

RESIDENTIAL ASSESSMENT RATE

In 1982, the electorate passed sweeping changes to the portion of the Colorado Constitution that governs the property tax system. One of these changes was the enactment of a provision known as the "Gallagher Amendment," found in § 3(1)(b), art. X, COLO. CONST.

The purpose of the Gallagher Amendment is to stabilize residential real property's share of the statewide property tax base. From 1958 to 1982, the percentage of total assessed value comprised of residential property increased from 29 to 44 percent. This occurred primarily because market value increases for residential property greatly outpaced market value increases to non-residential property.

To counter this trend, the Gallagher Amendment requires a review and potential adjustment of the residential assessment rate each time there is a year of general reassessment. This adjustment is meant to ensure that the rate of change to the state's total assessed value of residential property remains essentially the same as it is for non-residential property. The current residential assessment rate is 7.96 percent of assessed value. In contrast, the assessment rate for most classes of non-residential property is fixed at 29 percent. A history of changes to the residential assessment rate is shown in Table 7.

TABLE 7

RESIDENTIAL ASSESSMENT RATE	
Years	Rate
Prior to 1983	30%
1983-1986	21%
1987	18%
1988	16%
1989-1990	15%
1991-1992	14.34%
1993-1994	12.86%
1995-1996	10.36%
1997-1998	9.74%
1999-2000	9.74%
2001-2002	9.15%
2003-2004	7.96%
2005-2006	7.96%
2007-2008	7.96%

During years of general reassessment (odd numbered years), § 39-1-104.2(5)(c), C.R.S., requires the Property Tax Administrator to complete a documented study that is used by the General Assembly to enact a new residential assessment rate into law. The 2007 preliminary and final residential assessment rate study reports are accessible on the Division's web site at http://www.dola.state.co.us/dpt/publications/residential_assessment_rate_index.htm.

Assessment Rate and Tax Burden

Table 8, on the following page, calculates the savings to residential taxpayers from the inception of the Gallagher Amendment through 2008. It does so by comparing the taxes paid by residential property owners to an estimate of the taxes they would have paid had the Gallagher Amendment not been enacted. The estimated savings to residential property owners is \$14,339,835,343. The table begins with 1987, because the residential assessment rate remained at 21 percent until 1987. The contents of each column in the table are described below.

- 1: Tax year.
- 2: Hypothetical residential assessment rate of 21 percent.
- 3: Enacted residential assessment rate for each tax year.
- 4: Average statewide mill levy for each tax year.
- 5: Hypothetical average statewide mill levy needed to generate the total true revenue if the residential assessment rate had been 21 percent. This is calculated by dividing the total true revenue received in each year (Column 10), by the total assessed value at 21 percent (Column 9).
- 6: Total true residential assessed value as reflected in the 2008 Abstracts of Assessment.
- 7: Total statewide assessed value, as reflected in the Certification of Levies and Revenue reports compiled and submitted by county commissioners.
- 8: Hypothetical total residential assessed value, had the residential rate remained at 21 percent.

- 9: Hypothetical total assessed value, had the residential assessment rate remained at 21 percent.
- 10: Total statewide property tax revenue, as reflected in the Certification of Levies and Revenue reports compiled and submitted by county commissioners.
- 11: Hypothetical property tax revenue attributable to residential property, had the residential rate remained at 21 percent. This is calculated by multiplying the hypothetical mill levy at 21 percent (Column 5) by the hypothetical residential assessed value at 21 percent (Column 8).
- 12: Total property tax revenue of residential property at the assessment rate established for each tax year. This is calculated by multiplying the total statewide residential assessed value (Column 6) by the statewide average mill levy (Column 4).
- 13: Savings to residential taxpayers, Column 11 minus Column 12.