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REVIEW OF COLORADO'S PROPERTY TAXES AND MODEL POLICY

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INTRODUCTION

Among the four most important types of state taxation – sales, income, severance, and property taxes – perhaps none is more emotionally charged than the property tax.

Income taxes usually include deductions and exemptions. Sales taxes usually have carve-outs for essentials such as food and clothing and can be limited through purchasing less expensive goods or shopping in neighboring jurisdictions. Severance taxes usually only hit people working directly in the extractive industries such as oil, gas, and mining.

Property taxes have little of that flexibility, virtually no means of control by the taxpayer, and are levied on the very roof over your and your family's heads. They usually contain very limited exemptions, and the only ways to personally reduce them are to get old or to move.

Not only do higher property taxes affect homeowners, but there is also considerable evidence that they drive up rents, forcing people to less desirable neighborhoods and making it harder for couples to accumulate money for that all-important first down payment.[1]

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Over the last few years, Colorado's property tax system has been the subject of considerable debate and efforts toward reform. Rapidly rising residential property values and a structure that gave relief to residential owners, but not commercial property owners, pushed the issue to the fore of the state's fiscal discussion.

When a key element of that structure was repealed by popular vote in 2020, residential property taxes began to rise in tandem with skyrocketing property values, prompting an outcry from homeowners. Several stop-gap measures have been implemented as the state seeks a comprehensive agreement among the various stakeholders.

This paper will examine the history of property tax reform in Colorado, beginning with the adoption of the Gallagher Amendment and the Taxpayer Bill of Rights (TABOR), through the latest changes and the proposed remedies. We will look at reform efforts in other states and what we can learn from them.

We will propose our own model policy which does the most to protect taxpayers while also providing local governments and school districts with the money they need to operate.

BACKGROUND

HOW PROPERTY TAXES ARE CALCULATED

Colorado, like most other states, calculates property taxes using a simple formula based on three factors: the estimated value of the property; an assessment rate; and a mill rate.

There is no state-level property tax. Property taxes are levied exclusively by municipalities, school districts, and special taxing districts. They are strictly local taxes in Colorado.

"Colorado, like most other states, calculates property taxes using a simple formula based on three factors: the estimated value of the property; an assessment rate; and a mill rate."

The county assessor determines the current market value of residential and commercial properties. That figure is multiplied by an assessment rate that is set by the state legislature, and is uniform throughout the state. That rate is currently 6.7% for residential property, and 27.9% for most commercial property and personal non-residential property for local governments. That result, called the *assessed value*, is then multiplied by the local mill rate, expressed in dollars per $1,000 of the assessed property value.

Sample Property Tax Calculation	
Current Property Market Value	$500,000
Assessment Rate	x 6.7%
Assessed Value	$35,750
Mill Rate	x 0.027
Property Tax	**$965**

For example, a house valued at $500,000 would be assessed at $35,750 for tax purposes. The current mill rate for the Denver Public School District is 27.0, or $27 for each $1,000 of assessed value, so the annual property tax would be $965.

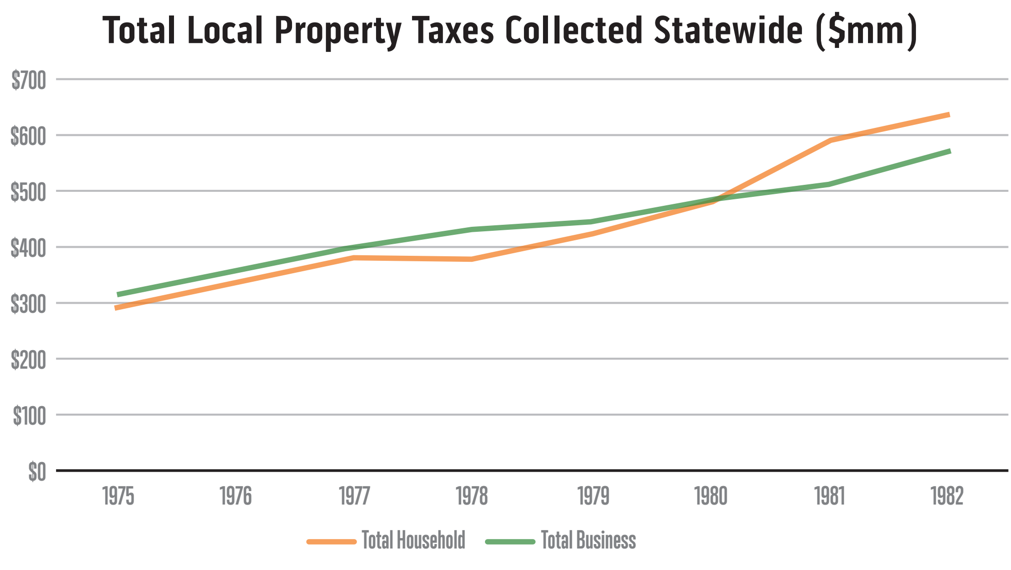
Agricultural property is appraised not by market value of the land, but by its average productive capacity, as measured by the land's net income over the last 10 years. That value is then multiplied by the agricultural assessment rate.

Oil and gas property also has its own valuation, "multiplying 87.5 percent of the gross sales value of production at the wellhead, times the local mill levy," according to the Colorado Oil & Gas Association.

Assessments are made every other year at current market rates, and are not averaged over the prior time period, so payments tend to lag the market.

