

**Amendment #32 - Taxable Value of Residential Property
Legislative Council Staff Responses to Public Comments**

The revisions requested by interested persons are provided below in the following format:

ALL CAPS = Proposed new language

~~Strike Type~~ = Proposed deletions

Standard Type = Current language

All page and line references are to the Final Draft version

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BULLET SECTION

2 **1. Responder:** Douglas Bruce, Opponent

3 **Suggested change:** Page 1, line 4:

4 ◆ repeals the ~~process for reducing~~ REQUIREMENT TO REDUCE the percentage in the
5 future.

6 **Basis for suggested change:** This is not just a change in “process,” but elimination
7 of the reduction that the process is for.

8 **Staff comment:** Disagree. The proposal eliminates the procedure for calculating
9 whether or not the residential assessment rate needs to be reduced.

10 *****

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BACKGROUND SECTION

12 **2. Responder:** Douglas Bruce, Opponent

13 **Suggested change:** Page 2, lines 1-3:

14 **Property taxes.** In ~~2002~~, 2003, Colorado homeowners and businesses paid roughly
15 \$4.4 billion in property taxes to local governments, such as counties, cities, school districts,
16 and special districts.

17 **Basis for suggested change:** The responder asked for clarification and
18 consistency in the use of current year figures.

19 **Staff comment:** Agree. Taxes were paid in 2003 on 2002 values. The
20 sentence should reference 2003 for consistency with the remainder of the analysis.

1 *****

2 3. Responder: Douglas Bruce, Opponent

3 Suggested change: Page 2, lines 4-6:

4 Though residential property accounts for 47 percent of all taxable property, the
5 percentage of property taxes actually paid by residential property owners IN A JURISDICTION
6 varies slightly because of differences in values THE DISTRIBUTION OF
7 RESIDENTIAL/NONRESIDENTIAL PROPERTY and mill levies throughout the state.

8 Basis for suggested change: The sentence is unclear. The percentages paid in a
9 jurisdiction may vary because of the mill levy and the actual distribution of residential/non-
10 residential in that district.

11 Staff comment: Agree in part. Staff recommends deleting the sentence.

12 Revised staff language:

13 ~~Though residential property accounts for 47 percent of all taxable property, the~~
14 ~~percentage of property taxes actually paid by residential property owners varies slightly~~
15 ~~because of differences in values and mill levies throughout the state.~~

16 *****

17 4. Responder: Douglas Bruce, Opponent

18 Suggested change: Replace Table 1 with Table 3.

19 Basis for suggested change: Table 1 does not add to the analysis, as voters can
20 easily calculate how the proposal raises their tax bill in the near term.

21 Staff comment: Disagree. Table 1 helps to illustrate the calculations described on
22 page 1. Also, not all voters are homeowners. This table helps the voter understand what will
23 occur under the proposal.

24 *****

25 5. Responder: Staff

1 school funding. FOR EXAMPLE, THE LAST REDUCTION IS ESTIMATED TO INCREASE THE
2 STATE SHARE OF FUNDING IN THE CURRENT BUDGET YEAR BY \$29.6 MILLION, OR 0.7
3 PERCENT.

4 *****

1 **7. Responder:** Douglas Bruce, Opponent

2 **Suggested change:** Page 2, lines 26-27:

3 The proposal may help maintain services that residents receive from local
4 governments. When the property tax base of a ~~county, city, fire district, library district, or~~
5 ~~other special district~~ LOCAL GOVERNMENT declines, constitutional limits force down property
6 tax revenue used to pay for the services these governments provide.

7 **Basis for suggested change:** Listing local governments is not necessary to
8 understand the argument and merely appeals to voter sympathy.

9 **Staff comment:** Disagree. School districts are local governments, but do not lose
10 funding when their property tax base declines.

11 *****

12 **8. Responder:** Douglas Bruce, Opponent

13 **Suggested change:** Page 2, lines 27:

14 When the property tax base of a county, city, fire district, library district, or other
15 special district declines, constitutional limits ~~force down~~ MAY SLOW THE INCREASE IN SOME
16 property tax revenue used to pay for the services these governments provide.

