



## Fiscal Note

### Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

## HB 26-1209: TEMPORARY DECREASE IN STATUTORY PROPERTY TAX REVENUE LIMITS

**Prime Sponsors:**

Rep. Suckla

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**Fiscal note status:** The fiscal note reflects the introduced bill.

### Summary Information

**Overview.** The bill lowers three statutory property tax revenue growth rate limitations to 4 percent for property tax years 2027 to 2032.

**Types of impacts.** The bill is projected to affect the following areas on an ongoing basis:

- State Expenditures
- Local Government

**Appropriations.** For FY 2026-27, the bill requires an appropriation of \$84,344 to the Department of Local Affairs.

**Table 1**  
**State Fiscal Impacts**

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	\$0
State Expenditures	\$86,413	\$0
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$0
Change in State FTE	0.1 FTE	0.0 FTE

**Table 1A**  
**State Expenditures**

<b>Fund Source</b>	<b>Budget Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>
General Fund	\$84,344	\$0
Cash Funds	\$0	\$0
Federal Funds	\$0	\$0
Centrally Appropriated	\$2,069	\$0
<b>Total Expenditures</b>	<b>\$86,413</b>	<b>\$0</b>
<b>Total FTE</b>	<b>0.1 FTE</b>	<b>0.0 FTE</b>

## Summary of Legislation

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The bill temporarily decreases three statutory property tax growth limitations for property tax years 2027 to 2032. This includes:

- reducing the allowable annual growth limit for jurisdictions subject to the annual levy law from 5.5 percent to 4 percent;
- reducing the allowable growth limit during a reassessment cycle for jurisdictions subject to the local government revenue limit from 5.25 percent multiplied by the number of years in a reassessment cycle to 4 percent multiplied by the number of years in a reassessment cycle (i.e., a reduction from 10.5 percent to 8 percent over a two-year reassessment cycle); and
- reducing allowable growth during a reassessment cycle for the statewide school district property tax limit from 6 percent multiplied by the number of years in a reassessment cycle to 4 percent multiplied by the number of years in a reassessment cycle (i.e., a reduction from 12 percent to 8 percent over a two-year reassessment cycle).

## Background

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### Annual Levy Law

Colorado's oldest property tax revenue growth limitation is the annual levy law. Currently, statute generally limits property tax revenue growth to 5.5 percent from the prior year's revenue. The law's limitations do not apply to home-rule municipalities. The law also excludes revenue from several sources including for new construction, annexations, and for debt service payments. Jurisdictions may waive the limitation with voter approval. The Division of Local Government in the Department of Local Affairs tracks and enforces the annual levy law, and assists local governments in calculating their limits. There are currently about 554 local

governments with a limit calculation through the division, and about 2,405 that have waived the limit. According to data from the Division of Local Government in the Department of Local Affairs, about \$709 million in operating property tax revenue is subject to local limits statewide for the 2026 budget year.

## **Local Government Property Tax Limit**

Created with [Senate Bill 24-233](#) and [House Bill 24B-1001](#), the local government revenue limit generally applies to statutory local governments that have waived the 5.5 percent revenue limit or have voter approval to retain and spend property tax revenue over the growth limitations of TABOR. Like the annual levy law, the limit is applied to a portion of a district's property tax revenue, and excludes revenue from things like new construction, annexations, and debt service. For a reassessment cycle, property tax revenue is allowed to grow 10.5 percent from the highest amount collected during a previous reassessment cycle, or 5.25 percent multiplied by the number of years in the reassessment cycle. If revenue falls short of the limit during a reassessment cycle, the shortfall can be carried over and added to the limit. Local governments may comply with the limit with temporary mill levy reductions or temporary property tax credits.

## **School District Property Tax Revenue Limit**

Created with Senate Bill 24-233 and House Bill 24B-1001, the school district property tax revenue limit is applied statewide and limits school district property tax revenues if local share total program property tax revenue increases by more than 12 percent from the highest amount of revenue collected during a previous reassessment cycle, or 6 percent multiplied by the number of years in the reassessment cycle. An exception is made if the percentage increase in pupil count plus the percentage increase in the rate the General Assembly sets base per pupil funding is higher than 12 percent. If revenue falls short of the limit during a reassessment cycle, the shortfall can be carried over and added to the limit. For a particular year, increases in local share total program property tax revenue from things like new construction, annexations, and oil and gas do not count toward the limit. In order to meet the school district property tax revenue limit, the residential assessment rate applied to school district mill levies may be temporarily lowered.

