



MEMORANDUM

To: To Interested Parties
From: JoAnn Groff, Property Tax Administrator
Date: February 15, 2017
Re: One Page Q & A Explanation of the Residential Assessment Rate

Q. What is an assessment rate?

A. The “assessment rate” for any type of property is that percentage used against the property’s actual value to determine how much value the property has for property tax purposes.

Q. What is “the reassessment” or change in the level of value used in determining actual value?

A. The reassessment cycle (every two years) is where assessors conduct revaluations of the actual value of each parcel of real property against which its assessment rate is applied. § 39-1-104 (10.2) (b) C.R.S.

Q. Why adjust the Residential Assessment Rate?

A. In 1982 the voters of Colorado passed Referendum 1, which contained the “Gallagher” amendment. It requires that residential property’s assessed value statewide can contribute no more than it did in the year prior to a year of reassessment. The constitution mandates the General Assembly to determine what that contribution should be through the calculation of the target percentage*, and then adjust the residential assessment rate so that the statewide contribution from residential property assessed value is maintained.

**The “target percentage” is often referred to as the 45/55 split between residential assessed value and all other classes of property, although the target has never exactly been 45/55!*

Q. How is this accomplished?

A. Sections 39-1-104.2(4) (a) and (b), and (5) (a) and (b), C.R.S. direct how the residential ratio is adjusted by the General Assembly. There are two steps: 1) Establish the new target percentage and 2) adopt the Residential Assessment Rate that will meet that target for the new reassessment cycle. The Division of Property Taxation is mandated to conduct a study every two years to assist in this process. The full preliminary study is available on the Department of Local Affairs website, Division of Property Taxation page at:

<https://drive.google.com/file/d/0B-vz6H4k4SESeUhyZW9ScHV3NFE/view>

Q. Does TABOR impact the Residential Assessment Rate?

A. It may. There is a provision in TABOR that requires voter approval in advance for any valuation for assessment ratio increase for a property class. When the residential assessment rate and target percentage study indicates there should be an increase in the residential assessment rate, the General Assembly has chosen to keep the rate the same rather than increase it and refer it for voter approval.

Q. We do this every two years, why is this year provoking such confusion and concern?

A. This is the first time since 2003 that the study indicates a need to reduce the residential assessment rate. The rate is based on statewide averages of expected actual value, yet it is applied locally. Consequently, there will be taxing jurisdictions whose residential actual values did not increase as much as the residential assessment rate will decrease the value for assessment. Jurisdictions may face a decrease in revenue using the new residential assessment rate. For school districts that have a reduction in property tax revenue used for total program, the reduction in the rate causes back fill issues for the state budget.

