

## Colorado Legislative Council Staff Fiscal Note

**NO FISCAL IMPACT**

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<b>Drafting Number:</b> LLS 15-1012	<b>Date:</b> April 21, 2015
<b>Prime Sponsor(s):</b> Rep. Court; DelGrosso Sen. Neville T.; Johnston	<b>Bill Status:</b> House Local Government
	<b>Fiscal Analyst:</b> Alex Schatz (303-866-4375)

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**BILL TOPIC:** ASSESSMENT RATIO FOR RESIDENTIAL REAL PROPERTY

### Summary of Legislation

Section 3 (1) (b) of Article X of the State Constitution, commonly known as the Gallagher Amendment, requires the General Assembly to set the residential assessment rate every two years at a rate that satisfies the requirements of the amendment. This bill establishes the residential assessment rate at **7.96 percent** for tax years 2015 and 2016, the same rate in place since 2003.

### Background

A property's taxable value is determined by multiplying its actual value by the relevant assessment rate. A residential assessment rate (RAR) of 7.96 percent means that a home worth \$100,000 has a taxable value of \$7,960. If the mill levy, or property tax rate, for that home is equal to 100 mills, the yearly tax bill would be \$796.

The Gallagher Amendment, approved by voters in 1982, requires that the historical proportion of taxable value for residential and nonresidential be maintained. When the amendment passed, residential and nonresidential property constituted 45 percent and 55 percent, respectively, of total taxable value. Because adjustments for new construction and changes in mineral production are allowable, the residential share now accounts for 45.67 percent of statewide taxable values. This percentage is referred to as the "residential target percentage."

When residential property values do not increase over time at the same rate as nonresidential property values, the Gallagher Amendment requires the RAR to be adjusted to ensure that the residential target percentage is met. If residential property values increase at a faster rate than nonresidential values, the RAR must be lowered to maintain the target percentage. This occurred in most years between 1985 and 2003, during which time the residential assessment rate decreased from 21 percent to 7.96 percent.

Since 2003, however, residential property values have increased more slowly than nonresidential property values, and the RAR should have risen to maintain the target percentage. For example, an assessment rate of 8.24 percent would produce the residential target percentage required for 2015 and 2016. However, Article X, Section 20 (4) (a) of the state constitution requires voter approval for any increase in the assessment rate for a class of property, including the RAR.

### Assessment

Since the bill implements requirements set forth in the State Constitution, it is assessed as having no fiscal impact. Property taxes will not change as a result of this bill because the residential assessment rate remains unchanged at the current level of 7.96 percent.

**Effective Date**

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

**State and Local Government Contacts**

Local Affairs  
Legislative Council Staff

Property Taxation  
Municipalities

Assessors  
Counties