

# Amendment B: Modify Property Taxes

1 **Amendment B proposes amending the Colorado Constitution to:**

- 2 • remove the mechanism that adjusts the residential assessment rate so that
- 3 residential and nonresidential property make up similar shares of the total
- 4 statewide property tax base over time; and
- 5 • repeal the requirement that fixes the nonresidential assessment rate at
- 6 29 percent.

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8 **What Your Vote Means**

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**YES** A “yes” vote repeals sections of the Colorado Constitution related to property taxes, including the mechanisms for setting the residential assessment rate used to calculate property taxes. As a result, the residential assessment rate will remain constant and expected future decreases will not be required by law.

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**NO** A “no” vote leaves constitutional provisions related to property taxes in place, maintaining current mechanisms for setting the assessment rates used to calculate property taxes. This is expected to result in a decreasing residential assessment rate over time.

1 **Summary and Analysis for Amendment B**

2 **What does Amendment B do?**

3 Amendment B repeals certain provisions related to property taxes from the Colorado  
 4 Constitution. In Colorado, property taxes fund local governments, including schools,  
 5 cities, counties, and special districts, such as local fire and police districts.

6 Under the constitution, the statewide property tax base must maintain a proportional  
 7 relationship between residential and nonresidential property. This ratio has been  
 8 about 45 percent residential and 55 percent nonresidential property since these  
 9 constitutional provisions were adopted in 1982. To achieve this ratio, the residential  
 10 assessment rate is adjusted by the state legislature in order to ensure that residential  
 11 property makes up about 45 percent of the statewide property tax base, while the  
 12 assessment rate for nonresidential property is fixed at 29 percent. These provisions  
 13 are commonly referred to as the Gallagher Amendment.

14 Amendment B removes these mechanisms from the constitution, leaving the  
 15 residential and nonresidential assessment rates at their current levels in state  
 16 statute. Currently, the residential assessment rate is expected to decrease in future  
 17 years; by preventing this reduction, Amendment B results in higher property tax  
 18 revenue to local governments.

19 **How are property taxes calculated?**

20 Property taxes are paid by residential homeowners, and nonresidential property  
 21 owners, including farmers, ranchers, oil and gas operators, and other businesses.  
 22 Property taxes are paid on a portion of a property’s actual value, as determined by  
 23 the county assessor or state property tax administrator. The portion of the actual  
 24 value on which taxes are paid is known as taxable value, or assessed value.

25 Taxable value is calculated by multiplying the actual value by an assessment rate.  
 26 The assessment rate is currently 7.15 percent for residential properties, and is fixed  
 27 at 29 percent for nonresidential properties.

28 Taxable value is then multiplied by the tax rate, called a mill levy, to determine the  
 29 property taxes owed. One mill equals \$1 for each \$1,000 dollars of taxable value.  
 30 For example, 100 mills is equal to a tax rate of 0.1 (100/1,000), or 10 percent. The  
 31 tax rate varies for each property based on the local taxing districts in which it is  
 32 located. Figure 1 provides an example of how property taxes are calculated.

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**Figure 1. Property Tax Calculation**

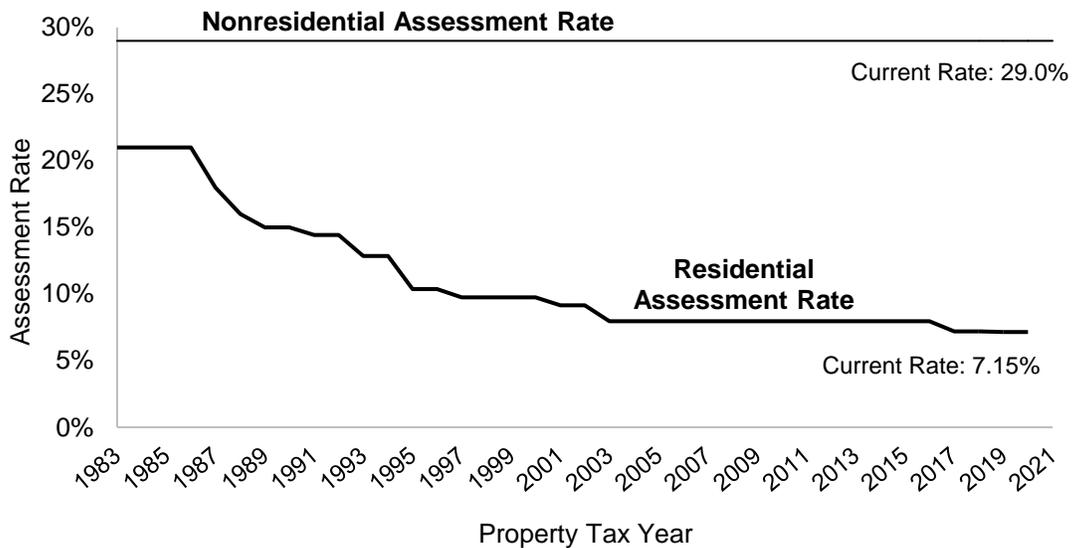
*Example: Property valued at \$300,000 and taxed at 100 mills*