HISTORY OF COLORADO PROPERTY TAXES

Until 1982, both residential and commercial property were taxed at the same 30% assessment rate. However, residential property values had been rapidly increasing during the late 1970s and early 1980s. With no other restrictions, the total mill levy would rise in tandem with the assessed value. Commercial property taxes had been rising, as well, but not nearly as quickly.



Source: Colorado Tax Profile Studies, 1977, 1980, and 1982

During this period, business property taxes rose at an average annual rate of 8.8% per year, while household property taxes rose at an 11.6% clip, and rose 13.7% annually between 1978 and 1982. On a per household basis, things were somewhat better, rising an estimated 6.8% annually through this period, and at 10.5% each year for the last two years, placing serious stress on household budgets.[2,3,4]

Things may have been even worse in the large Front Range counties. Using data from the Colorado Department of Local Affairs (DOLA) and the Census, we estimate that the per capita county property tax – excluding school districts, which DOLA does not track – rose at over 10% annualized rates from 1975 through 1982 in many places.

Total Property Tax Increase, 1975-1982	
County	**Annualized Per Capita Increase**
Adams	14.5%
Arapahoe	12.2%
Boulder	9.1%
El Paso	5.7%
Jefferson	10.5%
Larimer	11.4%
Pueblo	12.6%
Weld	6.4%
Denver	4.7%

At that time, property tax valuations were made every four years, and were still using 1973 valuations. Beginning in 1983, they were scheduled to begin using 1977 valuations, which would have pushed up property tax an estimated 36.5% overnight.[5]

These counties accounted for nearly 80% of the state's population, creating considerable political pressure on the state government to provide some relief to homeowners.

The legislature responded in 1981 by asking the Legislative Council to recommend changes to the property tax system.[6] The Committee recommended a number of changes, including shortening the assessment cycle from four years to two and increasing school funding by the state in order to forestall school district mill levy increases. It also recommended changing all assessment levels to 100%.

Instead, the legislature referred a state constitutional amendment that would become known as the Gallagher Amendment to the citizens for a vote. Given its importance, it is worth examining in some detail.

"The intent was to protect homeowners from large, sudden increases in their tax bills, because residential property values had been growing faster than commercial ones."

Named after state senator and former Denver auditor Dennis Gallagher, the measure fixed commercial assessment rates at 29%. The residential rate would adjust to keep the relative proportion of residential and commercial property taxes collected statewide the same. In the year the amendment was passed, that proportion was roughly 45% residential, 55% non-residential. The intent was to protect homeowners from large, sudden increases in their tax bills, because residential property values had been growing faster than commercial ones.

According to Legislative Council Chief Economist Greg Sobetski:

> The Gallagher Amendment wasn't a specific section or subsection in the Constitution. Rather, it was a component of Article X, Section 3, that was added to the Constitution as one part of a referred measure in 1982. Senator Dennis Gallagher's idea was to tie residential assessments to nonresidential assessments in order to keep the residential share of

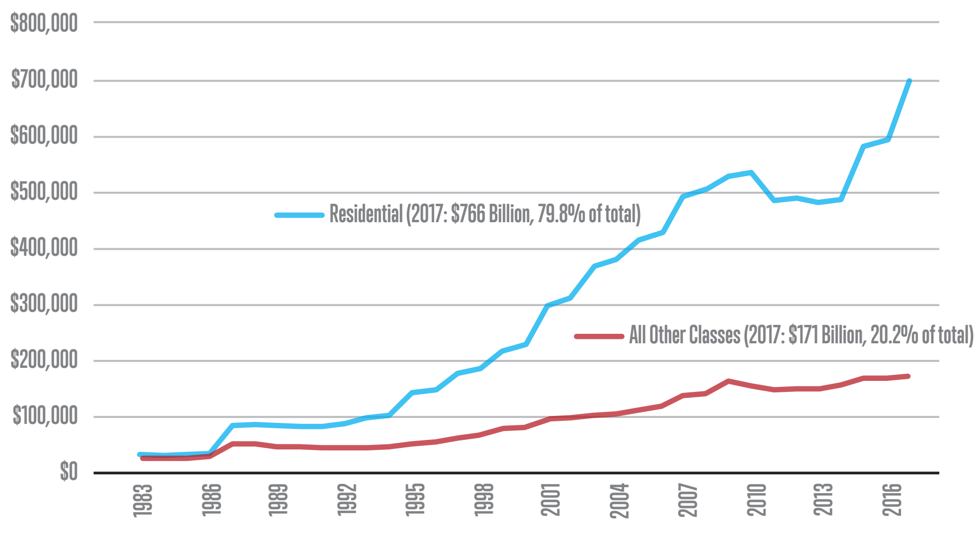
> property taxes from increasing in response to changing market conditions. He initially proposed an amendment to the referred measure on Second Reading, which was rejected at that time. Later, a conference committee added the "Gallagher Amendment" to the referred measure, having decided that it was a valuable inclusion. However, Senator Gallagher wasn't actually on the conference committee, so the joke is that the legislature added the Gallagher Amendment without Senator Gallagher's active participation.[7]

