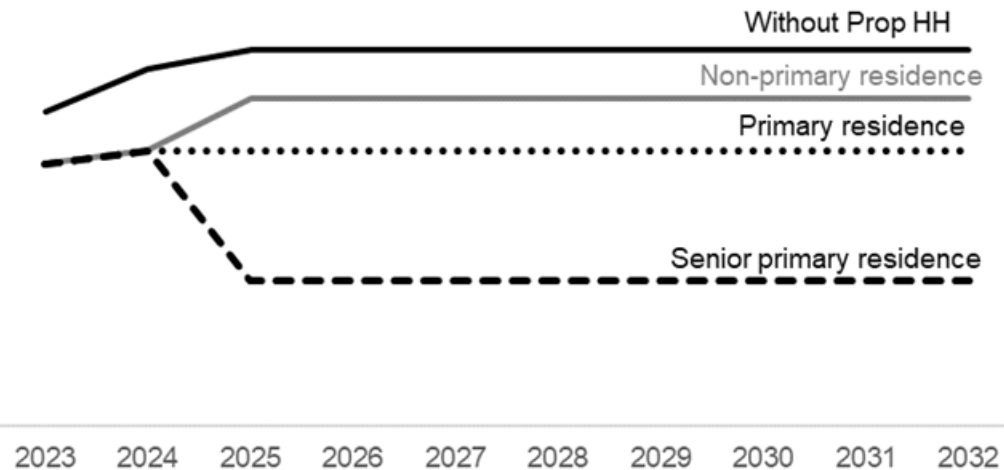
How long will the changes last?

- Most changes would extend for 10 years
- Prop HH authorizes the state legislature to continue to retain revenue after 2032, without further voter approval
- For the measure to be extended, property tax decreases equivalent to those in the measure must be maintained

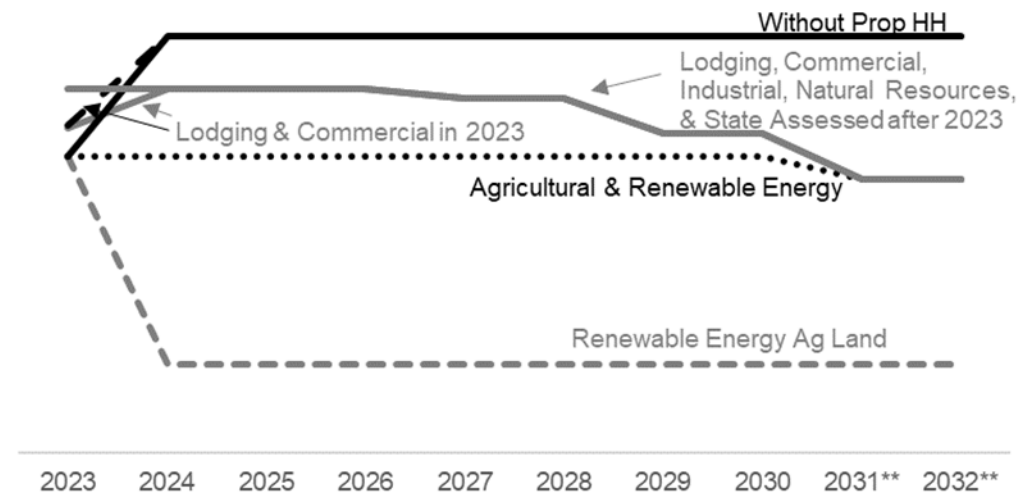
Changes to Property Taxes

- Results in a smaller increase in property taxes
- Makes these reductions by:
 - Lowering assessment rates and creating a subtraction from actual value for residential and most non-residential property
 - Distinguishing owner-occupied primary residences from other residential properties
 - Allowing a senior who has qualified to for the senior homestead exemption in the past to be eligible for the same benefit in any home they purchase and live in as their primary residence
 - Creating a local government property tax limit

Changes in Taxable Value



- Reduced assessment rates



- Additional subtractions

- New classes of property

Senior Homestead Exemption

- Current Senior Homestead Exemption:
 - Age 65 and over
 - Owned and lived in their current residence for the past 10 years
 - Does not go with the taxpayer if they move to a new home
 - Up to 50% of the first \$200,000 in market value is exempt (\$100,000 for any property valued above \$200,000)

→ **Under Prop. HH, the current senior homestead exemption does not change.**

Those utilizing the exemption may apply to qualify as an “owner-occupied primary residence” and receive an additional \$40,000 subtraction.

