



Amendment B

TAXATION

REPEAL GALLAGHER AMENDMENT

CML SUPPORTS AMENDMENT B

Background

Amendment B repeals provisions related to the residential and nonresidential assessment rates from the state constitution, including the provisions commonly referred to as the Gallagher Amendment.

The Gallagher Amendment requires that residential and nonresidential property make up unvarying proportions of total statewide taxable property over time. Specifically, it requires that the assessed value of residential property make up 45% of statewide taxable property with the remaining 55% derived from nonresidential property. The Gallagher Amendment also requires the assessed value of nonresidential property remain fixed at 29%.

Because residential property values have grown faster than nonresidential property over the past four decades (particularly along the Front Range), the Colorado General Assembly has had to periodically reduce the assessed value of residential property over time to maintain this statewide 45-55 ratio required by the state constitution. These incremental decreases have reduced the assessed value of residential property from 21% in 1982 (when the amendment was first passed) to 7.15% today. As originally drafted, the residential assessment rate was designed to fluctuate up and down to maintain this ratio. After TABOR was approved by voters in 1992, the legislature was no longer permitted to increase the assessed rate on residential property without voter approval. Since 1999, there have been six instances when the residential assessment rate should have increased to maintain the 45/55 ratio, but TABOR prohibited the residential assessment rate from increasing in some years without first getting a referred measure approved by voters.

In conjunction with referring Amendment B to the ballot, the General Assembly also adopted a companion statute that “freezes” the current residential and non-residential assessment rates at 7.15 and 29% respectively in the event Amendment B passes. However, since this is merely a statute it would not be binding on future legislatures, and the General Assembly could reduce either of these rates at any time. TABOR prevents either rate from increasing without voter approval.

Local Impact of the Gallagher Amendment

Under the current system, the decline in the residential assessment rate has constrained property tax revenue to local governments. The impact varies across the state, with the largest impacts occurring in rural areas without much commercial property or with only slower growth in home prices.

Because the assessment ratio is applied statewide, increases in home values along the Front Range result in a lower assessment rate for the entire state. Over time, this has driven down critical tax revenues in rural areas, impacting funding for local services like fire protection, police, sanitation and public libraries.

K-12 education is funded through a combination of state and local tax revenue. As local property tax revenues have declined, the responsibility for funding education has increasingly shifted to the state, adversely impacting state funding for other local government priorities like transportation, affordable housing and severance tax.

Why CML Supports Amendment B

These above impacts affect municipalities both directly and indirectly. For example, a municipality that is provided fire protection through a fire protection district may experience the negative impact of the reduction in operational revenue available to the district. This might occur in reductions in personnel or equipment that affects response times or efficacy of fire control and prevention. Changes in school funding also impact quality of education and the ability to hire and retain qualified teachers.

Over time, without this measure, the residential assessment rate is projected to continue to fall due to the relative growth of residential versus nonresidential assessment rates. A stabilized assessment rate for residential property will result in higher property tax revenue for local governments in many locations in Colorado, including municipalities, counties, school districts and special districts.

The conflicting constitutional requirements of the Gallagher Amendment and TABOR have created a fiscal quandary in Colorado that does not serve the state, local governments, or its citizens.

Because Amendment B will resolve conflicts in the Colorado Constitution, provide additional flexibility to lawmakers and help to stabilize local property revenues over time, the Colorado Municipal League supports Amendment B.

For more information, contact Legislative Advocacy Manager Meghan Dollar at mdollar@cml.org.