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Fiscal Note

Drafting Number:	LLS 24B-0001	Date:	August 26, 2024
Prime Sponsors:	Rep. Ortiz	Bill Status:	House Trans., Hous., & Local Govt
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Bill Topic: **ACCESSIBLE HOUSING PROPERTY TAXES**

Summary of Fiscal Impact:	<input checked="" type="checkbox"/> State Revenue	<input type="checkbox"/> State Transfer	<input checked="" type="checkbox"/> Local Government
	<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> TABOR Refund	<input type="checkbox"/> Statutory Public Entity

The bill reduces assessment rates by up to 2 percentage points for accessible housing properties constructed after January 1, 2025. The bill decreases local property tax revenue and increases local and state expenditures.

Appropriation Summary: For FY 2025-26, the bill requires an appropriation of \$900,000 for the state share of school finance.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under HB 24B-1007

		Budget Year FY 2025-26	Out Year FY 2026-27
Revenue		-	-
Expenditures	School Finance ¹	\$900,000	\$1,840,000
Transfers		-	-
Other Budget Impacts	General Fund Reserve ²	\$135,000	\$276,000

¹ State expenditures for school finance may be paid from the General Fund, the State Education Fund, the State Public School Fund, or a combination of these sources.

² If state expenditures for school finance are paid from the General Fund, the bill will increase the General Fund reserve requirement by the amounts shown.

Summary of Legislation

The bill creates a subclass of residential property called accessible housing property, and allows property constructed after January 1, 2025, that qualifies as accessible housing property to be assessed using a reduced assessment rate. For property tax years beginning on or after January 1, 2025, the bill reduces the assessment rate by 1/60th of 1 percent, up to a maximum of 1 percent, for each point by which an accessible housing property exceeds the number of accessibility points required by the state accessible housing standards.

In addition, for property tax years commencing on or after January 1, 2025, the bill reduces the assessment rate for accessible housing properties that achieve at least the specified number of accessibility points required by the state accessible housing standards by a range of percentages, not to exceed 1 percent. The percentages decrease according to the type of accessible housing units that are contained within the property in the following order with the largest decreases being listed first:

- Type A dwelling units;
- Type A multistory dwelling units;
- Type B dwelling units;
- Type B multistory dwelling units; and
- Type B visitable ground floor units.

In total, a residential building may receive up to a 2 percent reduction in its assessment rate, which is applied after subtractions from the actual value.

Background

Accessible Housing Requirements

Under current law, residential buildings constructed after July 1, 1975, must meet a certain number of accessibility points based on the composition of the building. Points are assigned as outlined in Table 2 below.

Table 2
Accessibility Point Values for Dwelling Unit Types

Type of Dwelling Unit	Accessibility point value per dwelling unit
Type A dwelling unit	6
Type A multistory dwelling unit	5
Type B dwelling unit	4
Type B multistory dwelling unit	3
Type B visitable ground floor	1

The above dwelling unit types are defined by the International Code Council. Generally speaking, Type A units are more accessible than type B units, and units are categorized based on features such as hallway width, ramps, floor material, etc.

The number of accessibility points that a residential building must have depends on the size of the building and are listed in Table 3 below.

Table 3
Required Accessibility Points per Residential Building Size

Number of Dwelling Units within the Project	Accessibility Points Required
0-6	0
7-14	6
15-28	12
29-42	18
43-57	24
58-71	30
71+	+6 additional points every 14 units

There are exceptions to the requirements stated above, including instances of undue hardship associated with meeting requirements, privately funded projects for the construction of residences, and residential properties containing less than seven units. Data are not currently collected regarding accessibility points required and attained for each residential building in the state.

School Finance

Public schools in Colorado are funded through the combination of state and local government revenue. A formula in state law determines the amount of total program funding that each district should receive. District property taxes and specific ownership taxes make up the local share of funding, and a state aid requirement is set to equal the difference between the local share and the total program funding amount. Changes to property taxes affect the local share of school finance. Reductions (or increases) in the local share of total program funding require an equivalent increase (or decrease) in the state aid requirement.

Assumptions

Assessed Value Impacts

Relative to assessed values projected under current law, including Senate Bill 24-233, this bill is expected to reduce assessed values by the amounts shown in Tables 4 and 5 for non-school local governments and school districts, respectively.