Senior Owner-Occupied Properties

- Prop. HH creates a new portable \$140,000 subtraction for seniors who:
 - have qualified for the current senior homestead exemption
 - live in a home that they purchase as their primary residence.
- Begins in 2025
- Must apply to the county assessor's office to receive the benefit

Local Government Property Tax Limit

- Limits local government property tax revenue to the amount collected in the prior year, plus inflation
- May waive the limit after a public hearing and comment process
- If the limit is not waived, local governments must reduce their tax rates or refund any revenue above the limit to taxpayers.

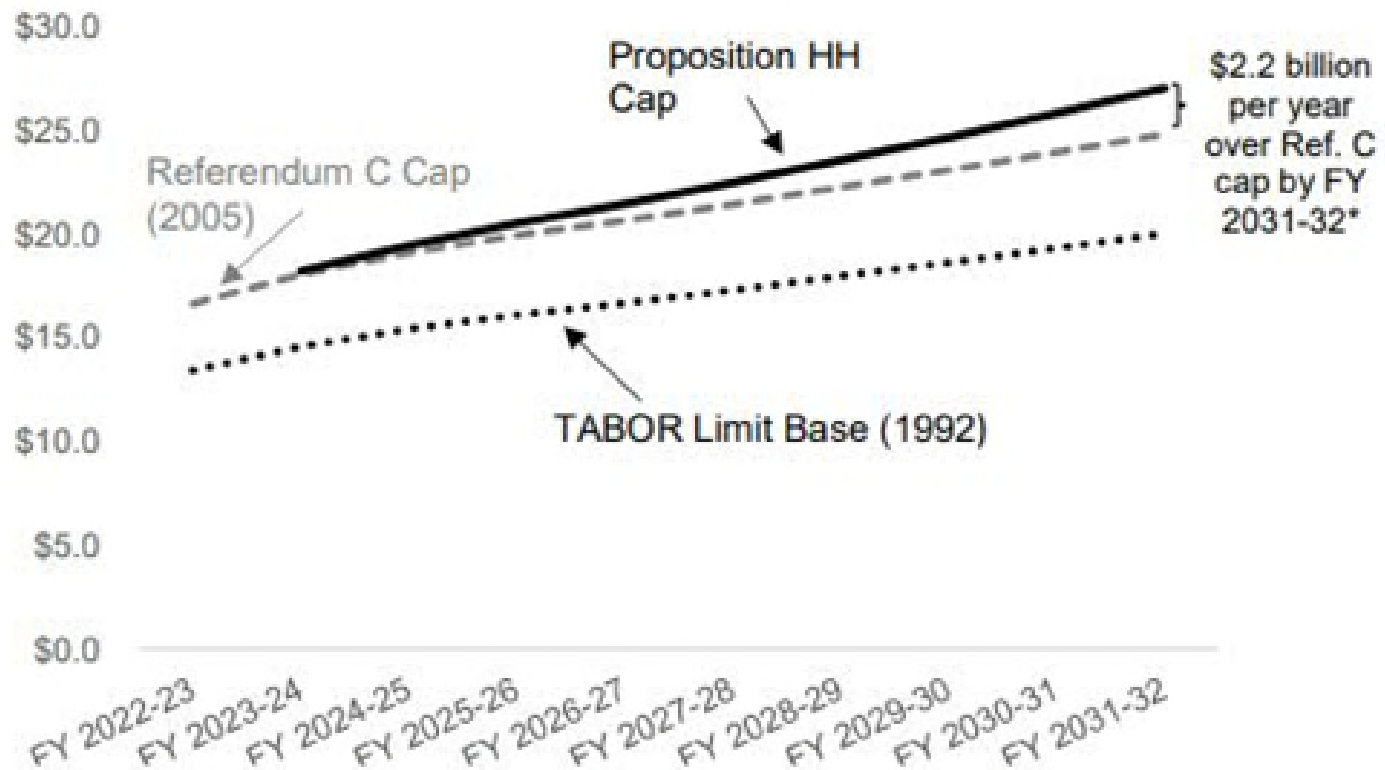
TABOR

- The Taxpayer's Bill of Rights (TABOR) limits the amount of money that the state can retain and spend each year.
- Anything collected above that cap is refunded to taxpayers
- Proposition HH would create a new, higher cap, which allows the state to retain and spend more money and reduces TABOR refunds.
 - New cap grows by population growth + inflation + 1%

New Cap on State Revenue

Proposition HH Cap on State Revenue

The measure allows the state to retain an estimated \$167 million in state budget year 2023-24 and \$359 million in state budget year 2024-25.



