

## Amendment 60 Property Taxes

1 **Amendment 60 proposes amending the Colorado Constitution to:**

- 2       ♦ repeal the current voter-approved authority of local governments to  
3       keep property taxes above their constitutional limits;
- 4       ♦ establish expiration dates for future voter-approved property tax  
5       increases;
- 6       ♦ cut local property tax rates for public schools' operating expenses in half  
7       over ten years and replace this money with state funding each year;
- 8       ♦ require publicly owned enterprises to pay property taxes and reduce  
9       local property tax rates to offset the new revenue; and
- 10       ♦ provide new voting rights to certain property owners in Colorado and  
11       permit citizens to petition all local governments to reduce property  
12       taxes.

13 **Summary and Analysis**

14       Amendment 60 changes several aspects of Colorado's property tax system to  
15       reduce the amount of property taxes paid by individuals and businesses to school  
16       districts, counties, special districts, cities, and towns. The measure phases in a  
17       reduction in school district property taxes over ten years and requires that the reduced  
18       property taxes be replaced with state funding. Table 1 shows the projected impact of  
19       the amendment in today's dollars on an average homeowner and commercial  
20       business, school districts, and state government, in both the first year and when the  
21       measure is fully implemented. The fully implemented impacts provide the best  
22       projections of the measure's final effects.

23       In the first year, property taxes for school districts are expected to fall by  
24       \$337 million, which the measure requires the state to replace. This represents a  
25       property tax reduction of the same amount for individuals and businesses. An  
26       average homeowner's property tax bill is projected to fall by \$87 and the property  
27       taxes for an average commercial business are estimated to fall by \$1,181.

28       When the measure is fully implemented, the property tax reduction for school  
29       districts is estimated to increase the state's obligation for kindergarten through  
30       twelfth grade education (K-12) by \$1.5 billion, which represents a property tax  
31       decrease of the same amount for individuals and businesses. An average homeowner  
32       will pay \$376 less and an average commercial business will pay \$5,106 less in  
33       property taxes annually. In future years, the actual amounts will differ as inflation and  
34       growth increase the size of the economy, but the comparable budget impacts on  
35       taxpayers and governments are expected to remain consistent over time. Cities,

1 towns, counties, and special districts will also lose property taxes, but the amount will  
 2 vary by locality.

3 **Table 1. Selected Impacts of Amendment 60**

Impacted Group	Current Law	Amendment 60		Difference	
		First Year	Fully Implemented	First Year	Fully Implemented
<b>Impacts on Average Taxpayers</b>					
Property Tax Payment for Average Homeowner (\$295,000 home)	\$1,638	\$1,551	\$1,262	-\$87	-\$376
Property Tax Payment for Average Commercial Business Owner with a Value of \$1.1 million	\$22,254	\$21,073	\$17,148	-\$1,181	-\$5,106
<b>K-12 Education Funding Shift</b>					
Property Tax Collections for School Districts	\$3.3 billion	\$3.0 billion	\$1.8 billion	-\$0.3 billion	-\$1.5 billion
State Expenditures for K-12 Education	\$3.7 billion	\$4.0 billion	\$5.2 billion	\$0.3 billion	\$1.5 billion

20 **Background and current law.** Property taxes are based primarily on the value of  
 21 land, houses, other buildings, and business equipment. Individuals and businesses  
 22 pay property taxes to various local governments, such as cities, counties, school  
 23 districts, and special districts, each of which imposes its own tax rate on property.  
 24 School districts and counties receive approximately 77 percent of all property taxes  
 25 collected. Publicly owned enterprises, such as city water and sewer systems,  
 26 municipal airports, and most state universities, are exempt from paying property tax.

27 Property taxes are spent on a variety of local government services, including public  
 28 education, police and fire services, roads and bridges, public water and sewer  
 29 systems, parks and recreation facilities, hospitals, and libraries. The degree to which  
 30 local governments rely on property taxes to pay for services varies. Some special  
 31 districts, such as fire protection districts, get almost all of their revenue from property  
 32 taxes, while many city governments get less than 5 percent of their funding from  
 33 property taxes.

