Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Summary

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LCS TITLE: NEW FEE ASSESSMENT ON LUXURY RESIDENTIAL REAL PROPERTY

Fiscal Summary of Initiative 106

This fiscal summary, prepared by the nonpartisan Director of Research of the Legislative Council, contains a preliminary assessment of the measure's fiscal impact. A full fiscal impact statement for this initiative is or will be available at **www.colorado.gov/bluebook**. This fiscal summary identifies the following impact.

State revenue. The charge created in the measure is expected to increase state revenue by $1.7 billion in FY 2023-24. The charge is expected to apply to 35,300 residential properties for the 2023 property tax year, with total value of $223 billion. These estimates include both single-family and multifamily residential properties that are taxed as a single parcel and that are expected to be valued over the threshold in the measure.

State expenditures. Revenue collected from the charge imposed by the measure is credited to a new Colorado Affordable Housing Fund and distributed to local governments for affordable housing purposes. The measure allows the General Assembly make appropriations from the General Fund to the Colorado Affordable Housing Fund to supplement revenue from the new charge. Supplementary appropriations to the fund are exempt from the state spending limit as a voter-approved revenue change. The actual amount deposited in the fund will depend on future legislative decisionmaking.

The Department of Local Affairs (DOLA) is required to assess and collect the charge created in the measure, to develop criteria for the distribution of revenue, and to distribute this revenue to local governments. Expenditures for these purposes are estimated at $8 million in FY 2022-23, with ongoing costs of $5 million annually thereafter.

The measure increases the state obligation for refunds to taxpayers by an estimated $1.7 billion in FY 2023-24. Revenue collected from the charge imposed by the measure is subject to the state's constitutional spending limit, as there is no provision in the measure allowing this revenue to be retained. Refunds are paid from the General Fund. Supplementary appropriations, if made by the state legislature, will reduce refunds in years where the state is above its spending limit.

Local government impact. Local governments are eligible to receive distributions of revenue from the charge in the measure to use for affordable housing purposes. Depending on how the charge in the measure is assessed and collected, county government workload or expenditures may increase to respond to requests for information from DOLA.

Economic impacts. Owners of residential property valued at more than $2 million will have less income available to spend or save, reducing their consumption and investments throughout the economy. Revenue collected from the charge is to be used to address shortages in and enhance the availability of affordable housing, boosting incomes for developers and construction firms. Households that would otherwise face housing insecurity and find stable housing under the measure will experience increased financial stability and opportunities for employment.

The measure will also affect refunds to taxpayers in years when the state is above its spending limit. In years when supplementary appropriations are made to the Colorado Affordable Housing Fund, state government spending will increase, and refunds to taxpayers will correspondingly decrease. If no supplementary appropriations are made, the measure will require additional refunds to taxpayers, and the amount available for the state government to spend will decrease. The net economic impact will depend on the difference in the effects of additional household spending and saving, compared to the economic effects of state government spending on services.