Colorado Commission on Property Tax

DRAFT RECOMMENDATIONS

Local Control Group

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1. Participatory Taxation - Once a government increases their expenses by a specific benchmark, then the public needs to be involved in the conversation. Benchmark should be informed by local needs.

- Design problems by local governments to decide their thresholds
- VERY different contexts in each locality
- Economic growth, property value, income, etc, including but not limited to
- Education
- Regional assessment rates (not geographic regions but done by tiers that are not static)

2. Request further study to establish a mechanism to separate school and local taxing jurisdiction assessments with the goal of having state level policy focused on school finance.

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Assessments Group

DRAFT RECOMMENDATIONS

1. When residential actual values increase/decrease over a certain percentage (based on the average increases/decreases over a period of time) in an assessment cycle, smooth residential assessments by adjusting the assessment rate to get to a target.

- Determine a Smoothing Variable that is XX% of the average increases/decreases in residential actual value changes over the last X assessment cycles.

- If the change in statewide residential actual values exceed the Smoothing Variable,

- Then, reduce/increase taxable value through the assessment rate that targets the increase/decrease to half of the Smoothing Variable.

- If residential actual values do not exceed the Smoothing Variable, then the assessment rate does not change for that assessment cycle.

- Repeat this process for each assessment cycle.

2. Gradually step down assessment rates for vacant land and nonresidential property, except oil & gas, to get to a target. Temporarily backfill local districts when the step down results in a certain percentage loss to the local district.

- Set a target for the non-residential (except oil & gas) assessment rate. Suggest 25.5 for discussion and modeling of impacts

- Gradually lower non-residential assessment rates on
  - vacant land-
  - nonresidential, except oil & gas commercial

- Rate of stair step reduction should be such that local entities have flexibility to hold elections to increase mills and retain revenue.

- If rate of step down results in loss of over XX % at the district level, then state to temporarily backfill revenue loss to local entities

Taxpayer Relief Group

DRAFT RECOMMENDATIONS

1. Allow for tax payers to have the option of 12 monthly payments for property tax and establish a cash flow management mechanism with the State Treasurer

- Give State Treasurer’s Office tools to manage cash flow (e.g., assistance to counties)?
- Sign-up period or deadline to pay monthly?
- Should interest/fee/surcharge be required? Or just for late payments?
- Give State Treasurer discretion to set fee?
- Limited to properties that don’t pay through mortgage/escrow?

2. Request further study to expand the homestead exemption to include all primary residences, in addition to making the exemption less restrictive around ownership and length-of-time current requirements. (X% on Y Assessed Value)

- Can we move to a system where assessors have the information they need to determine what is a primary residence
- Define primary residence
- Give assessor’s enough time
- Create property value thresholds or mimic circuit breakers (Minnesota as example)
- Make it less restrictive around ownership and length-of-time requirements?
- Affidavit required for assessors?
- Value exemption or a percentage exception?
- Should the senior exemption be modified to have more flexibility?
- What about extending the existing senior exemption with the same limitations?

3. Request further study to expand means-tested/income qualified relief for low or fixed income property owners.

- Do we have the administrative/technology infrastructure in Colorado at this point to make a recommendation around circuit breakers?
- Can income tax credits be used instead?
- Targeted relief for low-income individuals?
- Considerations for renters?

4. Nonresidential value exemption (X% on Y assessed value)

- Targeted to commercial renters who are smaller - wasn’t moved by larger exemptions
- What kind of support is appropriate to give?
- We have a deferral program on the books - do we need to adjust? Anything over 4% - should we take the threshold to any group? 0?

5. Implement an adjustable cap on property tax increase that fluctuates based on inflation.

- Instead of hard caps, could an adjustable cap based on inflation work?
- Does the variability of the 1000s of taxing districts make it difficult to do anything on a statewide basis?
- Overlap with Assessments Group?

6. Expand the deferral program to include all growth, no longer only triggered at 4% increase.

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Additional Considerations

DRAFT RECOMMENDATIONS

1. Extending current assessment rate reductions and assessed value subtractions

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2. Changing the calculation formula

- From the current: Mills X Tax Rate X Assessed Value = Property Tax
- To: Budget Baseline X Population Growth X Inflation ÷ Relative Assessed Value = Property Tax