

Colorado

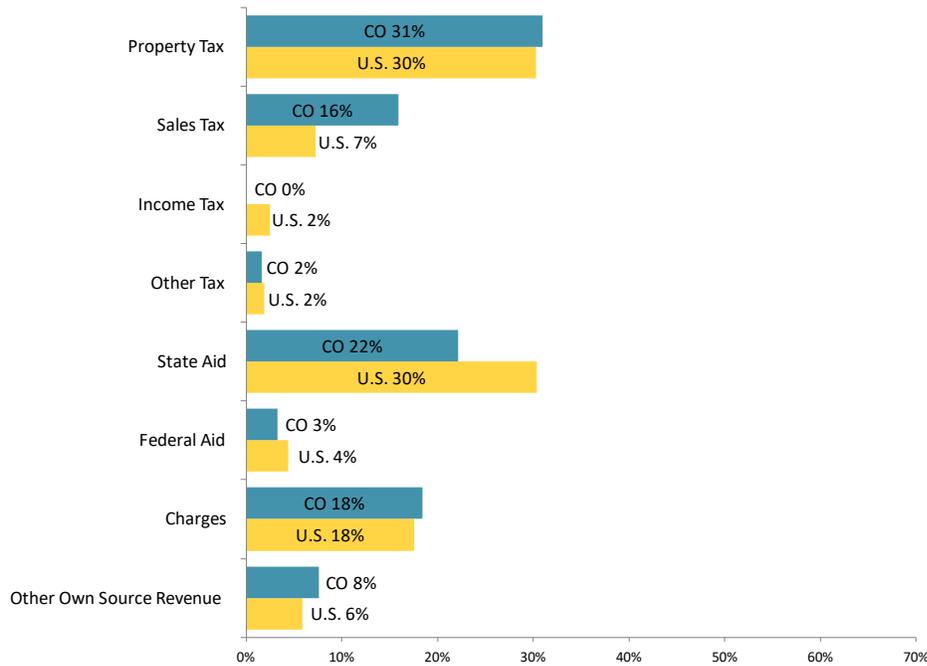
Highlights

Colorado's property tax funds primarily counties, school districts, and special districts. Municipalities are funded predominantly by the sales tax. The state's Taxpayer's Bill of Rights (TABOR) prohibits both local income taxes and statewide property taxes (figure CO-1).

Historically, Colorado relied primarily on local property taxes to fund public education, with state aid accounting for a small share of total education funding. However, policy decisions by the General Assembly prior to 1992 and the interaction after 1992 between the School Finance Act and the local property tax limit in TABOR resulted in the ratcheting down of school property tax mill levies and a shift in the responsibility for funding schools onto the state general fund (Brown et al. 2011).

The property tax has been the most limited of all taxes in Colorado, restricted for many years by both the TABOR and Gallagher Amendments to the state constitution. From its enactment in 1983 until its repeal, effective 2021, the Gallagher Amendment required an adjustment of the residential assessment ratio such that the residential share of total assessed value did not exceed 45 percent. The result was that by 2020, residential property in Colorado was assessed at 7.15 percent of market value, whereas most nonresidential property was assessed at 29 percent of market value (Colorado Department of Local Affairs 2019). In November 2020, Colorado voters approved Amendment B to repeal the Gallagher Amendment. Legislation authorized with the repeal froze the assessment rates at 2020 levels. Amendment B also authorized the legislature to lower the assessment rate, though assessment rate increases still require voter approval under TABOR (Amendment B of 2020).

Figure CO-1
Sources of Colorado Local General Revenue, 2020



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2020, Colorado ranked 15th in per capita property taxes (table CO-1). While residential property in Colorado was assessed at 6.765 percent in 2022, most nonresidential property was assessed at 27.9 percent (Colorado Department of Local Affairs 2023). As a result, Colorado probably has the most highly classified property tax system in the nation. For example, amongst the largest cities in each state, Denver’s effective property tax rate on homesteads was 4th lowest in 2022 (0.52 percent), whereas the effective rate on commercial properties was 16th highest (2.14 percent) (Lincoln Institute of Land Policy and Minnesota Center for Fiscal Excellence 2023). Consequently, measures of overall property tax collections are close to national averages, whereas measures of property tax burdens specifically for homesteads are all far below national averages.

Table CO-1
Selected Colorado Property Tax Statistics, 2020¹

	Colorado	U.S. Average	Rank (of 51) <i>1 is highest</i>
Per capita property tax	\$1,956	\$1,810	15
Property tax percentage of personal income	3.1%	3.1%	20
Total property tax as percentage of state-local revenue	18.2%	16.6%	14
Median owner-occupied home value ²	\$369,900	\$229,800	5
Median real estate taxes paid for owner-occupied home ²	\$1,868	\$2,551	30
Effective tax rate, median owner-occupied home ³	0.5%	1.1%	49

Sources: [U.S. Census via Significant Features of the Property Tax](#), American Community Survey

¹ All revenue numbers in this table include the state government as well as local governments.

