Metro Districts Mill Levy
Tabor and the Gallagher Amendment

The mill levy rate in your District is capped per the service plan (See service plan for your District). However, the Service plan does allow for the mill levy rate to be Gallagherized. The Gallagher amendment is explained in the Q and A section below.

It basically says that when property assessment rates go down, then the mill levy rate can go up correspondingly so that the amount of tax collected by the District remains the same. The mill levy rate goes up but the assessment rate goes down so your out of pocket cost is basically the same and the revenue stream for the District is basically the same.

Gallagher is the only circumstance where the mill levy amount can increase, unless the District had a special election with all property owners to change the mill rate. The Gallagher amendment is necessary so that the Districts income can remain consistent in order to pay for any outstanding bonds, loans, along with any operations and maintenance if mill levy money is used for O & M of the Districts. Again, your out of pocket costs does not increase because of Gallagher. The only reason your tax obligation would change is the assessed value of your house is increasing or decreasing.

What is TABOR?

TABOR is the Taxpayer Bill of Rights, passed in 1992. TABOR prohibits any tax increase without a vote of the people. In addition, TABOR places strict limits on how much revenue the state and local governments may keep and how much they can spend. TABOR limits are the strictest revenue and spending limits in the nation. Any revenue collected in excess of TABOR's revenue limits must be refunded to the taxpayers. [This provision of TABOR was suspended at the state level for five years as a result of the passage of **Referendum C**. Under Referendum C, beginning in the 2010-2011 fiscal year, the state may spend revenue above the TABOR limit up to a capped amount known as the "Referendum C cap." The Referendum C cap grows from the prior year's cap instead of the prior year's spending by inflation plus population growth.

TABOR was popular because it forced legislators to come to the people when they wanted to raise taxes, but most voters were not aware of the strangling effect TABOR would have on basic government services. Those detrimental effects were felt in K-12 funding, when the strict limits prevented the State from providing per pupil increases that even kept up with inflation during the 1990s. As a response, Amendment 23 was passed by the voters in 2000, in order to make up some of the ground lost during those years.

The post-9/11 recession of 2001-2003 intensified the need to address the restrictions of TABOR. This economic downturn required deep cuts in already bare bones state services. Even worse, TABOR's so-called "ratchet effect,"—which locked in TABOR's revenue limits at their lowest point—prevented the state from restoring cut services when the economy improved. In response to this crisis, a bipartisan coalition referred to the ballot Referendum C—basically a five-year time out from the most harmful provisions of TABOR—and the voters of Colorado approved it in 2005. Had Referendum C not passed, the State would have been forced to make deep cuts at the same time it refunded hundreds of millions of dollars to taxpayers. During this five-year Referendum C "time out from TABOR," the State is allowed to keep all the revenue it brings in from Colorado's tax rates (among the lowest in the nation).

What is the Gallagher Amendment?

The Gallagher Amendment, passed in 1982, was designed to maintain a constant ratio between the property tax revenue that comes from residential property and from commercial property. To simplify a set of complex formulas, the effect of Gallagher was to reduce the assessment rate (the percent of property value that is subject to taxation) whenever statewide total residential property values increased faster than commercial property values. As a result of the Gallagher Amendment, the assessment rate for residential property has declined by more than two-thirds over the years because of Colorado's population growth and because of increases in residential real estate values. The net effect has been a marked decline in revenues collected from property tax, which prior to Gallagher, provided the majority of school funding.

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Q: What does the Gallagher Amendment do?

A: The Gallagher Amendment divides the states total property tax burden between residential and commercial property. According to the Amendment, 45% of the total amount of state property tax collected must come from residential property, and 55% of the property tax collected must come from commercial property. Further, the Amendment mandates that the assessment rate for commercial property, which is responsible for 55% of the total state property tax burden, be fixed at 29%. The residential rate, on the other hand, is annually adjusted to hold the 45/55 split constant.

Q: How was the 45%-55% split set by the Gallagher Amendment determined?

A: In 1982, residential property was responsible for 45% of the state's total property value, and commercial property was responsible for 55% of the states total property value. The authors of the Gallagher Amendment believed that the overall property tax burden should continue to reflect this split. As a result, with the passage of the Gallagher Amendment, the 45/55 split was set in stone.

Q: How is property tax calculated?

