



Legislative
Council Staff

Nonpartisan Services for Colorado's Legislature

SCR 20-001

FINAL FISCAL NOTE

Drafting Number:	LLS 20-0117	Date:	August 31, 2020
Prime Sponsors:	Sen. Tate; Hansen Rep. Esgar; Soper	Bill Status:	Enacted
		Fiscal Analyst:	Marc Carey 303-866-4102 marc.carey@state.co.us

Bill Topic: REPEAL PROPERTY TAX ASSESSMENT RATES

Summary of Fiscal Impact:

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

This concurrent resolution submits a question to voters to repeal from the constitution the nonresidential assessment rate of 29 percent, the calculation of the target percentage, and the requirement that the residential assessment rate be set to achieve the target percentage. Over time, the measure is expected to result in higher property tax revenue for local governments, and reduce the state aid requirement for school finance. The measure will be on the 2020 ballot.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This fiscal note reflects the enacted resolution.

Summary of Legislation

The measure submits a question to voters in November 2020 repealing several constitutional provisions regarding property taxes, commonly referred to as the Gallagher Amendment. Specifically, it repeals the 29 percent assessment rate in the constitution for most nonresidential property, the calculation of the target percentage, and the requirement that the General Assembly adjust the residential assessment rate to maintain the target percentage. The statutes implementing these constitutional provisions are unaffected by this bill.

Background

In 1982, voters approved a constitutional measure determining how property taxes are assessed which included a provision commonly referred to as the Gallagher Amendment. The Gallagher Amendment requires that the proportion of taxable value for residential and nonresidential property remain constant between each assessment cycle. This proportion is known as the target percentage, and is adjusted for any new construction and mineral production that occurs during the reassessment cycle. When the amendment passed, residential property constituted about 45 percent of the tax base. The residential assessment rate is adjusted to achieve the target percentage. In addition to the formula for determining the residential assessment rate, the constitution includes an assessment rate of 29 percent for most nonresidential property.

Local Government Impact

Since 1982, the General Assembly has passed legislation implementing the Gallagher Amendment. Repealing these provisions from the constitution does not, in and of itself, change the current statute implementing the Gallagher Amendment, or the corresponding assessment rates. Passage of the measure does, however, eliminate the constitutional requirement that the residential assessment rate be changed in order to maintain the target percentage. The ultimate impact of this measure therefore depends on what future legislative action would have been in its absence.

Assessment rates may not be increased from their current levels without a vote of the people. Over time, without this measure, the residential assessment rate is projected to continue to fall due to the relative growth of residential versus nonresidential property values. This measure maintains the existing residential and nonresidential assessment rates. Therefore, barring a future legislative change reducing rates below those required under the Gallagher Amendment, this measure will result in a higher residential assessment rate. A higher assessment rate will result in higher property tax revenue for local governments, including counties, municipalities, school districts, and special districts.

State Expenditures

State Aid for School Finance. Higher property tax revenue for school districts will increase money available for the local share of school finance and result in a lower state aid requirement for K-12 education. State aid comes mostly from the General Fund and the State Education Fund.

Election expenditure impact -- existing appropriations. This bill includes a referred measure that will appear before voters at the November 2020 general election. While no additional appropriation is required in this bill, certain election costs are incurred by the state when ballot measures are referred to voters. These costs, paid using existing appropriations, are in two areas. First, current law requires the state to reimburse counties for costs incurred conducting a ballot measure election, paid from the Department of State Cash Fund in the Secretary of State's Office, estimated at \$3.2 million in FY 2020-21. Second, the text and title of the measure must be published in one legal newspaper per county and an analysis of the measure must be included in the Ballot Information Booklet mailed to all registered voter households, paid from the Ballot Analysis Revolving Fund in the Legislative Department, which is estimated to cost \$2.1 million in FY 2020-21. Publication costs will increase by approximately \$115,000 per measure beyond this base amount for any additional referred or initiated measures placed on the ballot.

Effective Date

If approved by 50 percent of the voters in the November 2020 election, this measure takes effect upon proclamation of the Governor, no later than 30 days after the official canvass of the vote is completed.

State and Local Government Contacts

Local Governments

Local Affairs

Property Tax Division