

SB23-303

Reduce Property Taxes and Voter-approved Revenue Change

This bill sends a ballot issue, Proposition HH, to the voters in the November 2023 election. It asks voters to approve a measure to retain and spend state surplus that will be used to backfill some of the lost revenue to local governments that is a result of the property tax changes in the bill. If the voters do not approve the ballot measure these property tax changes will not take effect.

2023 Changes

Early Reporting

Early reporting is required on or before September 15, 2023. The county treasurer is required to report the following estimates to the Property Tax Administrator (PTA) for each local governmental entity:

1. Total property tax revenue reduction for property tax year 2023 based on:
 - a. Reductions from SB22-238
 - b. The combination of reductions from SB22-238 and SB23-303, as if proposition HH is approved by voters.
2. The increase in assessed value from the property tax year 2022 to the property tax year 2023, based on:
 - a. Reductions from SB22-238
 - b. The combination of reductions from SB22-238 and SB23-303, as if proposition HH is approved by voters.

<<This section of the bill goes into effect upon the Governor's signature.>>

Working Group

This bill requires the Administrator to convene a group to make recommendations about streamlining the designation of primary residential real property. The working group will have representatives from assessor and county offices, from different sizes of counties, along with real estate professional representatives. A report from the working group will be presented on or before January 1, 2024, if the ballot issue passes, to the senate local government and housing committee and the house of representatives transportation, housing and local government committee.

<<This section of the bill goes into effect upon the Governor's signature. The report is not submitted unless HH is approved by the voters.>>

Calendar Changes

Since this bill affects rates and actual value adjustments for 2023, thereby affecting the certification to local governments, the deadlines for several required reporting dates have been delayed.

- Final certification of values for all local governments is delayed from December 10th, 2023 to December 29th, 2023. The DPT recommends notifying your local governments on this delay. It is also recommended that final certification be sent as soon as possible.
- For all local governments, including school districts, the reporting for certification of levies is delayed from December 15th, 2023 to January 5th, 2024.
- Certification of levies by the board of county commissioners is delayed from December 22nd, 2023 to January 12th, 2024.
- Delivery of the tax warrant is delayed from January 10th, 2024 to January 19th, 2024.
- The Treasurer shall mail the tax statement as soon as possible after January 19th, 2024.

Reporting

Starting on March 1, 2024, and each March 1 for the next 9 years, treasurers shall report to the PTA:

1. The property tax reduction for each eligible local governmental entity as a result of the changes in both SB22-238 and SB23-303. Note that SB22-238 will only affect the 2023 and 2024 property tax years.
 - a. The mill levy to be used is the 2022 property tax year mill levy, excluding mills levied for payment of bonds and other contractual obligations.
 - b. The local governmental entity must also be eligible to receive backfill.
2. The difference in assessed value of real property for their county and each eligible local government entity compared with the 2022 property tax year.
3. Additional information as necessary.

Backfill Calculation

Treasurers will calculate each local government entity's property tax reduction for 2023 using the following information:

- 2023 Actual Value
- 2023 Value Adjustments
- 2023 Assessment Rates
- 2022 Assessment Rates
- 2022 Modified Mill Levies - excludes mills levied for payment of bonds and other contractual obligations

Treasurers will use the following steps to calculate the reduction amount for tax year 2023.

Step 1

2023 Actual Value * 2022 Assessment Rates = 22/23 Assessed Value

22/23 Assessed Value * 2022 Modified Mill Levies = 22/23 Tax Revenue

Step 2

(2023 Actual Value – 2023 Value Adjustments) * 2023 Assessment Rates = 23 Assessed Value

23 Assessed Value * 2022 Modified Mill Levies = 23 Tax Revenue

Step 3

22/23 Tax Revenue – 23 Tax Revenue = 100% BACKFILL

If the entity is not eligible for 100% backfill, then the amount will be reduced appropriately.

