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Bill Ritter, Jr.
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MEMORANDUM

TO: Title Setting Review Board

FROM: Todd Saliman, Director

DATE: April 16, 2008

SUBJECT: Fiscal Analysis for Proposed Ballot Initiative #86

Ballot Initiative #86 would create a real estate transfer tax on real estate transactions in Colorado. The tax would be equal to 0.04 percent of the value of the transaction. As such, the Governor's Office of State Planning and Budgeting (OSPB) is tasked with calculating the annual amount of the tax increase as specified by TABOR in the following format: "Shall state taxes be increased $_____ annually…?"

There are several facets of this proposal that add complexity with respect to determining the amount of revenue that would be raised through the real estate transfer tax. First, both the number and value of the transactions fluctuate significantly from one year to the next based on the relative economic strength of the state. As a result, forecasting the amount of revenue such a tax would bring in beginning in Fiscal Year 2009-10 is subject to the same variability. Second, readily available sources typically post the sale price of the properties to be taxed, which may include transactions between family members or organizations that do not reflect true market values. In an effort to create a reasonable fiscal estimate, the OSPB gathered data from several sources and consulted with industry experts.

Fiscal Analysis

Transaction data culled from county assessor records were the primary data used in evaluating the potential revenue impact of this initiative. The data was put together by Rocky Mountain Valuation and provided to OSPB by Legislative Council staff. It is gathered as part of the annual property tax study contracted through Legislative Council Staff. In speaking with staff, it is believed that the 2006 data is the most reliable because it has been audited for double-counts that may occur as a result of two counties recording the same sale. Furthermore, given that real estate conditions between now and FY 2009-10 are expected to be relatively anemic, it is assumed that there will virtually zero price appreciation between now and FY 2009-10. This is most likely the case for residential property, which comprises over 90 percent of the value of real estate transactions. Based on these assumptions, the fiscal impact for FY 2009-10, the first full fiscal year of implementation, would be approximately $24.6 million.