*Assumes inflation through 2025 from the June 2023 Legislative Council Staff forecast and 2.5 percent annual inflation for 2025 to 2031. Population growth projections from the Colorado State Demography Office.

How will the state use this additional money?

- Up to 20% is used to reimburse local governments for lost property tax revenue
- Up to \$20.0 million for rental assistance
- Remainder used to reimburse school districts for lost property tax revenue and to fund education.
 - Over 10 years, this will be the majority of the money.

How does this impact TABOR refunds?

In the long term, it will reduce TABOR refunds.

Depending on economic conditions, TABOR refunds could be eliminated in some years.



















Income	Number of Taxpayers	<u>Change in Refund</u>	
		Single	Joint
<u>2024 Refunds</u>			
Up to \$52,000	1,267,395	-\$31	-\$62
\$52,001 to \$103,000	976,262	-\$42	-\$84
\$103,001 to \$163,000	631,424	-\$48	-\$96
\$163,001 to \$226,000	329,326	-\$57	-\$114
\$226,001 to \$289,000	157,503	-\$62	-\$124
\$289,001 and up	261,183	-\$100	-\$200
<u>2025 Refunds</u>			
Up to \$53,000	1,282,604	-\$67	-\$134
\$53,001 to \$105,000	987,978	-\$90	-\$180
\$105,001 to \$167,000	639,001	-\$103	-\$206
\$167,001 to \$231,000	333,278	-\$122	-\$244
\$231,001 to \$297,000	159,393	-\$132	-\$264
\$297,001 and up	264,318	-\$212	-\$424

2023 TABOR Refunds

If Prop. HH passes, refunds will be distributed as a flat \$820 for a single filer, \$1,640 for a joint filer

Income	Number of Taxpayers	Change in Refund	
		Single	Joint
Up to \$50,000	1,254,519	+\$233	+\$466
\$50,001 to \$99,000	966,344	+\$37	+\$74
\$99,001 to \$157,000	625,009	-\$81	-\$162
\$157,001 to \$219,000	325,980	-\$251	-\$502
\$218,001 to \$278,000	155,903	-\$332	-\$664
\$278,001 and up	258,530	-\$1,034	-\$2,068

What does this mean for taxpayers?

Example 1	Example 2	Example 3
Does not own property 	\$500,000 property value 	\$1,500,000 property value 
\$50,000 income 	\$70,000 income 	\$200,000 income 
2023	2023	2023
Not directly impacted by property tax changes 	Property taxes owed <i>decreases</i> by \$221 	Property taxes owed <i>decreases</i> by \$275 
TABOR refund <i>increases</i> by \$192 	TABOR refund <i>increases</i> by \$33 	TABOR refund <i>decreases</i> by \$203 
2024 through 2032	2024 through 2032	2024 through 2032
Not directly impacted by property tax changes 	Property taxes owed <i>decreases</i> 	Property taxes owed <i>decreases</i> 
TABOR refund <i>decreases</i> \$32 in 2024 and continues to <i>decrease</i> in future years 	TABOR refund <i>decreases</i> \$42 in 2024 and continues to <i>decrease</i> in future years 	TABOR refund <i>decreases</i> \$58 in 2024 and continues to <i>decrease</i> in future years 

These examples do not account for property tax reductions as a result of the local government revenue limit.

How does the measure impact local governments?

- Local property tax revenue limit for many local governments
- State reimbursements for lost property tax revenue
 - Between 65% and 100% of lost revenue
 - Depends on the type of local government, size of the county, and growth of property values in the area
- Smaller counties and those with slower growth receive more reimbursement
- Most local governments will not be reimbursed once their assessed value exceeds 2022 levels by 20%
- School districts are reimbursed through school finance formula, using money retained by the state

Questions?

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