

Proposition HH: The Taxpayer Dilemma

Proposition HH is one of the most complicated ballot measures ever presented to voters. Coloradans are facing historic property tax increases. Property taxes still significantly increase under Prop HH, and has costly impacts for homeowners and renters.



Key Findings

Any gain in property tax reductions could be outweighed by long-term pain in state tax increases. If Prop HH passes, the increase in property taxes will be slightly less than under a current law adopted by the General Assembly in 2022, but households could lose \$5,119 in TABOR refunds over the next decade.

If Prop HH passes, the state of Colorado will be able to collect and spend an additional \$9 billion, funded by the significant increase in taxes Prop HH allows.

Prop HH authorizes a 25% increase in the annual growth rate in the state spending limit, adding dollars to the state's largest budget on record.

If Prop HH were extended by the state legislature through 2040, which is allowed without voter approval, it could produce a \$21 billion net tax increase, as property taxes are reduced by \$21.49 billion while state taxes increase by \$42.38 billion.

While the full tax impacts depend on revenue growth, historic trends indicate revenue is likely to continue outpacing the Proposition HH spending cap.



Renters are the Biggest Losers

These joint filers will lose an estimated \$5,119 in TABOR refunds over the next decade.

Renters will not see benefits from any of the TABOR refunds being redirected to slow the pace of property tax increases. Thus, renters will bear much of the cost for the \$9 billion in new spending Prop HH requires.



Bottom Line

When comparing the property tax increase to lost TABOR refunds, most taxpayers will pay more over the next 10 years if HH passes than if HH fails. Prop HH does not provide certainty or help to regulate the fluctuations in property taxes. A median priced home under current law would see a 36% tax increase from 2022 to 2023, and under Prop HH that same median average home still sees a large tax increase of 26%.

Proposition HH: The Taxpayer Dilemma



What will HH cost me if I own my home?

The average homeowner would face a net tax increase of \$478 through 2032. While they would see \$4,641 in property tax savings, they would have a \$5,119 increase in state taxes paid for by loss of TABOR refunds.



What will HH cost me if I rent my home?

768,000 or 33% of all Colorado households that are renters would not directly receive a property tax reduction, yet joint filers would lose \$5,119 in future TABOR refunds. If landlords choose to pass on property taxes as is usually the case, renters are likely to see an increase in rents over time as well.



Where does the funding go?

Over 80% of additional money retained from Proposition HH would go to education with no accountability measures or spending guidelines.

Estimates suggest even more, 95% of money retained under TABOR spending limit, would go to schools rather than the backfill to local governments.

Up to 20% of tax increase would go to reimburse local governments for lost property tax revenue, though it is likely much less than that will be needed as local government assessed value surpasses the backfill threshold.

Up to \$20 million annually for rental assistance.



If Not Prop HH Then What?

Prop HH will be the only measure on property taxes voters see on the 2023 ballot, and the only policy, barring a special session, that could impact their 2023 taxes. However, there remain numerous other policy options that could be adopted by the legislature or voters that provide greater taxpayer certainty. A 4% property tax growth cap without an increase in the state spending limit, currently titled Initiative 50 is currently collecting signatures for the 2024 ballot.