17 **Basis for suggested change:** The word "force" is not always true. The ratio has
18 different effects in different districts, and voters may approve higher mill levies. Factors such
19 as new construction, higher assessments, and revenue limits may also impact property tax
20 revenue.

21 **Staff comment:** Disagree. While property tax collections may increase statewide,
22 individual districts can and have seen decreases from year-to-year. When the property tax
23 base declines and mill levies are not allowed to increase, property tax revenue decreases.

24 *****

25 **9. Responder:** Douglas Bruce, Opponent

26 **Suggested change:** Page 2, line 28:

27 When the property tax base of a county, city, fire district, library district, or other

1 special district declines, constitutional limits force down property tax revenue THAT IS ONE
2 SOURCE used to pay for the services these governments provide.

3 **Basis for suggested change:** The statement implies that property taxes are the only
4 revenue source to fund services.

5 **Staff comment:** Agree, in part. Staff agrees with comment and suggests a more
6 concise change.

7 **Revised staff language:**

8 When the property tax base of a county, city, fire district, library district, or other
9 special district declines, constitutional limits force down property tax revenue used to HELP pay
10 for the services these governments provide.

11 *****

12 **10. Responder:** Douglas Bruce, Opponent

13 **Suggested change:** Page 2, line 29:

14 Over half of Colorado's counties, many of them in rural Colorado, ~~will~~ MAY have a
15 lower property tax base this year than last year.

16 **Basis for suggested change:** The claim is uncertain because the lower property tax
17 base could be offset by reassessment increases, new construction, and tax rate increases.

18 **Staff comment:** Disagree. Preliminary data from the counties show t his to be the
19 case. We expect to have finalized 2003 assessed value figures for counties prior to the
20 September 4 meeting and are prepared to change the statement at that time, if necessary.

21 *****

22 **11. Responder:** Douglas Bruce, Opponent

23 **Suggested change:** Page 2, lines 28-31:

24
25 Over half of Colorado's counties, many of them in rural Colorado, will have a lower
26 property tax base this year than last year. THE STATEWIDE AVERAGE DECLINE FROM THE
27 RECENT RATIO CHANGE MAY BE 1.8%, OFFSET BY REASSESSMENT INCREASES, NEW
28 CONSTRUCTION, AND TAX RATE INCREASES.

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Basis for suggested change: The additional sentence provides more information to voters.

Staff comment: Disagree. Reassessment increases and new construction are included in the property tax base.

12. Responder: Douglas Bruce, Opponent

Suggested change: Page 2, lines 33-34:

A positive business climate is important to Colorado’s economic future. ~~The proposal could help retain existing Colorado businesses and encourage other businesses to move to or expand operations in the state.~~

Basis for suggested change: This sentence is not true. The Gallagher Amendment only decreases taxes on homes, while it does not affect business property taxes.

Staff comment: Disagree. If the residential assessment rate was still 21 percent, mill levies would no doubt be lower in many jurisdictions due to TABOR restrictions. As a result, businesses would have lower tax bills than they currently do, and some businesses will have a lower tax bill under this proposal.

13. Responder: Douglas Bruce, Opponent

Suggested change: Page 2, line 34 - Page 3, line 1:

New businesses increase the property tax base in the areas in which they locate. ~~which could result in lower taxes for other taxpayers.~~

Basis for suggested change: This statement is false. Business construction is added to the TABOR revenue limit.

Staff comment: Disagree. New construction is not added to the revenue base for schools. Also, mill levies for those collecting a fixed amount of revenue, such as bonded debt, will be lower as the tax base increases. This results in a lower tax bill for other taxpayers in the district.

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1 **ARGUMENTS AGAINST**

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3 **14. Responder:** Tom Clark, Proponent

4 **Suggested change:** Page 3, line 7, delete:

5 This proposal increases property taxes paid by Colorado homeowners and rental
6 property owners. ~~Furthermore,~~ The amount of additional property taxes will likely grow each
7 time property is revalued, making housing less affordable for all residents.

8 **Basis for suggested change:** The transitional word is unnecessary.

9 **Staff comment:** Disagree. The transition is intended to help the sentence build upon
10 thoughts expressed in the prior sentence.

