



Amendment B Repeals Property Owners' Constitutional Tax Protections

By Linda Gorman

Colorado has 4,518 active local governments that collect property taxes. Every single one of them wants more money. So do the interest groups that get money from those governments.

Passing Amendment B will help them get it.

Amendment B repeals Article 10, section 3 of the Colorado Constitution. Known as the Gallagher Amendment, the section controls property tax assessment rates. It requires that each of the 4,518 Colorado governments currently levying property taxes use the same assessment rate. It also requires that business properties and residential properties bear roughly equal portions of the property tax burden.

The Gallagher language equalizes the tax burden by fixing the assessment rate for nonresidential property at 29 percent. It then requires that the residential property assessment rate be adjusted periodically to ensure that the total taxable value of all business property makes up about 54 percent

ruling in *Mesa County Board of County Commissioners v. State of Colorado* said that state actions by the General Assembly are not local district tax policy changes. According to legal observers, this means that TABOR would not apply to state assessment rate changes, and no TABOR vote would be required to raise them.

The current statewide residential property assessment rate is 7.15 percent. This means that owner of a \$400,000 home pays property taxes on \$28,600 of its value ($\$400,000 \times 0.0715$). If the home's market value rose 10 percent to \$440,000 and the assessment rate did not change, property taxes would be owed on \$31,460 of the home's value.

In Broomfield, the average 2019 property tax was \$117.066 per \$1,000 of assessed (taxable) value. At the Broomfield average tax rate, the \$40,000 increase in home value would increase the owner's property tax bill from \$3,348 to \$3,683, an automatic increase of \$335. The \$335 is a windfall for government.

Government operating expenses do not change simply because property values increase.

Due to rising home values, the next Gallagher reset is expected to reduce the current residential assessment rate. If Amendment B fails, the new assessment rate will be lower.

By repealing Gallagher it immediately increases nonresidential property tax bills and produces tax revenue windfalls for local governments. It gives the legislature the power to impose further assessment rate increases on all property owners without asking for voter approval.

Gallagher's limits do protect homeowners. When house prices rise more rapidly than incomes, unregulated, unaffordable, increases in property tax bills can force homeowners to sell.

of total taxable property value and the total taxable value of residential property makes up 46 percent.

Gallagher applies to assessment rates, not property tax rates. Assessment rates determine the fraction of a property's value subject to property taxes. Though Amendment B supporters claim that a TABOR vote would be required to increase assessment rates, the 2009 Colorado Supreme Court

If the new rate were 6.9 percent, the \$440,000 home in the previous example would have a taxable value of \$30,360 rather than \$31,460. Its Broomfield tax bill would be \$3,554. If Amendment B passes, the reset will not occur. All else equal, the Broomfield tax bill would be \$3,683 until the legislature changes the assessment rate.

The Gallagher reset limits but does not eliminate the government property tax windfalls created by rising prices. As a result, total inflation-adjusted Colorado property tax collections have approximately doubled since Gallagher took effect in 1983. School districts get about half of property tax revenues. The other half is collected by county governments, municipal governments, and the special district governments that control everything from local district colleges to floodwater drainage, libraries, fire departments, recreational centers, and business improvement districts.

Gallagher's limits do protect homeowners. When house prices rise more rapidly than incomes, unregulated, unaffordable, increases in property tax bills can force homeowners to sell. Limits also preserve property values. When property tax bills increase without limit, buyers cannot afford to pay as much for a piece of property.

Had Amendment B supporters really wanted "fairer" assessment rates or assessed value ratios for residential and nonresidential properties they could have sponsored an Amendment that made specific changes in Gallagher's language while maintaining Gallagher's protections.

They did not do that.

Instead, they produced Amendment B. By repealing Gallagher it immediately increases nonresidential property tax bills and produces tax revenue windfalls for local governments. It gives the legislature the power to impose further assessment rate increases on all property owners without asking for voter approval.

It ends the uniform rate requirement, freeing officials to tailor assessment rates to the demands of special interests in all 4,518 taxing districts. This invites corruption and reduces tax transparency. It is not a recipe for good government.

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What Happens to a Property Tax Bill if Amendment B passes?

