

2023 BALLOT GUIDE

From budget formulas to wildlife policies, Coloradans get to make big decisions on our ballots. Your vote on these important issues affects Colorado's economy and the prosperity of your family and neighbors. The Colorado Competitive Council's ballot guide will help you assess each statewide proposal on the 2023 state ballot, which will arrive in your mailbox sometime after Oct. 16. We have summarized each proposal and included arguments for and against measures with organized advocacy campaigns.

PROPOSITION HH - PROPERTY TAX CHANGES AND REVENUE CHANGE MEASURE

Proposition HH is one of the most complex measures put before voters in recent elections, proposing changes to property tax, local taxation policies, and school finance for the next 10 years, and granting the legislature the ability to renew the package following the initial 10 years.

BACKGROUND

Colorado's residential property owners have experienced significant increase in property tax bills since 2020, driven by increases in home values and the repeal of the Gallagher amendment by voters, which reduced the proportion of state property taxes coming from residential properties and increased the proportion coming from commercial properties. The General Assembly has passed temporary measures to reduce the impact of increased tax bills, and at the end of the 2023 legislative session, referred Prop HH to voters as a long-term fix.

HOW PROPERTY TAXES ARE CALCULATED

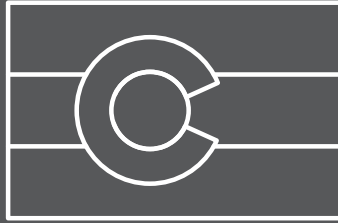
Property Tax Bill Formula:

Actual Value x Assessment Rate = Assessed Value

Assessed Value x Mill Levy = Property Tax

WHAT PROP HH DOES

Prop HH reduces property taxes while also increasing taxes by allowing the state to retain more tax revenue. New funding would be distributed to school districts and some local governments.



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Major components of Prop HH are:

- Allowing the state to keep an additional 1%, or approximately \$167 - 359 million annually, in allowable tax revenue over the Taxpayers Bill of Rights, or TABOR, formula of population growth and inflation. This will reduce potential TABOR refunds.
- A decrease in commercial and residential property tax assessment rates.
- Funding for K-12 education.
- Some funding - up to 20% - to backfill a loss in funds for slower-growing local districts.
- Implementing a new provision for local districts that would limit property tax revenue growth to the rate of inflation, excluding school districts or other voter-approved taxes. Local governments can keep revenue above that cap after holding a public hearing and taking a vote of the local governing body.
- Portability of the senior homestead tax credit.
- \$20 million in one-time rental assistance funds.
- A one-time “flattening” of TABOR refunds in 2023.

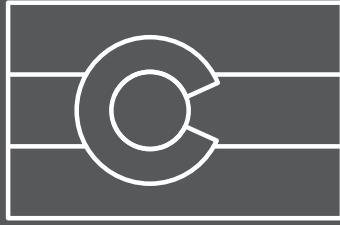
WHERE THE MONEY GOES

Funds from Prop HH are distributed as follows:

- Local government backfill up to 20%
- School finance backfill
- Remainder to State Education Fund

It is difficult to estimate the financial impact on property owners because there are so many variables affecting the implementation of Prop HH's many provisions:

- Whether we have a recession
- When a recession happens during the 10-year period:
 - Early recession = the state could keep an additional \$1 billion
 - Late recession = the state could keep about \$5.5 - 6 billion
 - No recession = the state could keep \$9 billion
- Property value growth
- The response of local government tax policies
- Additional legislation



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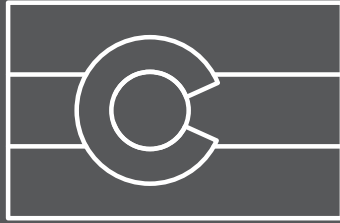
SUMMARY OF ARGUMENTS FOR