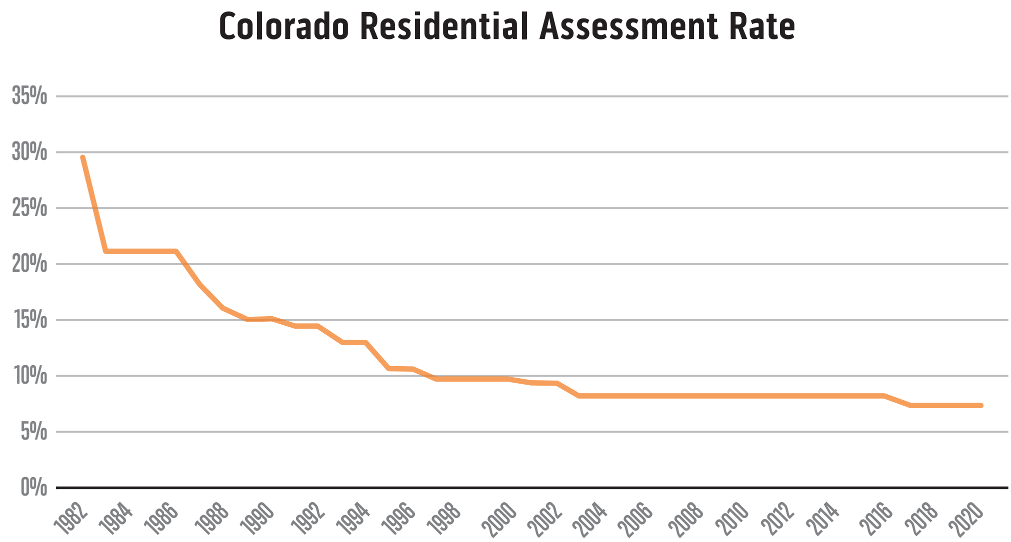
Because the state is required by law to backfill certain shortages in school funding, the law also provided for an annual study of assessments and created a means of bringing underassessed counties into line.

The Amendment passed the statewide vote by a nearly two-to-one margin, carrying those large Front Range counties handily.[8]

Over the nearly 40 years between Gallagher's adoption and its repeal, residential property values continued to outpace commercial property, and by 2020, the residential assessment rate had dropped to 7.15% as residential property accounted for 80% of Colorado's property.[9]

Colorado Statewide Property Values ($mm)





If we look back at the last major revision in Colorado's property tax regime, it becomes readily apparent that we have been here before. In fact, many of the circumstances we now confront – rapidly increasing residential values and assessments increasing in tandem, in a generally inflationary environment, for example – also existed in the years around 1980. We have removed the remedies put in place then just in time for those conditions to return.

TABOR AND AMENDMENT 23

Since Gallagher passed in 1982, Coloradans have passed two additional tax and finance amendments to the state constitution that have interacted with the Gallagher Amendment in unexpected ways.

In 1992, Colorado passed the Taxpayer Bill of Rights (TABOR), a constitutional amendment designed to restrain the growth of government by restraining tax revenue. The two principal elements are that 1) all tax increases, or changes in tax policy that would raise revenue, must be voted on by the people affected, and 2) a government – state, local, school district, or special district – must refund any revenue over the previous year's revenue plus inflation plus population change, known as the "TABOR Limit." For local governments, TABOR uses the change in taxable property rather than the population change. The TABOR Limit replaced the existing 7% revenue limit on local governments and was an entirely new restriction on state government.

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Because TABOR uses the previous year's revenue as the baseline for the current year, when revenues fall, as in a recession, the TABOR limit also declines in absolute terms, meaning it also declines as a percentage of taxable income, property, sales, and population. This is popularly known as TABOR's "ratchet" effect.

Voters may eliminate the ratchet by approving tax increases or by permanently waiving the second condition in a process called "de-TABORing,"[10] allowing the government to keep whatever money comes in, even if it exceeds the TABOR limit. As of this writing, 51 of Colorado's 64 counties have voted to de-TABOR, along with 177 of 178 school districts, and 230 of 274 municipalities.[11]

When it came to property taxes, there were two ratchet effects because of how TABOR interacted with Gallagher. If property values fell, then the mill rate increases needed to restore funding required a vote of the people. And if residential property values fell relative to commercial property, then TABOR required a statewide vote to increase the residential assessment rate.

In Colorado, school budgets are mostly funded by local property taxes, with the state stepping into make up the difference between what those taxes collect and what the law requires to equalize funding. Since residential property values were increasing faster than commercial property values, Gallagher also had the effect of restraining school budget growth in order to keep the proportion the same. By lowering the residential assessment rate while not being able to increase the commercial rate, it restrained the total local tax revenue increase.

> "Since residential property values were increasing faster than commercial property values, Gallagher also had the effect of restraining school budget growth in order to keep the proportion the same."

As a result, according to the Colorado Department of Education, the state has gone from funding 40% of school budgets to funding 60%.[12] In response, voters approved Amendment 23 in 2000, which mandated that state index the base per-pupil funding rate to inflation.

REPEAL OF GALLAGHER

By 2020, pressure had gathered to repeal the Gallagher Amendment. The political landscape of the state had also changed considerably from 1982, with larger, more liberal suburbs and voting patterns that resembled bluer states.

Aside from the school funding issue, supporters of repeal pointed to increasingly disproportionate assessment rates between businesses and individuals, and to the effect on rural counties where residential real estate hadn't appreciated as quickly. Those counties were still required to abide by statewide assessment ratios being driven by the increasingly dense Front Range counties around Denver.

That last issue had been pointed out by Legislative Council in its overview of ballot measures before Gallagher was adopted:[13]

> The reduction in the valuation for assessment of residential property is proposed to offset the high escalation in property values in the metropolitan areas or growth areas. Some communities, however, have not experienced equivalent increases in the value of residential property. Thus the amendment could mean an unexpected reduction in the total assessed valuation for a given city, town, county, or special district. This might

> mean that the amendment could reduce the aggregate bonding capacity of a given local unit of government or that the amendment would have an adverse impact on the revenue raising capacity for those governmental entities with fixed mill levies.

