

**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 fully replace this money with state funding each  
8       year;
- 9       ♦ require publicly owned enterprises to pay property taxes and reduce  
10      local property tax rates to offset the new revenue; and
- 11      ♦ provide new voting rights to certain property owners in Colorado and  
12      permit citizens to petition all local governments to reduce property  
13      taxes.

14 **Summary and Analysis**

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

24       In the first year, an average homeowner's property tax bill is projected to fall by  
25      \$87 and the property taxes for an average commercial business are estimated to fall  
26      by \$1,288. The corresponding reduction in property tax collections for school districts  
27      is estimated at \$337 million, which the measure requires the state to replace. When  
28      the measure is fully implemented, an average homeowner will pay \$376 less and a  
29      average commercial business will pay \$5,570 less in property taxes annually. These  
30      property tax reductions will increase the state's obligation to kindergarten through  
31      twelfth grade education (K-12) by \$1.5 billion. In future years, the actual amounts will  
32      differ as inflation and growth increase the size of the economy, but the comparable  
33      budget impacts on taxpayers and governments are expected to remain consistent over  
34      time. Cities, towns, counties, and special districts will also lose property taxes, but the  
35      amount will vary by locality.

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 \$1.2 million	\$24,277	\$22,989	\$18,703	-\$1,288	-\$5,570
<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

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

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

**Constitutional limits on property taxes.** The state constitution currently restricts the amount of property taxes that a local government can collect each year. Annual increases are capped at the rate of inflation plus a measure of local growth, such as student enrollment in the case of a school district. The constitution also requires voter approval for a local government to increase property tax rates or to keep property taxes above the government's constitutional limit.

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

11       **How does Amendment 60 affect the state budget?** Currently, the state spends  
12 most of its general operating budget on: preschool through higher education; health  
13 care; prisons; the courts; and programs that help low-income, elderly, and disabled  
14 people. K-12 education funding accounts for 49 percent of this budget, which is  
15 primarily funded by sales and income taxes. Because Amendment 60 requires that  
16 the reduction in local property tax revenue be replaced with state tax revenue, the  
17 funding obligation for public schools will increase to an estimated 67 percent of the  
18 state's general operating budget, once the measure is fully implemented. To meet this  
19 increased obligation to schools, the state will have to decrease spending in other  
20 areas, increase fees for other services, or enact some combination of both.

21       **How does Amendment 60 affect property taxes for all local governments?**  
22 Like school districts, cities, counties, and special districts are also funded from a  
23 combination of federal, state, and local sources. Under current law, taxpayers in many  
24 communities have voted to exempt their local governments from the constitutional limit  
25 related to property taxes. Currently, voters in 76 percent of municipalities, 81 percent  
26 of counties, and 98 percent of school districts have voted to allow government to keep  
27 and spend property tax revenue above the constitutional limit, either temporarily or  
28 permanently. Beginning in 2011, Amendment 60 repeals the current voter-approved  
29 authority of local governments to permanently keep property taxes above their  
30 constitutional limits. Local governments are not required to refund the property taxes  
31 that were retained in the past, but a new election must be held to allow a local  
32 government to temporarily keep taxes above its constitutional limit. The measure will  
33 also reduce the property tax collections of most local governments by reducing  
34 property tax rates, and limiting the duration of future property tax increases.

35       **How does Amendment 60 affect publicly owned enterprises?** Amendment 60  
36 requires publicly owned enterprises to pay property taxes. Under current law, state  
37 enterprises, such as most public universities, do not pay property taxes on campus  
38 buildings or equipment. Similarly, local enterprises, such as Denver International  
39 Airport, pay no property taxes. The new property taxes collected from these publicly  
40 owned enterprises must be offset by lower property tax rates for homeowners,  
41 businesses, and other property taxpayers. For example, if the University of Colorado  
42 had to pay property taxes in Boulder County, its property tax bill is estimated to range  
43 from \$11 million to \$20 million per year, depending on how the property is valued.  
44 This new revenue would be offset by lower tax rates in Boulder County, providing

1 property owners in the county with additional tax savings. The amendment prohibits  
2 publicly owned enterprises from charging either a mandatory fee or a tax on property.

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

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

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

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

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

30 **How does Amendment 60 interact with two other measures on the ballot?**  
31 Amendment 60 along with Amendment 61 (see page x) and Proposition 101 (see  
32 page x) contain provisions that affect state and local government finances by  
33 decreasing taxes paid by households and businesses and restricting government  
34 borrowing. How these measures work together may require clarification from the state  
35 legislature or the courts.