The 2022 Modified Mill Levy is applied in both calculation to determine the impact of 22-238 & 23-303s' value adjustments and assessment rate changes. This ensures the difference between tax revenue is due to the bills' influence.

Treasurers will use the following steps to calculate the reduction amount for tax year 2024.

Step 1

2024 Actual Value * 2022 Assessment Rates = 22/24 Assessed Value

22/24 Assessed Value * 2022 Modified Mill Levies = 22/24 Tax Revenue

Step 2

(2024 Actual Value – 2024 Value Adjustments) * 2024 Assessment Rates = 24 Assessed Value

24 Assessed Value * 2022 Modified Mill Levies = 24 Tax Revenue

Step 3

22/24 Tax Revenue – 24 Tax Revenue = 100% BACKFILL

If Proposition HH is not approved by the voters, treasurers will not calculate or report anything for tax year 2024. If Proposition HH is approved, subsequent tax year calculations will follow the formula substituting the new tax year for 2024.

Starting in 2024, and each of the nine years after that, the treasurer must report to the PTA the difference in assessed value of real property, for each county and eligible local government entity, for that tax year as compared to the 2022 assessed value of real property. The treasurer is required to report the difference, however the assessor is required to calculate the difference.

Backfill Eligibility for Local Governmental Entities

Clarified in the bill, for purposes of backfill calculations, city and county governments will be considered Counties.

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Eligible local governmental entities receive backfill based on:

1. Counties with a population $\leq 300,000$, the backfill for each eligible local governmental entity will be:
 - a. 100% of the total property tax revenue reduction if the increase in assessed value of real property is less than 10% compared to the 2022 assessed value of real property.
 - b. 90% of the total property tax revenue reduction if the increase in assessed value of real property is 10% or greater compared to the 2022 assessed value of real property
2. Counties with a population $> 300,000$, the backfill for each eligible local government will be:
 - a. 100% of the total property tax revenue reduction for each municipality or select special district if the increase in assessed value of real property is less than 10% compared to the 2022 assessed value of real property.
 - b. 90% of the total property tax revenue reduction for each municipality or select special district if the increase in assessed value of real property is 10% or more compared to the 2022 assessed value of real property.
 - c. 65% of the total property tax revenue reduction for all local governmental entities besides a municipality or a select special district.
 - d. The select special districts are: fire districts, health service districts, water districts, sanitation districts, and library districts.

A local governmental entity is ineligible for backfill if:

1. The entity has an increase of 20% $>$ in assessed value of real property from the property tax year 2022.
or
2. The entity is in a county with population $> 300,000$ and was ineligible to receive backfill a prior year because number 1 applied.

- a. All ineligible entities in a county with a population $\leq 300,000$ will have their eligibility evaluated every property tax year.
3. If the ineligible entity is a fire district, health service district, or ambulance district, they will receive a 50% reimbursement.

Revenue Limitations

Starting in property tax year 2023, the bill restricts a local government's property tax revenue by allowing it to increase by no more than inflation over the revenue from the previous property tax year.

A local government may temporarily reduce their mill levy to accommodate the revenue restriction.

A local government may also approve an increase in this revenue limitation by notifying the public of their intent to approve a mill levy that will increase the revenue beyond inflation, hold a public hearing which allows the public to present oral testimony, and then adopt a resolution or ordinance to approve a mill levy that exceeds the revenue limit.

New Classifications

The bill creates 3 new classifications.

1. *Renewable Energy Agricultural Land.*

- a. A subclass of agricultural properties, this subclass will be created in 2024, with an assessment rate of 21.9%. This is land that is currently classified as agricultural land, has a renewable energy facility built upon it, and is still being used for agricultural purposes. Only the land that is attributable to, or used in conjunction with, the facility will receive the 21.9% assessment rate, and be valued under the dry-graze waste-land category.