Those arguments carried the day; when Amendment B, the repeal of Gallagher, was placed before Colorado voters in 2020, it passed 57.5% to 42.5%, with a majority of rural counties now voting to repeal a measure they had enthusiastically supported in 1982.[14]

THE AFTERMATH

In the run-up to the vote on Amendment B, opponents had warned that residential property owners, who had previously been shielded from large jumps in their property taxes, would now see them rise in tandem with valuations and that they would not be pleased with the results. The predictions proved as prescient as Legislative Council had in 1981.

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City-wide, Denver assessments rose by an average of 35.4%, with significant differences by neighborhood.[15] Using recent sale prices by neighborhood,[16] and backing out the median increase in valuation, lower value neighborhoods saw a slightly larger percentage increase than more expensive ones. This may indicate both a ceiling to high-value home prices and surges of investor money into lower-value neighborhoods. Nevertheless, the effect is to somewhat disproportionately affect lower-value property owners and residents.

In the spring of 2023, when the new assessments came out, the Denver County Assessor's Office also collected average increases and statements from various Front Range assessors.[17] While most assessors used increasing appraisals to claim a special appeal of his county as a place to live, some took a more analytical approach.

Arapahoe County Assessor P. K. Kaiser said "The areas within Arapahoe County with the largest gains in residential property value were Aurora, Littleton, and Englewood. Single family residential properties with the greatest level of demand and highest percentage increases were found in the lower price tiers while the market for higher value homes was slightly softer, resulting in moderate percentage increases." This is similar to the effect observed in Denver.

If Jefferson County's increase of 36% was "shocking," according to County Assessor Scot Kersgaard, it was not particularly unusual for the Front Range, where median increases ranged from Denver's 33% to Douglas County's 47%:

Property Tax Changes, 2021-2023				
County	Number of Accounts	Median Residential Increase	General Commercial Change	Apartment/Multi-Family Increase
Adams	200,527	38%	42%	37%
Arapahoe	217,865	42%	22%	20%
Boulder	123,770	35%	41%	44%
Broomfield	27,000	41%	20%	29%
Denver	240,000	33%	17%	45%
Douglas	167,000	47%	19%	25%
Elbert	16,000	35%	30%	n/a
Jefferson	218,900	36.5%	20%	20%
Larimer	162,000	50%	41%	23%

Source: Denver County Department of Finance

Some rural counties have also seen substantial increases in residential appraisals. In Ouray County, the residential sales used for revaluation show annualized increases from 25% to 42% depending on the location.[18]

"Some rural counties have also seen substantial increases in residential appraisals. In Ouray County, the residential sales used for revaluation show annualized increases from 25% to 42% depending on the location"

INTERIM MEASURES

At this point, the pace of change picks up. The Gallagher repeal did not specify what property tax structure should replace it. As a result of the substantial increases in residential property taxes, the Colorado legislature has been scrambling to implement interim measures as it tries to work out a permanent solution.

In 2021, the legislature passed Senate Bill 21-293, which set assessment rates for various classes of property for the 2021-22 cycle. It was intended to give the legislature time to work out a package to present to the voters.[19] Agricultural property, previously assessed at 29%, was reduced to 26.4%, and it created a new class of property for renewable energy, taxed at the same 26.4% rate. Multi-family residential property was taxed at 6.8%, while townhouse or single-family residential property was taxed at 6.95%.

In 2022, they passed Senate Bill 22-238.[20] The act reduced commercial property tax assessments from 29% to 27.9% and the residential rate from 7.15% to 6.765%, maintained the 26.4% rate for agricultural and renewable energy, and the 28% rate for multi-family housing.

What they finally came up with in 2023 was a collection of measures packaged together and presented to the voters as Proposition HH in the fall general election of that year. It proposed reducing the state residential assessment level from 6.765% to a permanent 6.7%, and an exemption of the first $40,000 of assessed value.

Under Colorado law, seniors over the age of 65 who have lived in the same property as their main residence for 10 years are eligible for a 50% discount on the first $200,000

of actual value. Proposition HH would have made this Senior Homestead Exemption portable, allowing people to take advantage of it even if they moved.

However, it would over time have eliminated statewide TABOR refunds. It would have replaced the current inflation + population limit with a limit of inflation + population +1%, and the so-called ratchet effect could be overridden not only by a vote of the people, but also by a vote of the state legislature. Voters chose to keep their TABOR refunds by a margin of 61% - 39%, with the measure failing in all major counties except for Boulder and Denver, and four rural counties including Pitkin, home to liberal Aspen.[21]

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Another special session of the state legislature produced another commission to study the issue. Another measure, Senate Bill 24-233, was put into place during the most recent session, intended to be a permanent arrangement, introducing both lower rates and the complication of exemptions. This chart shows the various assessment rates by year, plus the residential and commercial exemptions:

Summary of Senate Bill 24-233

	2024	2025	2026	2027	2028
Local Cap District		5.5%	5.5%	5.5%	5.5%
School District Regular		Reduction if 60% local share	Reduction if 60% local share	Reduction if 60% local share	Reduction if 60% local share
Local Gov Residential Assessment Rate	6.7% - $55K	6.40%	6.95% - (10% of first $700K, adjusted by CPI, 0 if negative) Combined Effective Assessment = 6.5% for home up to $700K	6.95% - (10% of first $700K, adjusted by CPI, 0 if negative) Combined Effective Assessment = 6.5% for home up to $700K	6.95% - (10% of first $700K, adjusted by CPI, 0 if negative) Combined Effective Assessment = 6.5% for home up to $700K
Local Gov Commercial and Ag	27.9% - $30K	27%	25%	25%	25%
School District Residential	n/a	7.15%	7.15%	7.15%	7.15%
School District Commercial and Ag	n/a	27%	25%	25%	25%
Loss of Revenue (Local and Schools)	$1,283M	$929M	1,254M	$1,281M	$1,299M