34 **Constitutional limits on property taxes.** The state constitution currently restricts  
 35 both the amount of total revenue and property tax revenue that a local government  
 36 can collect each year. Annual increases for each are capped at the rate of inflation  
 37 plus a measure of local growth, such as student enrollment in the case of a school  
 38 district. The constitution also requires voter approval for a local government to

1 increase property tax rates or to keep and spend total revenue or property tax revenue  
2 above the government's constitutional limit.

3 ***How does Amendment 60 change how public schools are funded?*** Public  
4 schools in Colorado are funded from a combination of federal, state, and local  
5 sources. Voters in some school districts have approved additional property taxes to  
6 repay loans used to build schools or other buildings. In these districts, there is a  
7 property tax for operating schools and a separate property tax to repay loans.  
8 Amendment 60 requires all districts to cut their 2011 property tax rates for operating  
9 schools in half by 2020. Property tax rates for repaying loans are unchanged. The  
10 required reduction in tax rates must be done in equal yearly amounts over ten years.  
11 Amendment 60 requires the local school district funding eliminated by this rate  
12 reduction to be replaced each year with state funding.

13 ***How does Amendment 60 affect the state budget?*** Currently, the state spends  
14 most of its general operating budget on: preschool through higher education; health  
15 care; prisons; the courts; and programs that help low-income, elderly, and disabled  
16 people. K-12 education funding accounts for 46 percent of this budget, which is  
17 primarily funded by sales and income taxes. Because Amendment 60 requires that  
18 the reduction in local property tax revenue be replaced with state funding, the  
19 obligation for public schools will increase to an estimated 67 percent of the state's  
20 general operating budget, once the measure is fully implemented. To meet this  
21 increased obligation to schools, the state will have to decrease spending and services  
22 in other areas, increase fees for services, or some combination of both.

23 ***How does Amendment 60 affect property taxes for all local governments?***  
24 Like school districts, cities, counties, and special districts are also funded from a  
25 combination of federal, state, and local sources. Under current law, taxpayers in many  
26 communities have voted to broadly exempt their local governments from the  
27 constitutional limit related to total revenue and spending. Currently, voters in  
28 76 percent of municipalities, 81 percent of counties, and 98 percent of school districts  
29 have voted to allow government to keep and spend revenue above the constitutional  
30 limit, either temporarily or permanently. This measure would reimpose a property tax  
31 limit for those governments, leaving the broader revenue exemption unchanged.

32 Beginning in 2011, Amendment 60 repeals the current voter-approved authority of  
33 local governments to permanently keep property taxes above their constitutional limits.  
34 Local governments are not required to refund the property taxes that were retained in  
35 the past. However, local governments that collect property taxes above their property  
36 tax limit in the future will have to refund money. A new election must be held to allow  
37 a local government to keep future property taxes above its constitutional limit for up to  
38 four years at a time. The measure will also reduce the property tax collections of most  
39 local governments by reducing property tax rates, and limiting the duration of future  
40 property tax increases.

41 ***How does Amendment 60 affect publicly owned enterprises?*** Amendment 60  
42 requires publicly owned enterprises to pay property taxes. Under current law, state  
43 enterprises, such as most public universities, do not pay property taxes on campus

1 buildings or equipment. Similarly, local enterprises, such as Denver International  
2 Airport, pay no property taxes. The new property taxes collected from these publicly  
3 owned enterprises must be offset by lower property tax rates for homeowners,  
4 businesses, and other property taxpayers. For example, if the University of Colorado  
5 had to pay property taxes in Boulder County, its property tax bill is estimated to range  
6 from \$11 million to \$20 million per year, depending on how the property is valued.  
7 This new revenue would be offset by lower tax rates in Boulder County, providing  
8 property owners in the county with tax reductions in the same amount. The  
9 amendment prohibits publicly owned enterprises from charging either a mandatory fee  
10 or a tax on property.

11 ***How does Amendment 60 change property tax elections?*** Amendment 60  
12 proposes changing several aspects of the way property tax issues are addressed in  
13 local elections. Under current law, a property owner who is a registered Colorado  
14 voter may vote on ballot questions in his or her primary place of residence and in  
15 special district elections wherever he or she owns property in Colorado.  
16 Amendment 60 allows Colorado property owners to vote on city, county, and school  
17 district property tax issues in any Colorado location where they own property,  
18 regardless of their primary place of residence in the state.