² The statistics for [median owner-occupied home value](#) and [median real estate taxes paid for owner-occupied home](#) are five-year average statistics for years 2016–2020.

³ Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Assessment and Administration

Colorado authorizes counties, school districts, cities, fire protection districts, and special districts to levy property taxes. Special districts receive 18 percent of total property tax collections in Colorado—nearly five times the national average—with much of this revenue flowing to Metro Districts, which are created by developers to issue bonds to finance infrastructure for new developments (Migoya 2019).

Property assessments are conducted at the county level (table CO-2), with reassessments performed every other year. Once property is assessed, the taxable portion of total assessed value is governed by the assessment rate. Colorado has four classes of property, with assessment rates or ratios ranging from 6.765 percent for residential property to 87.5 percent for oil and gas producing leaseholds in 2022 (Colorado Department of Local Affairs 2023).

Colorado taxes business personal property in addition to real property, but inventories are not taxed. The first \$52,000 in personal property value was exempt in 2023, with an annual adjustment for inflation.

Limits on Property Taxation

Property taxes in Colorado are subject to limitations on tax rates and tax levies. In 1913, a levy limit was enacted that applied to counties and municipalities. The Taxpayers Bill of Rights (TABOR) amendment limits both property tax rates and levies, and also includes a revenue/expenditure cap. These three

TABOR limits and the 1913 levy limit operate in conjunction with each other. Colorado repealed its assessment limit effective 2021.

Table CO-2
Colorado Property Tax Features, 2021

Feature	Colorado	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	17
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Property Tax Relief and Incentives

A homestead property tax exemption for seniors and qualifying disabled veterans allows for the first 50 percent of up to \$200,000 in market value to be free from property tax. In most years, property tax funded jurisdictions are reimbursed for the amount of the exemption by the state general fund (this funding was suspended during the Great Recession).

The state's property tax and rent rebate circuit breaker program provides property tax rebates to elderly and disabled homeowners and renters based on income. In 2021, the maximum rebate was \$700. Eligibility for 2021 rebates was restricted to households with income up to \$15,591 (single) or \$21,057 (married) in 2020 (Significant Features of the Property Tax).

Colorado also offers a property tax deferral program and authorizes local governments to offer tax work-off programs for seniors and certain disabled taxpayers (Significant Features of the Property Tax).

Colorado provides property tax incentives for economic development through a tax increment finance program and an abatement program called Local Incentives for New Business Facilities, which provides up to 100 percent relief from personal property taxes for up to 35 years.

Key Property Tax History

The state of Colorado levied a property tax until 1964, when the legislature repealed all statutes dealing with state-levied property taxes. Since then, property taxes have been levied only at the local level (Colorado Fiscal Institute 2017).

The property tax in Colorado has been very much defined by the constitutional provisions that limit and govern its administration and collection. The first of these provisions was the Gallagher Amendment, passed in 1982 as part of a larger property tax reform effort and repealed in 2020. The second was the TABOR amendment, passed in 1992, which contains specific limits on the growth of property taxes.

The Gallagher Amendment was the most famous provision of a broader-based property tax reform that also included changes to assessment practices; property tax exemptions for livestock, agricultural products, agricultural equipment, business inventories, and materials or supplies held for sale or consumption; a lowering of the assessment rate to 29 percent for all classes of property except for residential; and the creation of the State Board of Equalization to oversee property valuation practices. The Gallagher Amendment required that the residential assessment rate be adjusted such that the share of the property tax attributed to residential property remains constant. At the time of passage of the amendment, residential property represented approximately 45 percent of total taxable property. To maintain that target percentage today, the residential assessment rate sits at 7.15 percent. Colorado repealed the assessment limit in 2020, but froze assessment rates at 2020 levels (Amendment B of 2020).

The second limitation significantly affecting property taxes in Colorado is the TABOR Amendment. Most Coloradans know TABOR as the constitutional requirement that all tax increases be subject to a vote of the people. However, TABOR has many other limits, disclosure requirements, and prohibitions. With respect to the property tax, the following provisions of TABOR are relevant:

- TABOR limits property tax revenue according to a growth formula. Specifically, property taxes may increase by the rate of inflation plus some measure of growth. For school districts, that measure is enrollment growth; for counties, municipalities, and special districts, it is the net change in the value of property from construction. Any collections greater than the limit require both a refund of the additional amount and a reduction in the mill levy to avoid excess collections in the future.
- TABOR prohibits increases in a locality's mill levy without approval of the voters. Thus, when mill levies are forced down, it is difficult to restore the levy.
- TABOR requires approval from the voters to increase any assessment rate.

