

# Colorado

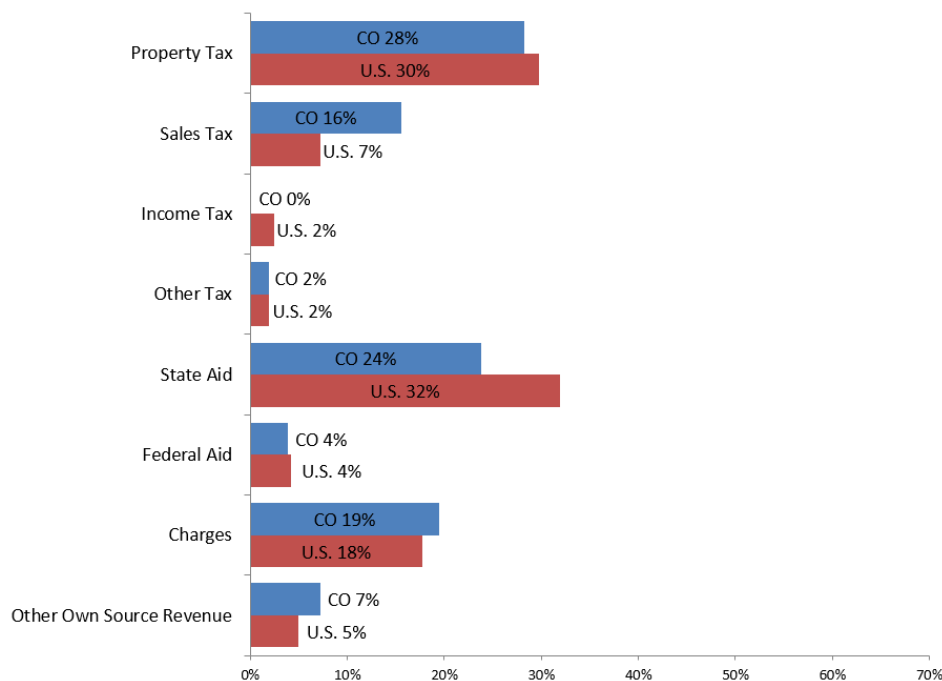
## Highlights

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 is the most limited of all taxes in Colorado, restricted by both the TABOR and Gallagher Amendments to the state constitution. The Gallagher Amendment requires an adjustment of the residential assessment ratio such that the residential share of total assessed value does not exceed 45 percent. The result is that residential property in Colorado is currently assessed at 7.2 percent of market value (2019-20), whereas other classes of property are assessed at 29 to 87.5 percent of market value (Colorado Department of Local Affairs 2019).

**Figure CO-1**  
**Sources of Colorado Local General Revenue, 2016**



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

## Property Tax Reliance

In 2016, Colorado ranked 26th in per capita property taxes (table CO-1). While residential property in Colorado is currently assessed at 7.2 percent, most nonresidential property is assessed at 29 percent. This skews the property tax statistics below. Although other studies reveal different rankings, all rankings of Colorado's residential tax burden place the state in the bottom half of the nation.

**Table CO-1**  
**Selected Colorado Property Tax Statistics, 2016<sup>1</sup>**

|  | Colorado  | U.S. Average | Rank (of 51)<br><i>1 is highest</i> |
|--|-----------|--------------|-------------------------------------|
| Per capita property tax  | \$1,425   | \$1,556      | 26                                  |
| Property tax percentage of personal income                         | 2.7%      | 3.1%         | 29                                  |
| Total property tax as percentage of state-local revenue            | 16.2%     | 16.1%        | 22                                  |
| Median owner-occupied home value <sup>2</sup>                      | \$286,100 | \$211,865    | 9                                   |
| Median real estate taxes paid for owner-occupied home <sup>2</sup> | \$1,575   | \$2,323      | 31                                  |
| Effective tax rate, median owner-occupied home <sup>3</sup>        | 0.6%      | 1.1%         | 47                                  |

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

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

<sup>2</sup> 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 2013-2017.

<sup>3</sup> 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

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 7.2 percent for residential property to 87.5 percent for oil and gas producing leaseholds (Colorado Department of Local Affairs 2019; Colorado General Assembly).

Colorado taxes business personal property in addition to real property, but inventories are not taxed. Until the 2014 legislative session, the first \$7,000 of business personal property was exempt from property tax. In the 2014 session, the legislature enacted a state income tax credit to reimburse businesses with personal property between \$7,001 and \$15,000.

## Limits on Property Taxation

Property taxes in Colorado are subject to limitations on tax rates, tax levies, and assessments, the latter of which are restricted by the Gallagher Amendment. 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 property tax levies, and also includes a revenue/expenditure cap. These three TABOR limits and the 1913 levy limit operate in conjunction with each other.

**Table CO-2**  
**Colorado Property Tax Features, 2017**

| Feature  | Colorado | Count for 50 states plus DC |
|--|----------|-----------------------------|
| <a href="#">Statewide classification of real property</a>      | Yes      | 25                          |
| <a href="#">Assessment of property primarily by county</a>     | Yes      | 31                          |
| <a href="#">Limits on property tax rates or levies</a>         | Yes      | 45                          |
| <a href="#">Limits on the rate of growth of assessed value</a> | Yes      | 20                          |
| <a href="#">Circuit breaker property tax relief program</a>    | Yes      | 34                          |

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 last recession).

The state's property tax and rent rebate circuit breaker program provides property tax rebates to elderly or surviving spouses, disabled homeowners, and renters based on income. In 2018, the maximum rebate of \$700 for single claimants with income under \$17,346 (\$11,874 for a married couple) and the minimum rebate was \$227 for single claimants with income between \$12,077 and \$14,074 (or between \$16,605 and \$18,972 if married).

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 10 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).

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

The Gallagher Amendment is 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 7.2 percent.

The second limitation significantly affecting property taxes in Colorado is the TABOR Amendment. Most Coloradans know TABOR as the constitutional requirement demanding 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 and 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 a mill levy in a subsequent year that is greater than the current 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.

In 2007, the General Assembly passed SB 07-199. This bill imposed two changes on the calculation of school district mill levies: (1) It placed a cap of 27 mills on all district levies; and (2) it mandated that any district that had previously passed a measure to retain and spend property tax revenue in excess of its

TABOR limit (an approved revenue change under TABOR) impose the previous year's levy. This became known as the levy freeze (Colorado Legislative Council Staff 2009).

## Recent Developments

A 2015 study found evidence that since TABOR's enactment, local property taxes have become more regressive and have resulted in a system under which most Colorado taxpayers are paying more in school property taxes than they would without the limitations. The report also found that variation in the use of override levies has increased inter-district disparities (Resnick, Brown, and Godshall 2015).

In November 2019, Coloradans will vote on Proposition CC, a legislatively referred ballot measure that would end refunds under TABOR (House Bill 19-1257). The question asks voters if the state "may keep and spend all the revenue it annually collects after June 30, 2019 but is not currently allowed to keep and spend under Colorado law." The retained funds would be funneled to transportation and education (Ballotpedia). Meanwhile the Colorado Fiscal Institute has filed 18 proposed amendments for the 2020 ballot, all aimed at dismantling TABOR in part or in full (Colorado Secretary of State; Eason 2019).

Governor Jared Polis signed into law a full-day kindergarten bill in May 2019 that provided \$174 million for fiscal year 2020 and \$183 million for fiscal year 2021 (HB 19-1262). The governor said funding for the measure would come from anticipated growth in local property tax revenue (Melzer 2019).

## Resources

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## Publication Date

July 2019