19 Under current law, citizens may petition cities to increase or decrease property  
20 taxes, but may not petition counties, schools, or special districts. Under this measure,  
21 all local governments must permit petitions to lower property taxes.

22 Typically, when a local community has voted to permanently exempt its local  
23 government from the constitutional limit on property tax collections, that  
24 voter-approved decision is not automatically repealed at a future date. Under  
25 Amendment 60, any future vote to allow a local government to retain revenue above  
26 its constitutional limit is repealed within four years after passage. Any future vote to  
27 increase property tax rates is repealed within ten years. Any extension of an expiring  
28 property tax is considered to be a tax increase under the measure, and as such, must  
29 be presented as a tax increase on the ballot.

30 Currently, a single ballot question may ask voters if a local government may  
31 borrow money, and if property tax rates may be increased to repay that loan. Under  
32 this measure, ballot questions that allow a government to borrow money must be  
33 separate from ballot questions that raise property taxes.

34 ***How is Amendment 60 enforced?*** The amendment requires the state to  
35 annually audit all cities, counties, school districts, and other types of local  
36 governments to ensure compliance with all requirements of the amendment. Citizens  
37 are also allowed to file lawsuits to enforce compliance.

38 ***How does Amendment 60 interact with two other measures on the ballot?***  
39 Amendment 60 along with Amendment 61 (see page x) and Proposition 101  
40 (see page x) contain provisions that affect state and local government finances by  
41 decreasing taxes paid by households and businesses and restricting government

1 borrowing. How these measures work together may require clarification from the state  
2 legislature or the courts.

3 Amendment 60 reduces local property taxes, while requiring state expenditures for  
4 K-12 education to increase by an amount that offsets the property tax loss for school  
5 districts. Amendment 61 requires state and local governments to decrease tax rates  
6 when debt is repaid, which is assumed in this analysis to apply to the existing debt of  
7 state and local governments, and it prohibits any borrowing by state government.  
8 Proposition 101 reduces state and local government taxes and fees.

9 Since portions of these measures are phased in over time, the actual impacts to  
10 taxpayers and governments will be less in the initial years of implementation and grow  
11 over time. Assuming that all three measures are approved by voters, the first-year  
12 impact will be to reduce state taxes and fees by \$744 million and increase state  
13 spending for K-12 education by \$385 million. Once fully implemented, the measures  
14 are estimated to reduce state taxes and fees by \$2.1 billion and increase state  
15 spending for K-12 education by \$1.6 billion in today's dollars. This would commit  
16 almost all of the state's general operating budget to paying for the constitutional and  
17 statutory requirements of K-12 education, leaving little for other government services.  
18 In addition, the prohibition on borrowing will increase budget pressures for the state if  
19 it chooses to pay for capital projects from its general operating budget. This would  
20 further reduce the amount of money available for other government services.

21 Tax and fee collections for local governments are expected to fall by at least  
22 \$966 million in the first year of implementation and by \$3.4 billion when the measures  
23 are fully implemented. However, after the state reimburses school districts, the net  
24 impact on local government budgets would be at least \$581 million in the first year and  
25 \$1.8 billion when fully implemented.

26 Total taxes and fees paid by households and businesses are estimated to  
27 decrease by \$1.7 billion in the first year and \$5.5 billion per year in today's dollars  
28 when the measures are fully implemented. The measures reduce the taxes and fees  
29 owed by an average household making \$55,000 per year that owns a \$295,000 house  
30 by an estimated \$400 in the first year and \$1,360 per year when fully implemented.

## 31 **Arguments For**

32 1) Amendment 60 provides property tax relief for Coloradans in a tough economic  
33 climate without reducing K-12 education funding. For example, the measure will  
34 provide seniors who recently lost a property tax exemption with additional tax relief.  
35 Allowing business owners to keep more of their income may spur investment and help  
36 the economy recover more quickly. School funding is unchanged because the state is  
37 required to replace the local property taxes phased out by the amendment with state  
38 funding.