- Prop HH is the largest property tax reduction in Colorado history, while still preserving funding for the critical services that rely on property tax revenue, like our schools.
- The measure incrementally reduces the assessment rate for businesses over the next 10 years, saving Colorado businesses hundreds of millions of dollars in property taxes every year. Over the course of implementation, the assessment rate for commercial properties will decrease by as much as 10%.
- Local taxing districts will be required to reduce their mill levies to comply with a new cap on the growth in property tax collections that is equal to the rate of inflation. Prop HH will save Colorado businesses hundreds of millions of dollars in property taxes every year.
- Prop HH provides tax savings without hurting schools and other local governments by using a portion of the state surplus to backfill reduced property tax collections.
- The measure benefits low- and middle-income property owners by decreasing the amount of taxable property value through value reductions, a progressive mechanism that benefits lower-value homes more than higher-value homes.



SUMMARY OF ARGUMENTS AGAINST

- Prop HH will raise taxes, reducing or eliminating TABOR refunds
- 30% of Coloradans rent their homes. Prop HH unfairly leaves them out of financial relief, and because Prop HH will reduce or eliminate TABOR refunds, their state taxes will increase. Landlords will also likely increase rent because non-owner-occupied homes will be taxed at a higher rate, and landlords will pass on that expense.
- Prop HH is a school funding measure disguised as property tax relief.



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PROPOSITION II - TOBACCO AND NICOTINE PRODUCT TAX REVENUE MEASURE

BACKGROUND

In 2020, voters approved Proposition EE, which gradually increases the tax rate on tobacco and nicotine products from 40% to 62% by 2027, and made nicotine products and vaping devices and fuel taxable.

Prop EE was projected to generate \$186.5 million in its first full fiscal year, but actually generated \$208 million. According to Colorado's Taxpayer Bill of Rights (TABOR), because Prop EE revenue exceeded the amount estimated on ballots, retention and spending of the excess revenue must be approved by voters.

WHAT PROP II DOES

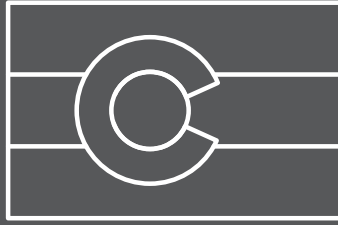
Prop II would:

- Allow the state to keep and spend approximately \$23.65 million in excess tax revenue already collected from Proposition EE
- Allow the state to keep and spend future funds collected in excess of the originally-estimated total
- Maintain current tobacco and nicotine tax rates currently imposed

If Prop II fails, the excess tax revenue would be refunded to the tobacco and nicotine wholesalers and distributors who collected it, and the tax rate created by Proposition EE would be reduced by 11.53% to adhere to the collection estimate approved by voters on the 2020 ballot.

WHERE THE MONEY GOES

Prop EE has proposed spending this new revenue on a number of programs, including tobacco education and treatment, healthcare programs, K-12 education and housing programs. If Prop II passes, all additional funds would be allocated to the state's Universal Pre-Kindergarten program, which provides up to 15 hours per week of free preschool for Colorado 4-year-olds and 3-year-olds with qualifying factors, and 30 hours per week for 4-year-olds with qualifying factors.



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SUMMARY OF ARGUMENTS FOR

- Early childhood education is underfunded in Colorado and more funding is needed to ensure high-quality care and living wages for early childhood educators. An additional \$23.65 million would bring Colorado closer to funding ECE adequately.
- Access to affordable, high-quality care not only increases school readiness and earning potential later in life, but it allows parents and family members to remain in the workforce with positive ripple effects on our economy.
- Prop II maintains tax rates that voters already approved and ensures that money can be used as voters intended.



SUMMARY OF ARGUMENTS AGAINST

- Prop II expands the government unnecessarily, since preschool programs are already being funded at the level voters approved in Prop EE.
- Prop II raises taxes, and specifically raises taxes on people suffering from addiction, who tend to have lower incomes.