Source: Bell Policy Center, https://www.bellpolicy.org/2024/05/10/sb24-233-explainer/

The law also suspends the 5.5% property tax revenue limit for local governments for 2024. The limit does not apply to school districts or special districts, only cities and counties, and not to home rule cities. Local governments can collect no more than the previous year's property tax total plus 5.5%, with some allowances for growth.[22] This is not a TABOR limit, although it can be waived permanently by a vote of the affected citizens.[23]

POLICY CONSIDERATIONS

Hoping to secure a better deal for Colorado taxpayers, sponsors put two measures on the fall ballot for voters. Initiative 50 would have capped statewide property tax revenue at 4% growth per year, aggregating all property tax collected by local governments. It would have operated in a similar manner to TABOR, requiring that the excess be returned to taxpayers and that a vote be required to keep the excess. How those two provisions would have functioned was never clarified.[24]

Initiative 108 would have simply cut the statewide residential assessment rate to 5.7% and the commercial assessment rate to 24%.

As of this writing, the sponsors of Initiatives 50 and 108 have both pulled support for their referenda in return for the governor calling another special session to amend SB24-233. Whether the outcome of the session is merely some legislative tinkering or a new package to be presented to Coloradans, the likelihood is that property tax policy will remain, in some important ways, unsatisfactory.

What would an ideal property tax policy look like?

To answer that, it will be useful to examine the approaches taken by some other states.

OPTIONS FOR LIMITING PROPERTY TAXES

Property taxes are the product of 1) the value of the property, 2) the assessment rate, and 3) the mill rate, to produce a total mill levy. The three main options for limiting property taxes are constraints on the last three.

The Tax Foundation notes that:[25]

- Assessment limits seek to limit how much any individual homeowner's taxes can rise due to increases in assessed value but can introduce highly unequal tax burdens across similarly-situated properties.

- Rate limits cap the overall rates that can be set by local policymakers, but do not shield properties from increases due to rising values or from other policies designed to increase collections.
- Levy limits constrain overall revenue growth, though allow both rates and individual homeowners' tax liability to change within this aggregate constraint.

Different states have taken different approaches, sometimes combining elements of all three options, in their quest to provide property tax relief.

CALIFORNIA – PROPOSITION 13 (1978)

In 1978, California businessman Howard Jarvis launched the first modern Tax Revolt against rising property taxes using the state's citizen initiative process. The success of his campaign was so surprising and so overwhelming that it spawned tax-limiting citizen initiatives across the country.

The main motivation for the revolt appears to have been the displacement of retirees and older homeowners who were having a difficult time meeting rising property taxes.

"In 1978, California businessman Howard Jarvis launched the first modern Tax Revolt against rising property taxes using the state's citizen initiative process."

In substance, Proposition 13 was an assessment restriction. It rolled back the base assessment to 1976 property values, and limited increases to 2% a year or inflation, whichever was lower. Reassessment could only take place when there was new construction or when the property changed hands.

The measure passed 65% to 35%, indicating broad support across demographics and income levels.

Proposition 13 has proven to be extremely popular in California, and Californians have extended its conditions to other circumstances. Later that year, voters allowed a property to be reassessed due to a decline in value. A 1986 amendment, Proposition 58, excluded transfers between spouses or from parents to children from requiring a reassessment. In 1986 and 1988, two amendments allowed homeowners over 55 to transfer their existing assessment to a new home in California of equal or lesser value. And Proposition 193 in 1996 allowed grandparents to transfer their home to their grandchildren.

While Proposition 13 itself was a useful experiment in limiting runaway and destructive property taxes, it and its follow-ons have had some perverse effects, allowing older, high-value properties that have stayed in family to be valued at assessments far, far below comparable properties that have changed hands.

In one celebrated case, "In 2003 financier warren Buffett announced that he paid property taxes of $14,410 (or 2.9 percent) on his $500,000 home in Omaha, Nebraska, but paid only $2,264 (or 0.056 percent) on his $4 million California home."[26]

The tax benefits from staying in one's home are a substantial tax subsidy in some locations, and have led to a measurable lock-in effect, keeping people in the same

homes while limiting the available supply of housing stock, especially in coastal areas where property value appreciation has been the greatest, and demand for housing has been the highest.[27]

UTAH – TRUTH IN TAXATION (1985)