Table 4
Assessed Value Impacts for Non-School Local Governments Under HB 24B-1007
Millions of Dollars

Year	Assessed Value (Current Law)	Change from Prior Year (Current Law)	Assessed Value (HB 24B-1007)	Change from Prior Year (HB 24B-1007)
2024f	\$184,314	-	\$184,314	-
2025f	\$189,597	2.87%	\$189,558	2.84%
2026f	\$189,213	-0.20%	\$189,133	-0.22%

Table 5
Assessed Value Impacts for School Districts Under HB 24B-1007
Millions of Dollars

Year	Assessed Value (Current Law)	Change from Prior Year (Current Law)	Assessed Value (HB 24B-1007)	Change from Prior Year (HB 24B-1007)
2024f	\$184,314	-	\$184,314	-
2025f	\$200,721	8.90%	\$200,682	8.88%
2026f	\$199,174	-0.77%	\$199,095	-0.79%

Property Tax Revenue Impacts

The bill affects property tax revenue through reduced residential assessed values, which occurs due to a reduction in the assessment rate applied after subtractions from actual value.

State Expenditures

The bill increases state expenditures by at least \$900,000 in FY 2025-26 and \$1,840,000 in FY 2026-27, with greater amounts in future years. Expenditures are for the state share of school finance. The bill also increases administrative expenses for the Department of Local Affairs (DOLA). DOLA expenditures are expected to be absorbable for FY 2024-25 with indeterminate yet increasing costs in future years.

School Finance

The bill decreases property tax collections from school district total program mills, requiring an equivalent increase in the state share of total program funding for school finance. The state aid obligation is expected to increase by \$900,000 in FY 2025-26 and \$1,840,000 in FY 2026-27, with

increasing amounts in future years. The state aid obligation may be paid from the General Fund, the State Education Fund, the State Public School Fund, or a combination of these sources.

Department of Local Affairs – Property Tax Division (DPT)

The Property Tax Division within the Department of Local Affairs maintains and updates manuals, brochures, and training materials related to property tax in Colorado. Since the bill only applies to residential buildings constructed after January 1, 2025, expenditure impacts are expected to be delayed and absorbable in FY 2025-26 and FY 2026-27, but will require an increasing, indeterminate amount of additional state resources in future years. These costs will be addressed through the annual budget process.

Other Budget Impacts

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, if state aid payments are made from the General Fund, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

Local Government Impacts

Local Government Revenue

The bill decreases revenue to local governments compared with current law, on net, beginning with 2025 property taxes payable in 2026. The bill decreases property tax revenue to all local governments that levy a property tax. For school districts, these revenue reductions are offset by state aid payments for school finance. Local government revenue impacts are summarized in Table 6.

**Table 6
Local Government Revenue Impacts Under HB 24B-1007**

	Property Tax Year 2025	Property Tax Year 2026
Property Taxes – Local Gov’t Entities	-\$1,050,000	-\$2,140,000
Property Taxes – School Districts	-\$1,430,000	-\$2,890,000
State Aid for School Finance	\$900,000	\$1,840,000
Total	-\$1,580,000	-\$3,190,000

Assessment rate reductions. The bill decreases revenue from property taxes due to assessment rate reductions for accessible housing property. The revenue estimates in Table 6 show changes relative to current law, assuming SB 24-233 goes into effect. Estimates assume the SB 24-233 forecast for assessed values.

State aid for school districts. The school finance act requires the state government to pay the difference between a district's property tax revenue collected from its total program mill levy, and the amount of total program funding calculated for the district under state law. The bill decreases school district property tax revenue, thereby increasing the state aid requirement as shown in Table 6. Other mill levies assessed by school districts, such as override mills, are not reimbursed.

Local Government Expenditures

The bill increases expenditures for county treasurers and assessors to implement the property tax changes in the bill. The bill requires local governments to update software systems, coordinate with the state and other affected local governments, and respond to taxpayer inquiries. Current software is not designed to calculate and modify assessment rates for the same class of property, requiring substantial modifications to county software. Assessors estimate aggregate implementation costs for these across counties could total upwards of \$10 million.

Technical Note

Accessibility points are not currently assessed for residential buildings, and the bill does not specify what agency would be required to assess residential buildings for this assessment rate reduction.

Effective Date

The bill takes effect only if Senate Bill 24-233 becomes law, in which case the bill takes effect on the effective date of Senate Bill 24-233. Senate Bill 24-233 becomes law if voters do not approve 2024 ballot measures that either reduce valuations for assessment and/or require voter approval for retaining property tax revenue that exceeds a limit.

State Appropriations

For FY 2025-26, the bill requires an appropriation of \$900,000 for the state aid component of total program funding for school finance. This appropriation may be made from the General Fund, the State Education Fund, the State Public School Fund, or a combination of these.

State and Local Government Contacts

Counties	County Assessors	Information Technology
Judicial	Local Affairs	Municipalities
Property Tax Division	Special Districts	Treasury

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).