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## TOWN COUNCIL AGENDA COMMUNICATIONS

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**AGENDA DATE:** February 5, 2024

**SUBJECT:** Residential Property Tax Refund

**ACTION PROPOSED:** Consider the refund options

**ATTACHMENTS:** 1. Property Tax Refund 2024 (Presentation)

**PRESENTED BY:** Devon McCarty, Finance Director

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### AGENDA ITEM DESCRIPTION:

Historically, county assessors have been required by the State of Colorado to provide each taxing entity with the total assessed value of property within the entity's boundaries in August and December of each year. The August report is intended to provide preliminary data to assist with budget preparation, and the December report is the final report that is utilized to certify the mill levy. In August 2023, Larimer and Weld Counties presented preliminary estimates to the Town revealing a 35.64% increase in residential property values (including new construction). The proposed increase, if implemented, would have generated \$4,554,824 in revenues for the Town, an increase of \$1,196,920 compared to residential property tax revenues in 2022 (excluding the 3.3 mills designated for the library). (It is important to emphasize that, per Colorado law, all real properties undergo reassessment every two years, with the process occurring in odd-numbered years so 2023 was a reassessment year.) As intended, these preliminary figures served as the foundation for constructing the Town's 2024 budget.

During the development of the 2024 budget, Proposition HH was introduced by the State Legislature and subsequently referred to the November ballot. At the time, the full extent of Proposition HH's impacts remained unclear, so at the Council's request, Staff included a \$1 million expense to potentially provide a property tax rebate to the residents.

The proposed changes introduced in Proposition HH that would impact Town revenues included:

- Lower property taxes for homes and businesses for at least ten years.
- Create a new limit on the growth of property tax revenue for most local governments.

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In November, voters rejected Proposition HH. Shortly thereafter, the state legislature introduced SB23B-001.

Senate Bill 23B-001 includes the following financial changes that are relevant to the Town:

- Reduces the valuation for assessment for residential real property from 6.765% of the actual value minus \$15,000 to 6.7% of the actual value minus \$55,000.
- Reimbursement of local governments:  
Local government entities for which the assessed value of the property in the local governmental entity increased by 15% or more between the 2022 and 2023 property tax years are not reimbursed at all.

This bill was passed and approved by the Governor on November 20, 2023. Consequently, the approval of the bill led to an overall reduction of \$376,948 in residential property taxes. (It is important to note that our percentage increase of 24.42% exceeds the 15% property tax limitation specified in the bill, therefore the Town anticipates no reimbursement for the lost revenues resulting from the enactment of this legislation.)

The impact to revenues for the General Fund are as follows:

2024 Budgeted Residential Property Tax Revenues:	\$ 4,554,824
2024 Certified Residential Property Tax Revenues:	<u>\$ 4,177,876</u>
Total Decrease:	\$ 376,948

(Please note that none of the calculations provided in this document include the 1.8 mills that the Town collects on behalf of the Library, nor does it include the 1.5 mills that the Town provides as additional support to the Library.)

This is being presented to Council as a discussion item only, but Staff is requesting guidance from Council on if they would like an additional rebate provided from the additional residential property tax revenues and if so, at what level of rebate.

**LEGAL ADVICE:**

Not Applicable

**FINANCIAL ADVICE:**

Not Applicable

**RECOMMENDED ACTION:** Staff is prepared to receive direction from Town Council.

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*Reviewed and Approved for Presentation,*



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Town Manager

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