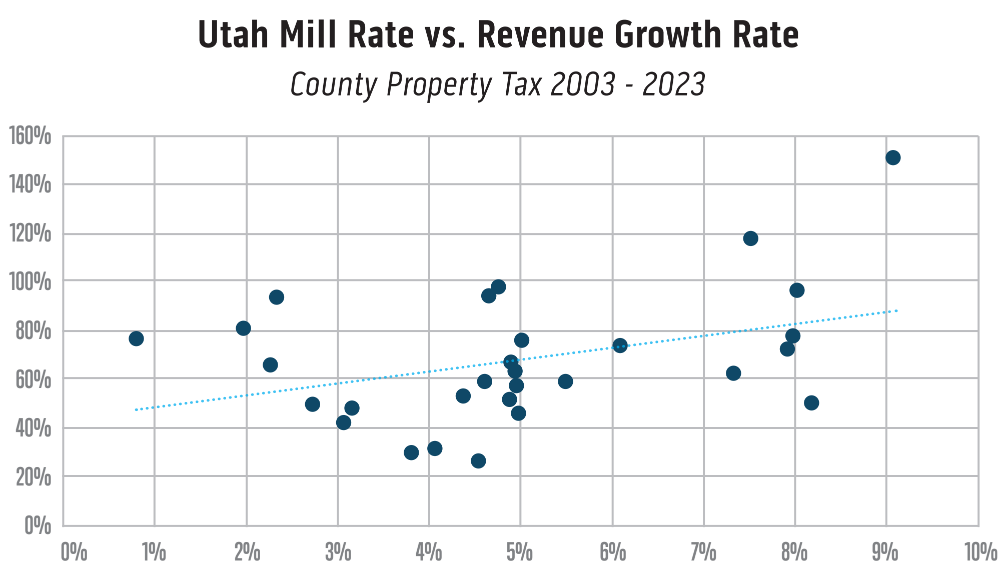
In contrast to California, Utah chose to focus on mill levies and mill rates. Its 1985 Truth in Taxation law forces local taxing districts – counties, cities, school districts, and so on – to publicly justify keeping additional tax revenue. Utah had been seeing 12% per year tax increases.[28]

> "In contrast to California, Utah chose to focus on mill levies and mill rates. Its 1985 Truth in Taxation law forces local taxing districts -counties, cities, school districts, and so on – to publicly justify keeping additional tax revenue."

Property is assessed at 100% of fair cash value. When the property tax revenue for a district exceeds the previous year's total, *and the district wants to retain the extra money*, it must initiate a process of public notification and hearings, leading to a specific vote to allow it to do so. The district also has the alternative of not keeping the additional revenue, in which case it drops the mill rate to a level where the current year's revenue does not exceed the previous year's. Revenue from new development does not count toward the limit.

Utah's system does not limit property tax growth; it forces governments to justify keeping it.

As a result, according to the Utah Property Tax Division, total county property tax revenue has risen at an annual rate of only 4% per year from 2003 to 2023, while the average mill rate has dropped slightly more than 30%. In addition, there does seem to be some relationship between revenue growth and mill rate declines, suggesting that forcing the government to justify keeping taxpayer money does have a deterrent effect:



Further evidence that shame works is that Utah's property tax ranking among states relative to personal income fell from 24th highest in 1985 to 36th highest in 2018.

TEXAS – SENATE BILL 2 AND HOUSE BILL 3 (2019) AND PROPOSITION 4 (2023)

In 2019, also in response to skyrocketing property tax bills, Texas passed its own version of Truth in Taxation. It is in some ways similar to Utah's, but with actual property tax limitations.

Under Senate Bill 2 (SB2), counties, cities, and other large jurisdictions are now required to hold a vote if the mill levy would rise by more than 3.5% from the previous year, excluding new construction or annexed property. If the vote fails, then revenue will fall back to the 3.5% limit.[29] (Some smaller jurisdictions would adhere to an 8% limit.) In addition, rates need to be posted in an online database.[30]

> "Under Senate Bill 2 (SB2), counties, cities, and other large jurisdictions are now required to hold a vote if the mill levy would rise by more than 3.5% from the previous year, excluding new construction or annexed property."

This is in contrast to the prior law where citizens had to file a petition to challenge revenue increases above 8% from the previous year. This vote is now automatic, and if it fails, the mill rate rollback to the 3.5% is also automatic.

While revenue would be allowed to continue to rise, the general trend – absent a vote of the people – would be for mill rates to fall over time, and for a ratchet down effect in the case of falling property values. Despite dire predictions from local officials and Moody's that critical public services and bonding power would be harmed, none of that seems to have happened. Collectively, county property tax collections have continued to rise at just under 7% per year from 2019-2023, even as the average mill rate fell from 56.9% to 50.5%, according to data from the Texas State Comptroller.

A companion bill, House Bill 3 (HB3), addressed school district financing with a more complicated formula. Because the state is required to backfill to a minimum level of funding, HB3 also establishes statewide mill rate floors. In addition, school districts must conduct an efficiency audit before scheduling a tax ratification election.[31] Both SB2 and HB3 mandate mill rate changes based on mill levy limitations.

Texans approved appraisal limits on both commercial and residential properties in a constitutional amendment vote in 2023. The amendment allows the state limit appraisals under $5,000,000 and without the standard $100,000 homestead exemption to 20% per year through 2026. There is no residence requirement or exception for transferring the property.

It passed with 83% of the vote, winning all 254 counties.

OUR MODEL PROPERTY TAX SYSTEM FOR COLORADO

A fair and effective property tax system needs to balance several objectives. First, it should be predictable for taxpayers. These are taxes on people's homes, and for most people, their tax payments are part of their monthly mortgage bill. Sudden surprises

in that bill can impair their ability to achieve long-term financial goals, and in extreme cases result in the loss of the property. This consideration is no less important for the commercial property owner.

At the same time, the government collecting the tax should have sufficient and stable enough revenue to carry out its core functions.

We have seen that the assessment rate is not only a blunt instrument for limiting property taxes, but also that it results in distortions in how properties are taxed. In Colorado, assessment rates are set statewide rather than by localities, further exacerbating that risk. Addressing the question in mills rather than assessments allows the flexibility to deal with local issues at the local level, a problem that the Gallagher Amendment suffered from.