Since the passage of TABOR, the requirements of the School Finance Act and the limitations in TABOR have interacted, with the practical result that for most districts mill levies have declined and for many of those districts state aid has increased.

TABOR is often considered one of the tightest levy limits in the country, but in practice, many local governments are allowed to retain property tax collections above the growth formula. Local voters can choose to *debruce*, which permanently eliminates TABOR's levy limit. By 2019, voters had chosen to debruce in 177 of 178 school districts, 51 of 64 counties, and 230 of 274 municipalities (Bell Policy Center 2019).

In November 2020, voters repealed the Gallagher Amendment, enacted in 1982, which limited assessment rates so that the residential assessments could not exceed 45 percent of the state's total

property value, even if the market value of residential property rose relative to non-residential property in the state. Every other year, the state automatically adjusted assessment rates to achieve this ratio. Voters' action to approve Amendment B of 2020 at the polls also authorized SB 21-293 to freeze assessment rates at their current level, 7.15 percent for residential property and 29 to 87.5 percent for other classes. Approval of the ballot measure also means the state can lower assessment rates without regard to the share of total property value without voter approval; but under TABOR, voter approval is still required for increases to assessment rates (Hindi 2020).

Recent Developments

In June 2021, the legislature exercised its new authority to lower assessment rates—Senate Bill 21-293 lowered the residential assessment rate from 7.15 percent to 6.95 percent. Senate Bill 21-293 also expanded the state's property tax deferral program to permit all Colorado homeowners to defer property tax increases over 4 percent on their primary residence up to \$10,000, beginning in 2023 (Paul and Vo 2021). Then, in November 2021, voters defeated a controversial ballot initiative that would have permanently lowered the residential assessment rate to 6.5 percent and the commercial rate to 26.4 percent (Davis 2021; Vargas 2021). In May 2022, Colorado enacted legislation to reduce both the commercial and residential assessment rates, lowering the commercial assessment rate from 29 percent to 27.9 percent for 2023 (Coltrain 2022).

Colorado also cut personal property taxes in 2021. Senate Bill 21-1312 increased the deduction for business personal property tax from \$7,900 to \$50,000. The state is required to reimburse localities for associated tax loss (State of Colorado).

In addition to lowering assessment rates in 2022, Colorado adopted several other tax reducing measures. Under HB 22-1223, mobile homes and manufactured homes with market value at or below \$28,000 are fully exempt from property taxes (Hollingsworth 2022a). Colorado voters overwhelmingly approved Amendment E at the ballot to extend the state's homestead exemption to Gold Star Spouses (Nelson 2022). The legislature approved a measure reclassifying all nursing homes as residential property regardless of whether the nursing homes provide long-term care or short-term care (Hollingsworth 2022b).

Colorado voters decisively defeated major property tax reform legislation in November 2023 (Kenney 2023). Proposition HH would have reduced residential and commercial assessment rates, increased property tax relief, cut TABOR refunds using the savings to reimburse local governments for property tax relief, and imposed new truth-in-taxation requirements.

A 2021 Colorado Supreme Court ruling paved the way for school districts in Colorado to significantly increase their mill-levy rates. Even after a school district's voters had chosen to debruce and exceed TABOR's levy limit, the Colorado Department of Education had forced school districts to reduce their mill-levy rates to comply with the levy limit, which resulted in large drops in mill rates until they were frozen by the legislature in 2007. The supreme court said proposed legislation (HB 21-1164) to permit school districts to increase their mill-levy rates over up to 19 years to where they had been when voters

debruced “effectuates what the voters have already approved.” The legislature passed House Bill 21-1164 the same day the court ruled on the legality of the bill, and the governor signed the bill into law on June 8, 2021 (Paul 2021).

In 2023, the state’s highest court heard appeals in a group of cases from business owners seeking to lower their 2020 commercial property assessments because of the Covid-19 pandemic. In 11 related cases, over 1,500 business owners claimed they were entitled to reduced assessments under Colorado’s statutory exception to biennial assessments, which allows for reassessment based on “unusual conditions” in a non-reappraisal year. (Cooper 2022; Poling 2022). In June 2023, the Colorado Supreme Court ruled against the commercial taxpayers, rejecting the argument that the pandemic and public health orders were unusual conditions qualifying for revaluation between regular reassessments. The court ruled that pandemic conditions did not fall within the period in which the assessor must consider unusual conditions. The court also ruled that the pandemic was not an act of nature and did not affect property, and that the public health orders did not regulate the use of land, and therefore are no basis for revaluation (Muse 2023).

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