

**Amendment 60
Property Taxes**

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

- 2 ♦ repeal prior elections that allowed local governments to retain property
3 taxes above their constitutional limit;
- 4 ♦ establish automatic expiration dates for future approved property tax
5 increases;
- 6 ♦ cut local property taxes for public schools' operating expenses in half
7 over ten years and replace this money with state funding;
- 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, and cities. While some of the provisions of the
17 amendment are phased in over several years, this analysis presents the impacts in
18 today's dollars assuming the measure is fully implemented in budget year 2010-11.
19 This approach was taken to provide the best estimates of the measure's final effects.
20 Although the dollar amounts will differ in the future as inflation and growth increase the
21 size of the economy, the comparable budget impacts on taxpayers and governments
22 are expected to remain the same.

23 Tables 1 and 2 show the annual impact of the amendment on an average
24 homeowner and commercial business, school districts, and the state and local
25 governments. An average homeowner's property tax bill is projected to fall by
26 23 percent, or \$376 per year if the measure were fully implemented today. Similarly,
27 property taxes for an average commercial business would fall by 23 percent, or
28 \$5,573 per year.

29 Property taxes for school districts are projected to fall by an estimated \$1.5 billion,
30 or 45 percent, which the state is required to replace. The state's contribution to
31 kindergarten through twelfth grade (K-12) education funding will increase from
32 49 percent to approximately 67 percent of the state's operating budget. Counties are

1 expected to lose at least \$XX per year. Cities, towns, and special districts will also
 2 lose property taxes, but the amount is unknown.

3 **Table 1. Selected Annual Impacts of Amendment 60 on Taxpayers**

4	Impacted Group	Current Law	Amendment 60	Difference	% Change
5 6 7	Property Tax Payment for Average Homeowner (\$295,000 home)	\$1,638	\$1,262	-\$376	-23.0%
8 9 10 11	Property Tax Payment for Average Commercial Business Owner (\$1.2 million)	\$24,277	\$18,703	-\$5,573	-23.0%

13 **Table 2. Selected Annual Impacts of Amendment 60 on Government**

14	Impacted Group	Current Law	Amendment 60	Difference	% Change
15 16	Property Tax Collections for School Districts	\$3.3 billion	\$1.8 billion	-\$1.5 billion	-44.8%
17 18	State Expenditures for K-12 Education	\$3.7 billion	\$5.2 billion	\$1.5 billion	39.2%
19 20	Property Tax Collections for County Governments	\$1.7 billion	decrease		
21 22	Property Tax Collections for City Governments	\$0.3 billion	decrease		
23 24	Property Tax Collections for Special Districts	\$1.3 billion	decrease		

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

32 Property taxes are spent on a variety of local government services, including public
 33 education, police and fire services, roads and bridges, sewer and water systems,
 34 parks and recreation facilities, hospitals, and libraries.

1 The degree to which local governments rely on property taxes to pay for services
2 varies. For example, school districts receive, on average, 37 percent of their funding
3 from property taxes. However, this percentage varies widely across districts. For
4 instance, the Summit County school district gets 77 percent of its funding from
5 property taxes while the Fountain School District in El Paso County receives only
6 5 percent of its funding from property taxes. Some special districts, such as fire
7 protection districts, get almost all of their revenue from property taxes, while many city
8 governments get less than 5 percent of their funding from property taxes.

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

14 **How does Amendment 60 change the financing of public schools?** Public
15 schools in Colorado are funded from a combination of federal, state, and local
16 sources. Voters in some school districts have approved additional property taxes to
17 repay loans used to build schools or other buildings. In these districts, there is a
18 property tax for operating schools and a separate property tax to repay loans.
19 Amendment 60 requires all districts to cut their 2011 property tax rates for operating
20 schools in half by 2020. Property tax rates for repaying loans are unchanged. The
21 required reduction in tax rates must be done in equal yearly amounts over ten years.
22 The local school district funding eliminated by this rate reduction must be replaced by
23 state funding.

24 **How does Amendment 60 affect the state budget?** Currently, K-12 education
25 funding accounts for 49 percent of the state's general operating budget, which is
26 primarily funded by sales and income taxes. Because Amendment 60 requires the
27 eliminated property tax revenue to be replaced with state tax revenue, the funding
28 obligation for public schools will increase to an estimated 67 percent of the state's
29 operating budget. To meet this new obligation, the state will have to decrease existing
30 levels of service, increase fees, or enact some combination of both.

31 **How does Amendment 60 affect property taxes for all local governments?**
32 Like school districts, cities, counties, and special districts are also funded from a
33 combination of federal, state, and local sources. Under current law, taxpayers in many
34 communities have voted to exempt their local governments from the constitutional limit
35 related to property taxes. Currently, voters in 76 percent of municipalities, 81 percent
36 of counties, and 98 percent of school districts have voted to retain and spend property
37 tax revenue above the constitutional limit, either temporarily or permanently.

38 Amendment 60 repeals all prior elections that allowed local governments to retain
39 property taxes above the constitutional limit. It also reduces the property tax
40 collections of local governments by reducing property tax rates and limiting the
41 duration of future property tax increases.