Ideally, we would not base a property tax limitation regime on assessment rates at all, but that ship has already sailed. The difference between commercial and residential assessment rates cannot be easily unwound, so we have to work with them as they are. And there does not appear to be any outcry from the agricultural or oil & gas sectors complaining about how their land is valued.

Fortunately, if we leave the assessment rates alone, there's nothing that keeps us from adjusting mill rates to keep revenue under a mill levy cap. We already have experience with that kind of a system through TABOR and the 5.5% property tax revenue cap. And prior to that, local governments had to contend with a 7% revenue limitation.

We propose that county and city governments be limited in their property tax revenue to last year's revenue plus inflation, excluding revenue from that year's new construction or annexation. Going forward, new construction would be counted toward the cap.

"We propose that county and city governments be limited in their property tax revenue to last year's revenue plus inflation, excluding revenue from that year's new construction or annexation."

Accounting for inflation would allow governments to continue to pay their bills, while excluding new construction from the cap would accommodate increases in population. If a government wanted to start a new program or enterprise, or take on some new responsibility funded by property taxes, it should ask the citizens to approve it. Evidence from Texas and Colorado suggests that citizens will be reasonable on such demands.

School districts would be handled slightly differently. Since new construction doesn't necessarily mean new students or a heavier workload, we would cap school district property tax revenue at inflation plus the change in the school population. Understand that Amendment 23 already requires the base rate for school spending to be indexed to inflation. This would fit well within those parameters.

As with TABOR limits, citizens should be allowed to waive property tax limitation by vote. However, local governments and school boards would still have to affirmatively pass a specific measure each year, as part of their normal business, and separate from

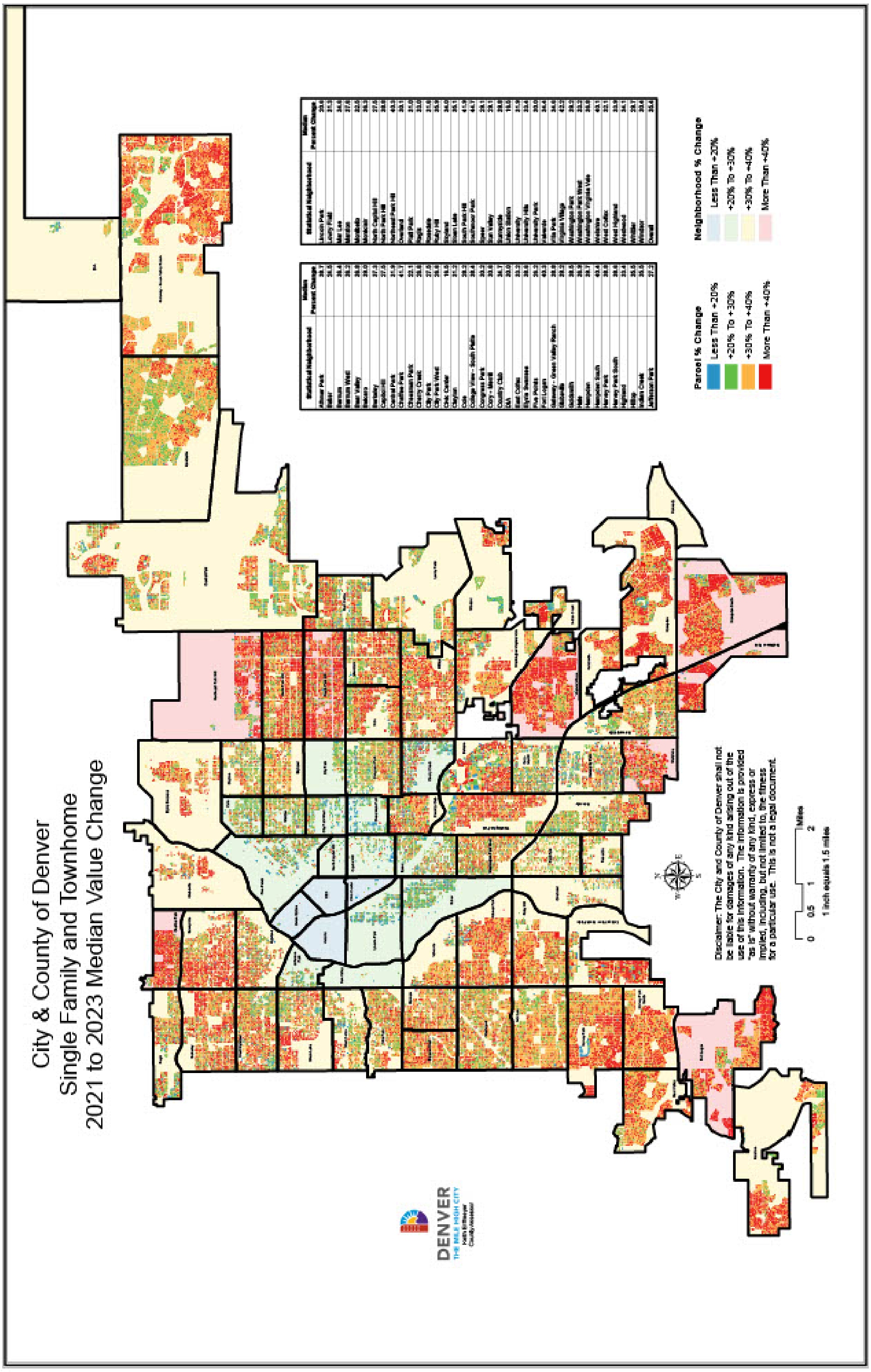
the budget, to keep that extra revenue, along the lines of Utah's Truth in Taxation requirements. That bill or ordinance would be subject to all the same disclosure and public input as any legislative measure, giving the public a chance to object if it believes that the waiver would be too burdensome to taxpayers in a given year."