<b>Taxable value</b> = Property value x Assessment rate				
Residential	\$300,000	x	7.15%	= \$21,450 taxable value
Nonresidential	\$300,000	x	29%	= \$87,000 taxable value
<b>Property taxes</b> = Taxable value x Tax rate (Mills/1000)				
Residential	\$21,450	x	0.100	= <b>\$2,145 owed</b>
Nonresidential	\$87,000	x	0.100	= <b>\$8,700 owed</b>

1 **How has the residential assessment rate changed over time?**

2 In most years, residential property values have grown faster than nonresidential  
 3 values, causing the residential assessment rate to be lowered so that residential  
 4 properties make up about 45 percent of statewide taxable value. As shown in  
 5 Figure 2, the residential assessment rate has been reduced from 21 percent when  
 6 these provisions were adopted in 1982 to a current rate of 7.15 percent. The  
 7 downward trend of the residential assessment rate is expected to continue in future  
 8 years.

9 **Figure 2. History of Assessment Rates**



10 When nonresidential property values grow faster than residential property values, the  
 11 residential assessment rate must increase to maintain the constant ratio; however,  
 12 other constitutional provisions require that voters approve such an increase. As a  
 13 result, the state legislature may only decrease or hold flat the residential assessment  
 14 rate, as any increase requires voter approval. Since 1999, there have been  
 15 six instances when the residential assessment rate would have increased, but it  
 16 instead stayed flat.

17 **How does Amendment B affect residential property taxpayers?**

18 Amendment B is expected to result in a higher residential assessment rate, and  
 19 thus higher property taxes for residential taxpayers, than there would be otherwise.  
 20 Under Amendment B, the residential assessment rate will remain at the current  
 21 7.15 percent for residential property. Without the measure, the residential  
 22 assessment rate is projected to decrease in future years due to the relative growth of  
 23 residential property compared to nonresidential property.

24 **How does the measure affect nonresidential taxpayers?**

25 Under Amendment B, the assessment rate will remain in state law at 29 percent for  
 26 nonresidential property. Amendment B will have no impact on the amount of taxes  
 27 paid by nonresidential property owners.

28 In some parts of the state, voters have approved tax rate (mill levy) increases to  
 29 offset declines in the residential assessment rate. These tax rate increases apply to  
 30 both residential and nonresidential taxpayers. In these areas, Amendment B may  
 31 result in lower property taxes for businesses, farmers, and other nonresidential

1 property owners, as higher mill levies would have been triggered by decreases in the  
2 residential assessment rate under current constitutional provisions.

3 **How does Amendment B impact local government revenue?**

4 Under Amendment B, higher property taxes will result in more revenue to local  
5 governments over time. Under the current system, the decline in the residential  
6 assessment rate decreases property tax revenue to local governments. This  
7 revenue decrease varies across the state, with the largest decreases occurring in  
8 areas without much nonresidential property or with only slow growth in home prices.  
9 These areas are generally small and rural; however, metropolitan areas with slow  
10 growth in home values are also impacted. Amendment B prevents further decreases  
11 in the residential assessment rate, resulting in increased property tax revenue to  
12 local governments.

13 **How does Amendment B impact state government spending for schools?**

14 Schools are funded through a combination of state and local revenue, with the state  
15 making up the difference between an amount of school district funding identified  
16 through a formula in state law and the amount of local tax revenue generated. By  
17 preventing future decreases in the residential assessment rate, Amendment B  
18 increases local property tax collections for school districts, and reduces the amount  
19 the state must pay to make up the difference.