11 *****

12 **15. Responder:** Douglas Bruce, Opponent

13 **Suggested change:** Page 3, line 12, after the period, add:

14 1) This proposal increases property taxes paid by Colorado homeowners and rental
15 property owners. Furthermore, the amount of additional property taxes will likely grow each
16 time property is revalued, making housing less affordable for all residents. The current system
17 has saved homeowners an estimated \$6.8 billion in property taxes since 1987. The proposal
18 is unnecessary because residents of counties, cities, and special districts can decide through
19 local elections to increase taxes to pay for desired services.

20 THERE IS NO OVERALL DECLINE IN PROPERTY TAX. PROPERTY TAX REVENUE HAS
21 INCREASED 100-FOLD IN SIXTY YEARS, MANY TIMES MORE THAN INFLATION AND
22 POPULATION COMBINED. IT HAS INCREASED 82% STATEWIDE IN THE PAST 10 YEARS. THE
23 REAL PROBLEM IS THAT PROPERTY TAXES ARE TOO HIGH, NOT TOO LOW. THIS PLAN DOES
24 NOT BENEFIT BUSINESS, ONLY LOCAL GOVERNMENTS, AND IT WOULD ALSO RAISE TAXES ON
25 RENTAL PROPERTY, A COST LIKELY TO BE PASSED ON TO TENANTS.

26 **Staff comment:** Disagree. Staff believes that the issues presented by the responder
27 are already addressed in the argument.

28 *****

29 **16. Responder:** Douglas Bruce, Opponent

1 **Suggested change:** Page 3, line 15, insert:

2 Because their share of property values stays relatively constant, homeowners are NOW
3 protected from property tax increases if business property taxes decline.

4 **Basis for suggested change:** As worded, the sentence could imply to the reader
5 that the proposal offers homeowners a protection that it does not.

6 **Staff comment:** Agree in part. Staff recommends adding the word "currently" rather
7 than "now".

8 **Revised staff language:** Because their share of property values stays relatively constant,
9 homeowners are CURRENTLY protected from property tax increases if business property taxes
10 decline.

11 *****

12 **17. Responder:** Tom Clark, Proponent

13 **Suggested change:** Page 3, line 17, delete:

14 Because their share of property values stays relatively constant, homeowners are
15 protected from property tax increases if business property taxes decline. Business property
16 taxes can decline from downturns in the economy or from changes in the law. ~~In 1983, when~~
17 ~~the current system began, the property tax burden for some businesses was reduced by taxing~~
18 ~~apartments as residential property, and exempting business inventory and agricultural~~
19 ~~equipment.~~

20 **Basis for suggested change:** The statement is irrelevant, as voters are only voting
21 on changing the existing system.

22 **Staff comment:** Agree.

23 *****

24 **18. Responder:** Representative Joe Stengel, Proponent

25 **Suggested change:** Page 3, line 23, delete:

26 Colorado already offers a favorable tax structure for businesses.

1 **Revised staff language:** Schools are funded PRIMARILY through acombination of
2 state aid and local property taxes.

3 *****

4 **21. Responder:** Douglas Bruce, Opponent

5 **Suggested change:** Page 3, line 36 - Page 4, line 1, change:

6 This shift from state to local funding would increase as the gap WIDENS between
7 CURRENT LAW AND the 8 percent rate set by this proposal ~~and current law widens.~~

8 **Basis for suggested change:** The change improves the syntax of the sentence.

9 **Staff comment:** Agree, in part.

10 **Revised staff language:**

11 This shift from state to local funding would increase as the gap between CURRENT
12 LAW AND the 8 percent rate set by this proposal WIDENS OVER TIME ~~and current law widens.~~

13 *****

14 **22. Responder:** Douglas Bruce, Opponent

15 **Suggested change:** Page 4, line 2, add:

16 This shift from state to local funding would increase as the gap between the 8 percent
17 rate set by this proposal and current law widens. Table 2 shows the estimated decrease in
18 state spending and the estimated increase in property taxes for schools over the next four
19 years. THE INCREASE WILL CONTINUE TO GROW FOREVER.

20 **Basis for suggested change:** As currently written, the paragraph could lead the
21 reader to think that the increase would occur only in the years provided in the table.

22 **Staff comment:** Agree, in part. The staff suggestion allows the prior sentences in the
23 paragraph to address this issue.