In addition, for both local governments and school districts, property taxes tied to specific bond measures would be excluded from the cap. Money for that has already been set aside, and it would be unfair to count it against labor and maintenance costs. Such a limitation scheme would help stabilize payments for the property owners while giving local governments the revenue they need, though not necessarily everything they want. In that regard, it would revive the spirit of TABOR, but with formulas specifically tailored to how property taxes are levied and calculated.

Colorado Property Tax Model Policy

- State assessment rates will stay where they are.
- Local government mill levy will be capped at the previous year's revenue plus inflation, exclusive of new development and annexation.
- School districts would be capped at the previous year's revenue plus inflation plus the change in school population.
- Property taxes tied to specific bond measures would be excluded from the cap.
- Mill levy caps could be waived by a vote of the public.
- Local governments and school boards with waivers would be required to pass a specific piece of legislation each year to keep the excess.

APPENDIX A



City & County of Denver
Single Family and Townhome
2021 to 2023 Median Value Change
Parcel % Change
Less Than +20%
+20% To +30%
+30% To +40%
More Than +40%
Neighborhood % Change
Less Than +20%
+20% To +30%
+30% To +40%
More Than +40%
Disclaimer: The City and County of Denver shall not be liable for damages of any kind arising out of the use of this information. The information is provided "as is" without warranty of any kind, express or implied, including, but not limited to, the fitness for a particular use. This is not a legal document.
Miles
1 inch equals 1.5 miles
DENVER
THE MILE HIGH CITY

APPENDIX B – CORCORAN PERRY AND DENVER ASSESSMENT INCREASES

Urban Neighborhood	Avg Sold $	% Rise	Imputed 2022 Value
Athmar Park	$484,037	38.7	$296,715
Baker	$615,158	24.5	$464,444
Barnum	$435,953	36.4	$277,266
Barnum West	$475,449	36.2	$303,336
Bear Valley	$476,787	36.8	$301,329
Belcaro	$1,692,143	39	$1,032,207
Berkeley	$998,443	37.3	$626,024
Capitol Hill	$420,156	27.5	$304,613
Central Park	$835,558	31.9	$569,015
Chaffee Park	$531,388	41.7	$309,799
Cheesman Park	$638,762	22.1	$497,596
Cherry Creek	$1,805,074	26.6	$1,324,924
City Park	$611,258	27.5	$443,162
City Park West	$673,989	26.6	$494,708
Civic Center	$644,391	16.5	$538,066
Clayton	$566,327	31.2	$389,633
Cole	$555,463	28.2	$398,822
College View	$363,922	38.4	$224,176
Congress Park	$841,448	30.2	$587,331
Cory-Merrill	$1,468,422	30.6	$1,019,085
Country Club	$2,027,178	34.7	$1,323,747
East Colfax	$460,617	33.2	$307,692
Elyria Swansea	$374,915	38.6	$230,198
Five Points	$678,378	26.2	$500,643
Globeville	$431,861	39.2	$262,571
Goldsmith	$361,034	38.5	$222,036
Green Valley Ranch	$498,598	38.8	$305,142
Hale	$721,423	36.9	$455,218
Hampden	$485,586	39.7	$292,808
Hampden South	$578,733	40.4	$344,925
Harvey Park	$536,263	38.8	$328,193
Harvey Park South	$553,982	38.6	$340,145
Highlands	$971,486	33.4	$647,010
Hilltop	$1,867,333	35.5	$ 1,204,430
Indian Creek	$419,250	35.5	$270,416
Jefferson Park	$744,214	27.2	$541,788

Lincoln Park	$469,591	20.6	$372,855
Lowry	$882,293	31.3	$606,135
Mar Lee	$460,980	34.6	$301,481
Montbello	$447,467	32.5	$302,040
Montclair	$840,863	36.3	$535,630
North Capitol Hill	$437,638	27.5	$317,288
North Park Hill	$782,676	38.8	$478,998
Northeast Park Hill	$512,195	40.3	$305,780
Overland	$757,797	30.1	$529,700
Platt Park	$1,082,462	31	$746,899
Regis	$728,818	33	$488,308
Rosedale	$837,810	31.6	$573,062
Ruby Hill	$469,950	35.9	$301,238
Skyland	$674,845	34	$445,398
Sloan Lake	$1,042,031	35.1	$676,278
South Park Hill	$1,125,646	41.9	$654,000
Southmoor Park	$862,975	44.7	$477,225
Speer	$552,604	29.1	$391,796
Sunnyside	$750,654	39.8	$451,894
Union Station	$775,578	16.5	$647,608
University	$861,370	31.9	$586,593
University Hills	$735,905	33.4	$490,113
University Park	$1,685,418	30	$1,179,793
Valverde	$431,345	34.4	$282,962
Villa Park	$461,185	34.6	$301,615
Virginia Village	$700,899	42.2	$405,120
Washington Park	$1,738,802	39.2	$1,057,192
Washington Park West	$803,307	33.2	$536,609
Washington Virginia Vale	$537,182	36.8	$339,499
Wellshire	$1,287,098	40.1	$770,972
West Colfax	$727,303	32.1	$493,839
West Highland	$970,225	33.9	$641,319
Westwood	$411,388	34.1	$271,105
Whittier	$767,159	29.7	$539,313
		Correlation: -0.156	

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