

# PROPERTY TAX:

## AN EVOLVING REVENUE STREAM POST GALLAGHER

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# HOW DID WE GET HERE?

- Gallagher Repealed (SCR20-001)
  - November 3, 2020 - approved by 57% of statewide voters
- SB21-293
  - Applies to Property Tax Year 2022 and 2023
  - Introduction of new sub-classes and reduced rates
  - Expands the Property Tax Deferral Program
- SB22-238
  - Applies to Property Tax Year 2023 and 2024
- SB23-303
  - Applies to Property Tax Year 2023 – 2033, into perpetuity?

# OBSERVATIONS

- Quick Passage
- Surprise content
- Reaction to ballot measures
- Prediction of constantly decreased rates and new sub-classes came true
- 29%/ 7.15% assessment rates will never be reinstated
- Each year's bill modifies last year's bill

# WHERE ARE WE NOW?

- Valuation cycle ended at the height of the market – June 2022
- Policies in SB23-303 are contingent on Statewide Voter Approval of Prop HH
- Challenge pending – violates single subject & clear title requirements
- If Prop HH does NOT pass, the reduced rates in SB22-238 remain in effect.
- Initiative 21 is not moving forward

# PROPERTY TAX CALCULATION EXAMPLE

Residential Property valued at \$500,000 and taxed at 100 mills:

Actual value x Assessment rate:

$\$500,000 \times 6.7\% = \$33,500$  taxable value (Assessed Value)

Assessed Value x Tax rate (Mills/1000):

$\$33,500 \times 0.100 = \mathbf{\$3,350}$  owed

# DETAILS OF SB23-303

## Overview:

- Temporary Tax Relief
- Backfill to non-school Local Governments
- Participatory Taxation (aka Truth in Taxation)
- Implementation

# TEMPORARY TAX RELIEF

- 10 years of assessment rate decreases (see SB23-303 Rate Chart)
- Ability to exceed 10 years as long as Property Tax year 2032 rates are not increased (see last column of Rate Chart)
- New sub categories:
  - Renewable Energy & Agriculture Properties (PTY 2024)
  - Primary Residence vs. Investment Properties (PTY 2025)
  - Senior Homestead Exemption (PTY 2025)
- Value Adjustments
  - \$15k increased to \$50K for residential for PTY 2023

# BACKFILL TO NON-SCHOOL LOCAL GOVERNMENTS



# BACKFILL TO NON-SCHOOL LOCAL GOVERNMENTS

## For 2023 PTY:

- Backfill will arrive in April 2024
- Based on rate reductions in SB22-238 (not SB23-303 which DOES make changes to the PTY 2023 rates)
- Under 300,000 in population?
  - Assessed Valuation Growth over 10% (from PTY 2022)= 90% of lost revenue
  - Assessed Valuation Growth under 10% (from PTY 2022)= 100% of lost revenue
- Over 300,000 in population?
  - Made whole for 65% of lost revenue

# BACKFILL TO NON-SCHOOL LOCAL GOVERNMENTS

For PTY 2024 – 2032

- 20% Increase in Assessed Valuation Growth from 2022? Yes? **NO BACKFILL**
- If NO, then eligible.
  - Under 300,000 in population?
    - Assessed Valuation Growth over 10% (from PTY 2022)= 90% of lost revenue
    - Assessed Valuation Growth under 10% (from PTY 2022)= 100% of lost revenue
  - Over 300,000 in population?
    - Made whole for 65% of lost revenue

# PARTICIPATORY TAXATION

- New, annual process to collect and retain **property tax revenue** above CPI
- Excluded revenues: new construction, voter approved debt & mills
- Must take public comment, after minimum 10-day advanced notice
- Must adopt resolution at the same meeting
- Decision made by the local government governing body
- Failure to follow this process = refund of revenues collected above the property tax limit.

# IMPLEMENTATION

- Counties will need to develop multiple budget scenarios
- Changed dates for PTY 2024 mill levies (if Prop HH passes)
- Division of Property Taxation to convene working group to identify ways to streamline the designation of the primary residence real property.
- Work for your Treasurer and Assessors

# WHAT CAN LOCAL GOVERNMENTS DO?

- Mill Levy – The Lever YOU Control
  - Lower it using SB23-108 – clear authority for temporary reductions
  - Voter approval to adjust mill levies to offset state-imposed changes
- Lead Local Discussions about collectively using the SB23-108 tool

# CLOSING OBSERVATIONS

- Zero interest in enshrining property tax policy in the constitution
- Growing awareness of fellow local government's and their mill levies
- Hope hinging on Prop HH as a 'long term fix'
- Renters & Investment Properties
- Why not just provide income tax relief?
- All assumes growing/upward trends in property values

THANK YOU!



# CCI ACTIVITY OVER THE YEARS

- 2018 Interim Committee – Alternatives to the Gallagher Amendment
- CCI Working Group – circulated data surveys, solicited ideas on how to move forward
- CCI hosted webinars on de-Gallagherization efforts
- Registered concerns with repealing Gallagher absent a replacement
- Bi-weekly meetings with partners (local governments, realtors, CO Association of School Executives, think tanks, etc) and frequent meetings with Governor's office.