2. *Primary Residence Real Property.*

- a. This is a residential classification where an individual owns and occupies the residence as their primary residence.
- b. An individual can only have 1 primary residence.
- c. This will become active in 2025.
- d. Applications for a property to be classified as a primary residence real property must be completed no later than March 15th of the first property tax year for which the classification is sought.
- e. Late applications may be filed no later than July 15th. An applicant may not contest the denial of a late application.
- f. This includes property that is currently qualified for the senior exemption. The owner-occupier must still apply for this additional primary residence designation.
- g. The advantage of applying for these classifications is to receive a \$40,000 actual value reduction each year.

3. ***Qualified-senior Primary Residence & Multi-family Qualified-senior Primary Residence Real Property.***

- a. These are residential classifications where an individual owns and occupies the residence as their primary residence and the individual of the property previously qualified for the senior homestead exemption for a different property and does not qualify for the senior homestead exemption in the current property tax year.
- b. This essentially makes the senior exemption portable, though through a different mechanism.
- c. An individual can only have 1 primary residence.
- d. These will become active in 2025.
- e. Applications for a property to be classified as a primary residence real property must be completed no later than March 15th of the first property tax year for which the classification is sought.
- f. Late applications may be filed no later than July 15th. An applicant may not contest the denial of a late application.
- g. The advantage to apply for these classifications is to receive a \$140,000 actual value reduction each year.

The working group, convened under this bill, will determine the best method to designate and administer these new designations.

New Assessment Rates & Actual Value Reductions

Residential

The following table shows the new assessment rates contained in the bill. The two new designations that have been created in statute, *Primary Residence Real Property* and *Qualified-Senior Primary Residence Real Property*, will have new assessment rates starting in 2025. These include Multi-family Primary Residence and Multi-family Qualified-Senior Primary Residence Real Property.

Property Tax Year	2023	2024	2025-2032	2033 & Later
Primary Residence			6.7% after \$40,000 actual value reduction	7.15%
Qualified-Senior Primary Residence			6.7% after \$140,000 actual value reduction	7.15%
Multifamily	6.7% after \$50,000 actual value reduction	6.7% after \$40,000 actual value reduction	6.7% after \$40,000 actual value reduction	7.15%
Residential	6.7% after \$50,000 actual value reduction	6.7% after \$40,000 actual value reduction	6.7%	7.15%

Non-residential

The non-residential assessment rates and reductions are below. Please note that there are not any changes for the classifications of Producing Mines or Oil & Gas properties.

There is one new subclass for this group of properties. *Renewable Energy Ag Land* has been created in statute and will have a new assessment rate starting in 2024.

Property Tax Year	2023	2024-2026	2027-2028	2029-2030	2031-2032
Lodging & Other Improved Commercial	27.85% after \$30,000 Actual value reduction	27.85%	27.65%	26.9%	25.9% or 26.9%*
Other Commercial, Industrial, Natural Resources, State Assessed	27.85%	27.85%	27.65%	26.9%	25.9% or 26.9%*
Vacant Land	27.85%	29%	29%	29%	29%
Ag, Renewable Energy	26.4%	26.4%	26.4%	26.4%	25.9% or 26.4%*
Renewable Energy Ag Land		21.9%	21.9%	21.9%	21.9%

*For 2031 and 2032, assessment rates are reduced if the average growth in assessed real property value, among the 32 counties with the least amount of growth in assessed real property value between 2030 and 2031, is greater than or equal to 3.7%.

All assessors are required to provide an estimate of assessed real property value, based on their 2031 Notices of Value, to the PTA no later than May 5, 2031. The PTA will calculate the average increase, as compared to the 2030 abstract of assessment reports, and publish the appropriate rates for 2031 and 2032 on the Division of Property Taxation (DPT) website no later than July 1, 2031.

The rates for all non-residential classes will go back to 29% in 2033.

Signed by Governor Jared Polis: May 25, 2023
Effective Date: Upon Signature
Effective Property Tax Years 2023 – 2032