



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Room 029 State Capitol, Denver, CO 80203-1784

Phone: (303) 866-3521 • Fax: (303) 866-3855

lcs.ga@state.co.us • leg.colorado.gov/lcs

Memorandum

August 17, 2018

TO: Alternatives to the Gallagher Amendment Interim Study Committee

FROM: Legislative Council Staff

SUBJECT: List of Proposed Gallagher Policy Options

Summary

This document contains a list of policy options that have been submitted to the Alternatives to the Gallagher Amendment Interim Study Committee during the 2018 interim.

List of ideas that have been included in 8/17 memo

The following policy options are described in more detail in the 8/17 Gallagher Amendment Proposal Considerations memorandum:

- Freezing the residential assessment rate;
- Reducing residential and nonresidential rates and creating a new property class for second homes;
- Reclassifying short-term rentals as nonresidential properties;
- Allowing local government to raise mill levies;
- Implementing a four-year reassessment period;
- Repealing the Gallagher Amendment;
- Replacing the assessment rates in the constitution with statute; and
- Using regional residential rate assessments instead of statewide assessments.

List of other proposed ideas

The following policy options have been submitted to the Alternatives to the Gallagher Interim Study Committee, but were not included in the 8/17 memo:

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- Defer property tax payments until the commercial property is sold;
- Create a small business homestead rebate, similar to the senior residential rebate;
- Hold tax revenue bills the same for two years, in order for small business to plan for expenses;
- Adjust the value of the commercial property based upon the income of the business such as \$0-250 K, \$251-500 K, \$501 K - 750K, etc. (see San Francisco as an example);
- Create a mill levy credit for small business based on employee count, sales revenue or other factors;
- Flip the residential/nonresidential split in Gallagher. This fixes residential rates and allows nonresidential rates to potentially reduce over time;
- Create a cap on how much nonresidential property can increase;
- Require school districts to work with local suppliers if the cost difference is less than a 12 percent difference with an out of state business. Since school receive 50-60 percent of commercial property tax revenue, this would be more fair to in-state business, that pay higher property tax than the surrounding states;
- Use acquisition value instead of assessed value in calculating property taxes;
- Average any RAR downward adjustment between the prior RAR and the newly calculated RAR to minimize the downward adjustment;
- Seek Supreme Court opinion on TABOR/Gallagher interaction;
- Reset and fix assessment rates for residential and nonresidential property;
- Upon the agreement of all local governments within a county, allow a county to set its own residential and nonresidential assessment rate;
- Increase the residential rate to 10 percent (or some other percentage) and require all local governments to adjust their mill levies so that they do not have a revenue increase.
- If the RAR is reduced in 2019, a backfill is needed for districts that have statutory mandates. This could include other districts or local governments.