36 Amendment 60 reduces local property taxes, while requiring state expenditures for  
37 K-12 education to increase by an amount that offsets the property tax loss for school  
38 districts. Amendment 61 requires state and local governments to decrease tax rates  
39 when debt is repaid, and is assumed in this analysis to apply to the existing debt of  
40 state and local governments. Proposition 101 reduces state and local government  
41 taxes and fees.

1           Since portions of these measures are phased in over time, the actual impacts to  
2 taxpayers and governments will be less in the initial years of implementation and grow  
3 over time. Assuming that all three measures are approved by voters, the first-year  
4 impact will be to reduce state taxes and fees by \$717 million and increase state  
5 spending for K-12 education by \$385 million. Once fully implemented, the measures  
6 are estimated to reduce state taxes and fees by \$2.1 billion and increase state  
7 spending for K-12 education by \$1.6 billion in today's dollars. This would commit  
8 almost all of the state's general operating budget to paying for the constitutional and  
9 statutory requirements of K-12 education. Tax and fee collections by local  
10 governments are estimated to decrease by \$5.0 billion, but the net impact on local  
11 government budgets would be \$3.4 billion after the state reimburses school districts.

12           Households and businesses are estimated to save \$1.6 billion in the first year and  
13 \$7.1 billion per year in today's dollars when the measures are fully implemented. The  
14 measures reduce the taxes and fees owed by an average household making \$55,000  
15 per year that owns a \$295,000 house by an estimated \$400 in the first year and  
16 \$1,750 per year when fully implemented.

## 17   **Arguments For**

18           1) Amendment 60 provides property tax relief for Coloradans in a tough economic  
19 climate without reducing K-12 education funding. By lowering property taxes for  
20 individuals and families, the amendment will make home ownership more affordable.  
21 Allowing business owners to keep more of their income may spur investment and help  
22 the economy recover more quickly. School funding is unchanged because the state is  
23 required to replace the local property taxes eliminated by the amendment.

24           2) Amendment 60 strengthens citizen control over local government taxes. It sets  
25 tax expiration dates and allows voters to approve any extension of an expiring tax.  
26 The amendment also allows citizens to petition local governments to lower taxes, and  
27 it prevents unelected boards, such as the Denver Water Board, from imposing  
28 mandatory fees or taxes on property. In addition, limiting votes on property taxes to  
29 November elections, when voter turnout is typically higher, may lead to greater citizen  
30 awareness and participation.

31           3) Amendment 60 removes a competitive advantage that publicly owned  
32 enterprises have over private businesses. Unlike private facilities, publicly owned  
33 enterprises, such as parking lots and golf courses, do not currently pay property taxes.  
34 The additional revenue will lower the local property tax rate, reducing property tax bills  
35 for property owners in the district.

## 36   **Arguments Against**

37           1) Amendment 60 overturns nearly two decades of voter-approved tax decisions  
38 that fund important services provided by counties, cities, school districts, and special  
39 districts. The amendment enables voters statewide, in this election, to reverse

1 hundreds of decisions of local voters to fund services like fire and police protection,  
2 roads, parks and recreational facilities, water and sewer systems, and libraries. Local  
3 voters are best equipped to choose the level and type of services needed in their  
4 communities and the means to pay for those services.

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

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

## 22 **Estimate of Fiscal Impact**

23 **Local revenue.** Amendment 60 reduces property taxes for individuals and  
24 business in several ways. This reduces the amount of tax revenue that cities,  
25 counties, school districts, and special districts will receive. The measure phases in a  
26 reduction in school district property taxes over ten years. In the first year, school  
27 district property taxes are projected to fall by \$337 million, reducing property taxes  
28 paid by an average homeowner and an average business owner by \$87 and \$1,288,  
29 respectively. Once the measure is fully implemented, property taxes are estimated to  
30 fall by \$1.5 billion annually in today's dollars, reducing property taxes paid by an  
31 average homeowner and an average business owner by approximately \$376 per year  
32 and \$5,570 per year, respectively. Additionally, local governments currently  
33 authorized to keep property tax revenue in excess of the constitutional limit, will have  
34 their property tax revenue reduced by an indeterminate amount.

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

1       The state must make a yearly audit of compliance with the property tax provisions  
2 and strictly enforce all requirements in the amendment. The Office of the State  
3 Auditor is responsible for reporting the financial and operational performance of  
4 agencies of state government; however, the office does not have a process for  
5 auditing local government compliance with property tax laws. Amendment 60 expands  
6 the obligations of the State Auditor's Office. It is estimated that this provision will  
7 require the addition of 1.5 new staff to coordinate year-round auditing of local  
8 government and to manage contracting with independent certified public accounting  
9 (CPA) firms. The cost for these new staff and CPA contracts is estimated to be  
10 \$800,000 each year.