20 **If Amendment B passes, can the state legislature change the assessment rates?**

21 Under Amendment B, the state legislature may decrease the assessment rates, but  
22 cannot increase them without voter approval. Currently, assessment rates are set in  
23 state law at 7.15 percent for residential property and 29 percent for nonresidential  
24 property.

For information on those issue committees that support or oppose the  
measures on the ballot at the November 3, 2020, election, go to the  
Colorado Secretary of State’s elections center web site hyperlink for ballot  
and initiative information:

<http://www.sos.state.co.us/pubs/elections/Initiatives/InitiativesHome.html>

25 **Arguments For Amendment B**

- 26 1) Current constitutional provisions disproportionately impact rural and poor  
27 communities. Increases in home values on the Front Range result in a lower  
28 residential assessment rate for the whole state. This drives down the taxable  
29 value of residential properties in rural areas, meaning that local services such as  
30 fire protection, sanitation, and library services, may be reduced or eliminated  
31 because of property values elsewhere in the state. Amendment B prevents  
32 further reductions in these important services as a result of residential  
33 assessment rate decreases under current law.
- 34 2) Amendment B makes property taxes more equitable. Nonresidential property  
35 owners, including businesses, farmers, and ranchers have paid an increasingly  
36 higher proportion of property taxes over time relative to residential property  
37 owners. Currently, nonresidential property taxpayers pay 55 percent of the tax  
38 burden, but represent only 20 percent of total property value. Conversely,

1 residential property owners only pay 45 percent of the tax burden and make up  
2 80 percent of property value in the state.

3 3) Amendment B prevents a school funding shortage from becoming a state budget  
4 crisis. With each decline in the residential assessment rate, the local contribution  
5 for school funding decreases and the state funding requirement increases. The  
6 state share of school finance rose from 48 percent in 1982 to 60 percent in 2019,  
7 and is expected to continue to grow. The higher state share for school finance  
8 has shifted funding from other important state programs and services, such as  
9 transportation infrastructure, human services, and public safety.

10 **Arguments Against Amendment B**

11 1) Amendment B results in higher property taxes for homeowners by preventing  
12 future drops in the residential assessment rate. Increasing home values have  
13 already resulted in higher property taxes for many homeowners. Higher taxes for  
14 homeowners mean that they will have less money to spend or save, at a time  
15 when many are already struggling to make ends meet.

16 2) The property tax system is working as it was intended. It keeps residential  
17 property taxes low, and prevents special interests from obtaining tax breaks at  
18 the expense of homeowners. Amendment B removes an important protection for  
19 homeowners from the Constitution. Without these protections, homeowners may  
20 end up paying an increasing share of property taxes.

21 3) There are better alternatives to amending the constitution. Local governments  
22 can instead ask their voters to raise taxes or seek other solutions to provide  
23 services such as fire protection, schools, and libraries. These alternatives would  
24 allow voters in each local jurisdiction to decide for themselves how to best fund  
25 services for their community.

26 **Estimate of Fiscal Impact for Amendment B**

27 **Local revenue and spending.** For many local governments, including counties,  
28 cities, school districts, and special districts, Amendment B will result in increased  
29 property tax revenue. The amount of any increase will depend on what the  
30 residential assessment rate would have been in the future without the measure, as  
31 well as whether voters have already approved local tax increases to counteract  
32 future potential decreases in the residential assessment rate.

33 **State spending.** To the extent that Amendment B increases property tax revenue to  
34 school districts, additional funding will be available for the local share of the state's  
35 system of school finance, reducing the amount the state must pay to make up the  
36 difference between local revenue and the school district funding amount identified  
37 through a formula in state law.

1 **Taxpayer impacts.** Maintaining the current residential assessment rate results in  
2 higher property taxes for many residential property owners compared to what they  
3 would owe if residential assessment rates were lowered in the future. The impact on  
4 property owners from holding the residential assessment rate constant in the future  
5 will vary based on several factors, including what future decreases in the residential  
6 assessment rate would have been required without the measure, the actual value of  
7 the property, and the tax rates of the local taxing districts. The measure does not  
8 impact the assessment rate for most nonresidential taxpayers.