24 **Revised staff language:**

1 This shift from state to local funding would increase as the gap between the 8 percent
2 rate set by this proposal and current law widens. Table 2 shows the estimated decrease in
3 state spending and the estimated increase in property taxes for schools over DURING the next
4 FIRST four years OF THE PROPOSAL.

5 *****

6 **23. Responder:** Douglas Bruce, Opponent

7 **Suggested change:** Page 4, line 5, Table 2, change:

8 Column heading in 2nd column to STATE AID TO SCHOOLS and column heading in 3rd
9 column to PROPERTY TAX INCREASE FOR SCHOOLS.

10 **Basis for suggested change:** The suggested headings better identify impacts.

11 **Staff comment:** Agree in part. The responder highlighted inconsistencies in the
12 column headings. See staff recommendation below.

13 **Revised staff language:** Revised Table 2:

Budget Year	- State Expenditures STATE AID TO SCHOOLS	Additional Property Taxes for Schools
2004-05	-\$3.4 million	\$3.4 million
2005-06	-\$23.4 million	\$23.4 million
2006-07	-\$24.1 million	\$24.1 million
2007-08	-\$26.7 million	\$26.7 million

19 *****

20 **24. Responder:** Staff

21 **Suggested change:** Page 4, line 18:

22 **Impact on taxpayer.** Using the statewide average home value of \$208,000 and
23 adding projections for value growth, mill levies, and the residential assessment rate over the

1 next several years, property taxes on the average home would be an additional \$6 in 2005,
2 growing to \$119 more per year in 2008 and 2009.

3 **Basis for suggested change:** The figure is not necessary and may create confusion.

4 *****

5 **25. Responder:** Douglas Bruce, Opponent

6 **Suggested change:** Page 4, line 21:

7 The responder requests that staff disclose the values and tax rate projections used in
8 the analysis of the impact on the taxpayer.

9 **Basis for suggested change:** The responder believes that the additional figures
10 would help voters understand the projections and allow them to review the assumptions made
11 in the calculations.

12 **Staff comment:** Disagree. The amount of detail required to include the requested
13 information would be overly technical.

14 *****

15 **26. Responder:** Douglas Bruce, Opponent

16 **Suggested change:** Page 4, line 23, add:

17
18 **Impact on taxpayer.** Using the statewide average home value of \$208,000 and
19 adding projections for value growth, mill levies, and the residential assessment rate over the
20 next several years, property taxes on the average home would be an additional \$6 in 2005,
21 growing to \$119 more per year in 2008 and 2009. Table 3 shows the increase in taxes
22 compared to current law. THE TAX INCREASE WILL CONTINUE TO EXPAND FOREVER.

23 **Basis for suggested change:** As currently written, the paragraph could lead the
24 reader to believe that the increase would occur only in the years provided in table.

25 **Staff comment:** Agree, in part. While staff does not believe that the analysis or the
26 table implies that the impact will cease in the years following those shown in the table, the
27 suggested language makes this point more clearly.

1 **Revised staff language:**

2 **Impact on taxpayer.** Using the statewide average home value of \$208,000 and
3 adding projections for value growth, mill levies, and the residential assessment rate over the
4 next several years, property taxes on the average home would be an additional \$6 in 2005,
5 growing to \$119 more per year in 2008 and 2009. Table 3 shows the increase in taxes
6 compared to current law FOR THE FIRST FIVE YEARS OF THE PROPOSAL.

7 *****

8 **27. Responder:** John B. Knezovich, Proponent

9 **Suggested change:** Page 4, lines 20-29, substitute new figures for the calculations
10 and analysis. (see attached e-mail).

11

Year	Additional Tax Per Year
2005	\$6
2006 & 2007	\$58 \$34
2008 & 2009	\$119 \$69

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15 **Basis for suggested change:** The figures submitted are better estimates because
16 they take into account known property values and growth by inflation. It is incorrect to
17 assume growth beyond inflation, given the current economic climate.

18 **Staff comment:** Disagree. The analysis submitted by the responder is
19 oversimplified. Differences are due largely to lower staff estimates for growth in nonresidential
20 values, which results in a lower residential assessment rate.