## State Expenditures

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### Department of Local Affairs, Division of Local Government

The bill increases state expenditures in the Department of Local Affairs, Division of Local Government, by \$86,413 in FY 2026-27 only. The bill minimally increases workload for the division in subsequent years. In FY 2033-34, when the temporary decreases in the property tax growth limits expire, the bill requires another 0.1 FTE to manage the transition. These costs, paid from the General Fund, are summarized in Table 2 and discussed below.

**Table 2**  
**State Expenditures**  
**Department of Local Affairs, Division of Local Government**

<b>Cost Component</b>	<b>Budget Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>
Personal Services	\$6,658	\$0
OIT Programming Costs	\$77,685	\$0
Centrally Appropriated Costs	\$2,069	\$0
<b>Total Costs</b>	<b>\$86,413</b>	<b>\$0</b>
<b>Total FTE</b>	<b>0.1 FTE</b>	<b>0.0 FTE</b>

### Staff

The bill requires 0.1 FTE in the Division of Local Government related to local government compliance with the annual levy law including changes to required forms and program materials, and for providing technical assistance. Additionally, the division will need to work with the Office of Information Technology to make changes to the systems used to calculate and track the limitations under the annual levy law, including meetings and user acceptance testing.

### OIT Services

The bill requires an estimated 590 hours of programming costs, paid using reappropriated funds to the Office of Information Technology, to update the system used by the Division of Local Government to collect data, calculate revenue limits, and track compliance with the annual levy law.

### Centrally Appropriated Costs

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which may include

employee insurance, supplemental employee retirement payments, indirect cost assessments, and other costs, are shown in Table 2 above.

## **School Finance**

Based on the December 2025 LCS forecast for assessed values, the bill is not expected to increase state expenditures for school finance in FY 2027-28. However, the bill is expected to increase State Expenditures for school finance over time if it reduces growth in local share total program property tax revenue. Lower property tax collections from school district total program mills will require a larger state share of total program funding for school finance. 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.

## **Local Government**

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### **Local Government Revenue**

The bill reduces local government revenue growth beginning for the 2027 property tax year, for which revenue is collected in FY 2027-28, by at least \$10.6 million. Impacts are expected to increase in future years with growing property values and lower revenue growth trajectories for affected local governments.

### **Annual Levy Law**

Reducing the allowable growth of local government property tax revenue from 5.5 percent to 4.0 percent for jurisdictions that have not waived restrictions under the annual levy law would have reduced property tax revenue growth by \$10.6 million for property tax year 2025 based on data compiled by the Division of Local Government. The fiscal note estimate assumes a similar impact for property tax year 2027. The impact of a lower growth limitation is expected to result in larger reductions in later years as property values increase and growth trajectories for affected local governments are altered. Since 2005, year-over-year growth in statewide property values has averaged 11.6 percent each reassessment year.

### **Local Government Property Tax Revenue Limit**

The bill reduces revenue growth for statutory local governments subject to the local government property tax revenue limit, including for those that have waived the 5.5 percent revenue limit or those that have voter approval to retain revenue in excess of TABOR limitations. The exact amount of the reduction will depend on prior voter decisions, the composition of each local government's property tax revenue, and local economic and market dynamics, and cannot be determined with available data. Like the lower growth limitation for the annual levy law, reductions under the bill are expected to increase over time.

## School District Revenue

Based on the December 2025 LCS forecast for assessed values, a lower school district property tax revenue limit under the bill is not expected to limit statewide school district property tax revenue in property tax years 2027 and 2028. Based on the forecast, the assessed value tax base for school district mill levies is expected to increase 0.8 percent in 2027 and 1.1 percent in 2028, well below the growth that would require a lower school district residential assessment rate. However, the bill is expected to reduce net school district revenue growth over time if it requires a downward adjustment to the school district residential assessment rate. Although less revenue from total program mill levies will be compensated with increased state aid for school finance, a lower assessment rate will impact other district mill levies including revenue from mill levy overrides.

## State Appropriations

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For FY 2026-27, the bill requires a General Fund appropriation of \$84,344 to the Department of Local Affairs, Division of Local Government, and 0.1 FTE. Of this amount, \$77,685 is reappropriated to the Office of Information Technology.

## Effective Date

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The bill takes effect upon signature of the Governor, or becoming law without his signature, and applies for property tax years beginning on and after January 1, 2027.

## State and Local Government Contacts

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Counties	Local Affairs
County Assessors	Municipalities
County Treasurers	Property Tax Division
Information Technology	Special District Association