

## Property Tax in Colorado Post Gallagher: What Can Be Understood from Other States?




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At the November 2020 election, Colorado voters approved Amendment B, a constitutional ballot measure which repealed a key formula that has controlled the state's property tax system for almost 40 years. However, it means that more reform is likely to come.

This report can serve as a resource for future debate by conducts a detailed review of the following seven state property tax systems: Colorado, Arizona, California, Idaho, Texas, Utah and Wyoming.

**The legacy of the Gallagher Amendment will be the large gap in effective tax rates between residential and non-residential property.**

### Differing Assessment Rates by Property Type in Colorado

Property types	Assessment rate	Assessed value	Statewide average mills	What is paid
 Residential property value \$100,000	→ 7.15%	→ \$7,150	→ .81%	→ \$579
 Commercial and other property value \$100,000	→ 29%	→ \$29,000	→ .81%	→ \$2,349
 Oil & Gas property value \$100,000	→ 88%	→ \$88,000	→ .81%	→ \$7,128

**This wide margin stands out among the states included in the study.**

Effective Tax Rate for \$100,000 in Differing Property Type Value			
	Residential effective tax rate	Commercial Effective Tax Rate	Commercial Rate as % of Residential Rate
Arizona	0.98%	1.55%	159%
Colorado	0.58%	2.37%	406%
Idaho	0.64%	1.31%	205%
Texas (School District Only)	1.06%	1.35%	128%
Utah	0.67%	1.22%	182%
Wyoming	0.65%	0.79%	121%

Estimates derived from statewide average mill levy/tax rates and taxable value by type for states w/o assessment rates.

*However much of the property tax system can now be changed through statute, either at the legislature or the ballot.*

To better understand the different dimensions to state property tax systems, and how Colorado compares, the full report looks at each state across **six critical areas of property tax policy**.

1. Are Property Tax Rates Determined at Local or State Level?
2. Does Each Type of Property Pay Equivalent Tax Rates?
3. Are There Established Formulas That Limits Growth Rates in New Revenue or Taxes?
4. Are Tax and Assessment Rates Fixed or Do They Fluctuate Based on Budget Demand?
5. Does the State Require Some Minimum Level of Funding for Education from Local Area?
6. Where Does Local Property Tax Revenue Get Spent?

While there are many points of similarity along with major differences across these 7 states, some **key findings** include:

- Each state taxes different types of property (i.e., residential, commercial, agricultural, mineral etc.) at different effective tax rates. This is done through establishing different assessment rates across property types, or through the offering of exemptions that partially or wholly exempt value of certain property types from taxation.
- **In Colorado, the state property tax assessment rate for commercial property is 300% – i.e., 4 times – higher than residential property.** This is the widest margin between commercial and residential property tax assessment rates observed across all seven Western states examined in this study.
- By comparison, **Arizona and Utah have the next widest margin – roughly 80%, less than 2 times** – between state assessment rates for commercial property and residential property.
- Three states – **California, Idaho and Texas – do not set different statewide assessment rates for different classes of property.** However, a number of exemptions exists that result in a lower effective tax rate for residential property than other property classes.
- Out of the seven states studied, **only Texas gave local governments explicit flexibility to adjust assessment rates for different classes of property through exemptions.** Under Texas law, these local exemptions are limited to 20% or less of a property's market value. As a result, the taxable value of single-family residential property, including individual exemptions, is 78.1% of market value within Texas school districts.
- All of the seven states studied limit the growth in property taxes through one or more restrictions, including tax rate caps, revenue caps, annual growth restrictions or taxpayer notifications.
- With the exception of Idaho, all of the states studied require a minimum level of local property tax revenue to be dedicated towards public education.
- While all states have some form of special taxation districts, **Colorado has the highest percentage of revenue going towards special districts, which provide a range of services including fire protection and water and sewer infrastructure.**