1 **How does Amendment 60 affect publicly owned enterprises?** Amendment 60
2 requires publicly owned enterprises to pay property taxes. Under current law, state
3 enterprises, such as most public universities, do not pay property taxes on campus
4 buildings or equipment. Similarly, local enterprises, such as Denver International
5 Airport, pay no property taxes. The new property taxes collected from these publicly
6 owned enterprises must be offset by lower property tax rates for homeowners,
7 businesses, and other property taxpayers. For example, if the University of Colorado
8 had to pay property taxes in Boulder County, its property tax bill is estimated to range
9 from \$11 million to \$20 million per year, depending on how the property is valued.
10 This new revenue would be offset by lower tax rates in Boulder County, providing
11 property owners in the county with additional tax savings. The amendment prohibits
12 publicly owned enterprises from charging either a mandatory fee or a tax on property.

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

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

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

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

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

40 **How do Amendments 60 and 61 and Proposition 101 interact?** These ballot
41 measures contain provisions that affect state and local government finances by
42 decreasing taxes for households and businesses and restricting government

1 borrowing. How these measures work together may require clarification from the state
2 legislature or the courts. Since these measures are all phased-in over time, the actual
3 impacts to taxpayers and governments will be less in the initial years of
4 implementation and grow over time.

5 Amendment 60 reduces local property taxes, while requiring state expenditures for
6 K-12 education to increase by an amount that offsets the property tax loss for school
7 districts. Amendment 61 reduces state and local government revenue by requiring a
8 decrease in tax rates when debt is repaid. The analysis of Amendment 61 assumes
9 that this provision applies to the existing debt of state and local governments.
10 Proposition 101 reduces state and local government revenue by cutting income taxes,
11 sales taxes, specific ownership taxes, vehicle registration fees, and
12 telecommunications fees.

13 The estimated savings to taxpayers and the financial impacts to governments
14 assume that all three measures are approved by voters and fully implemented today.
15 An average household making \$55,000 per year that owns a \$295,000 house would
16 save an estimated \$1,800 per year in taxes. State government would lose an
17 estimated \$2.1 billion annually, while state spending for K-12 education would
18 increase by \$1.6 billion per year to offset local funding losses for school districts. This
19 would leave the state's general operating budget almost entirely committed to paying
20 for the constitutional requirements of K-12 education, with no money left to pay for
21 other government functions. Local government would lose an estimated \$3.8 billion
22 per year if these measures were fully implemented today.

23 **Arguments For**

24 1) Amendment 60 cuts property taxes for Coloradans in a tough economic climate
25 without reducing K-12 education funding. By lowering property taxes for individuals
26 and families, the amendment will make home ownership more affordable. Allowing
27 business owners to keep more of their income may spur investment and help the
28 economy recover more quickly. School funding is unchanged because the state is
29 required to replace the local property taxes eliminated by the amendment.

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

37 3) Amendment 60 allows private businesses to compete more effectively by
38 making publicly owned enterprises pay property taxes. Taxing publicly owned
39 enterprises, such as municipal recreation centers, parking lots, and golf courses, limits
40 the advantage these entities have over private businesses. The additional revenue

1 will be used to lower the local property tax rate, benefitting all property taxpayers in the
2 area.

3 **Arguments Against**

4 1) Amendment 60 overturns nearly two decades worth of voter-approved tax
5 decisions to fund important services provided by counties, cities, school districts, and
6 special districts. The amendment enables voters across the state, in this election, to
7 reverse hundreds of locally approved decisions to fund services like fire and police
8 protection, roads, water and sewer systems, libraries, and parks. Local voters are
9 best equipped to choose the level and type of services needed in their communities
10 and the means to pay for those services.

11 2) Amendment 60 will require the state to cut funding for many important
12 programs. Because the state constitution requires annual increases in education
13 funding and limits the ability of the legislature to raise taxes, every new dollar spent on
14 education will be taken away from other programs. This amendment will increase
15 K-12 funding from 49 percent of the state's operating budget to approximately
16 67 percent. As a result, many state functions, such as operating prisons, higher
17 education, and programs providing health care for low-income families will have to be
18 cut or terminated in order to replace the school property taxes eliminated by
19 Amendment 60.

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

29 **Estimate of Fiscal Impact**

30 **Local revenue.** Amendment 60 contains several provisions that decrease local
31 property taxes for individuals and businesses, which affects the amount of tax revenue
32 received by cities, counties, school districts, and special districts. If the measure was
33 fully implemented today, the average homeowner would save approximately
34 \$376 per year and the average commercial business owner would save approximately
35 \$5,573 per year. Local property tax collections for school districts are expected to
36 decrease by \$1.5 billion annually.

37 Local governments that are authorized to keep property tax revenue in excess of
38 the constitutional limit will lose an indeterminate amount of additional property taxes.

1 **State expenditures.** By reducing the amount of local property taxes collected for
2 school districts, statewide expenditures for public schools will increase by \$1.5 billion.
3 Increasing the state's obligation to fund school districts will result in the reduction or
4 elimination of other state services.

5 The state must make a yearly audit of compliance with the property tax provisions
6 and strictly enforce all requirements in the amendment. The Office of the State
7 Auditor is responsible for reporting the financial and operational performance of
8 agencies of state government; however, the office does not have a process for
9 auditing local government compliance with property tax laws. Amendment 60 expands
10 the obligations of the State Auditor's Office. It is estimated that this provision will
11 require the addition of 1.5 new staff to coordinate year-round auditing of local
12 government and to manage contracting with independent certified public accounting
13 (CPA) firms. The cost for these new staff and CPA contracts is estimated to be
14 \$800,000 each year.