39 2) Amendment 60 strengthens citizen control over local government taxes by  
40 setting tax expiration dates and requiring that an extension of an expiring tax be

1 presented to the voters as a tax increase. The amendment also allows citizens to  
2 petition local governments to lower taxes, and it prevents unelected boards, such as  
3 the Denver Water Board, from imposing mandatory fees or taxes on property. In  
4 addition, limiting votes on property taxes to November elections, when voter turnout is  
5 typically higher, may lead to greater citizen awareness and participation.

6 3) Amendment 60 removes a competitive advantage that publicly owned  
7 enterprises have over private businesses. Unlike private facilities, publicly owned  
8 enterprises, such as parking lots and golf courses, do not currently pay property taxes.  
9 The additional revenue will lower the local property tax rate, providing further relief for  
10 property owners in the district.

## 11 **Arguments Against**

12 1) Amendment 60 overturns nearly two decades of voter-approved tax decisions  
13 that fund important services provided by counties, cities, school districts, and special  
14 districts. The amendment enables voters statewide, in this election, to reverse  
15 hundreds of decisions of local voters to fund services like fire and police protection,  
16 roads, parks and recreational facilities, water and sewer systems, and libraries. Local  
17 voters are best equipped to choose the level and type of services needed in their  
18 communities and the means to pay for those services.

19 2) Amendment 60 will require the state to cut funding for many important services,  
20 which may result in job losses throughout Colorado. Because the state constitution  
21 requires that the state have a balanced budget and limits the ability of the legislature  
22 to raise taxes, every new dollar spent on education will be taken away from other  
23 services. The \$1.5 billion increase in state K-12 education spending nearly equals the  
24 amount the state currently spends on courts, prisons, and human services. This  
25 amendment requires the state to spend so much more on public schools that these or  
26 other state functions will have to be cut or eliminated in order to keep the state budget  
27 balanced.

28 3) Amendment 60 may leave many citizens worse off financially, depending on  
29 where they live. People who live in areas with few publicly owned enterprises, such as  
30 the eastern plains, will receive some property tax reductions, but may pay more in fees  
31 to use the services of public enterprises located elsewhere. For example, if the  
32 University of Colorado must pay property taxes, students statewide may pay more in  
33 tuition, but property owners in Boulder County will get most of the tax savings.  
34 Similarly, if Denver International Airport must pay property taxes, airline customers  
35 statewide may pay more in fees, but only property owners in Denver will get the  
36 property tax reduction.

## 37 **Estimate of Fiscal Impact**

38 **Local revenue.** Amendment 60 reduces property taxes for individuals and  
39 business in several ways. This reduces the amount of tax revenue that cities,

# Blue Book

1 counties, school districts, and special districts will receive. The measure phases in a  
2 reduction in school district property taxes over ten years. In the first year, school  
3 district property taxes are projected to fall by \$337 million, reducing property taxes  
4 paid by an average homeowner and an average business owner by \$87 and \$1,181,  
5 respectively. Once the measure is fully implemented, property taxes are estimated to  
6 fall by \$1.5 billion annually in today's dollars, reducing property taxes paid by an  
7 average homeowner and an average business owner by approximately \$376 per year  
8 and \$5,106 per year, respectively. Additionally, local governments currently  
9 authorized to keep property tax revenue in excess of the constitutional limit, will have  
10 their property tax revenue reduced by an indeterminate amount.

11 **State expenditures.** By reducing the amount of local property taxes collected for  
12 school districts, statewide expenditures for public schools will increase by an  
13 estimated \$337 million in the first year of implementation and by \$1.5 billion per year in  
14 today's dollars once the measure is fully implemented. To meet this increased  
15 obligation to schools, the state will have to decrease spending and services in other  
16 areas, increase fees for services, or enact some combination of both.

17 The state must make a yearly audit of compliance with the property tax provisions  
18 and strictly enforce all requirements in the amendment. The Office of the State  
19 Auditor is responsible for reporting the financial and operational performance of  
20 agencies of state government; however, the office does not have a process for  
21 auditing local government compliance with property tax laws. Amendment 60 expands  
22 the obligations of the State Auditor's Office. It is estimated that this provision will  
23 require the addition of 1.5 new staff to coordinate year-round auditing of local  
24 government and to manage contracting with independent certified public accounting  
25 (CPA) firms. The cost for these new staff and CPA contracts is estimated to be  
26 \$800,000 each year.