A: Property tax = (market value of property) X (assessment rate) X (mill levy)

For example, in order to calculate the residential property tax on a $100,000 home, the market value of the property is multiplied by the assessment rate and the mill levy. By multiplying the

value of the home ($100,000) by the 2003 residential assessment rate (7.96%), we get the assessment value ($7,960), or the amount of value subject to taxation. This amount multiplied by the mill levy equals total tax liability. Using a mill levy rate of 100 mills for this example, the total tax burden for a $100,000 home in 2003 would be $796.

A commercial property valued at $100,000 would be subject to the same formula, but would be taxed on 29% of its worth, or $29,000. Multiplied by the 100 mills, the total tax liability for the commercial property in 2003 would be $2,900.

Q. How is the market value of a property determined for purposes of property taxes?

A. Under the Gallagher Amendment, properties must be reassessed every two years by the county assessor of the county in which they are located. Market values are determined based on recent sales of similar property in the area.

Q: What is the assessment rate?

A: The assessment rate (sometimes called the assessment ratio) is the percentage of the property's assessed value that is taxed. For example, under Gallagher, the assessment rate for commercial property is fixed at 29%. That means that of the total market value of the property, 29% is subject to taxation. The residential property assessment rate floats each year in order to meet the 45/55 split mandated by Gallagher. Because of rapidly increasing residential property values, the residential assessment rate has sunk from approximately 21% in 1982 to around 7.15 % today.

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Q: What is a mill levy?

A: A mill levy is a property tax rate based on dollars per thousand of assessed valuation. For example, a mill levy of 50 means $50 of tax per $1,000 in assessed value. Mill levies are levied by a taxing district such as a school district or fire district on property owners in the district. By law, each taxing district must set a single mill levy that applies uniformly to all property within the district.

Q: Why has the residential assessment rate gone down since 1982?

A: In 1982, the first year of Gallagher, the residential property assessment rate was 21% (and the commercial property assessment rate was 29%, as fixed by Gallagher in perpetuity). However, the rapid escalation in residential property values, combined with the growth boom of the 1990s, led to the 45% share of property tax collected from residential properties being dispersed across more and more residences that were worth more and more money. Something had to give in order to maintain the 45/55 split. In Colorado, in order to maintain the 45/55 split, the residential property assessment rate has dropped from 21% in 1982 to the current level of 7.15 %.

Q: Does residential property still account for 45% and commercial property 55% of the state's total property value?

A: No. In the thirty years since Gallagher passed, increases in residential property values have significantly outpaced the increases in the value of commercial property. In fact, residential property, which made up only 45% of the state's total property value in 1982, today accounts for 75% of the state's total property value. However, due to the Gallagher Amendment, residential property is only responsible for 45% of the state's total property tax burden. Conversely, commercial property, which now accounts for only 25% of total property value in the state, is still responsible for 55% of the state's total tax burden.

Q: What services and entities do property taxes fund?

A: Property taxes are local government's primary source of funding. Local governments are responsible for providing a host of different services, ranging from police and fire protection to street repair. Public schools are very dependent upon property tax revenues. Sixty cents of every dollar collected in property tax revenue is dedicated to K-12 funding.

Q: What impact has the TABOR Amendment had on Gallagher?

A: Traditionally mill levies were allowed to float to counteract cyclical economic cycles and help protect local government's primary revenue source. However, TABOR has been interpreted by many as preventing mill levies from increasing without a vote of the people.

As a result, if the assessed value of a property declines, as happened in many areas of Colorado in 2002 and again in 2008, the mill levy can no longer counteract the effect that reduced values have on the amount of property tax collected. In addition, if overall property values located in a jurisdiction go up so fast that the tax revenue would outpace TABOR's allowable revenue limit, the jurisdiction may need to lower the mill levy. In this case, TABOR prevents the jurisdiction from raising the mill levy to its previous levels without a vote. As a result, the collision between TABOR and Gallagher has led to a structural ratcheting down effect on funding for local governments.

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Gallagher Formula: (Subject to change)

7.96/ 7.15 =   1.1132 x 30 mills = 33.399

7.96/ 7.15 =   1.1132 x 35 mills = 38.965

7.96/ 7.15 =   1.1132 x 39 mills = 43.418

7.96/ 7.15 =   1.1132 x 50 mills = 55.664

Due to reduced assessed value by the State.

(7.96 was the residential assessment rate during the years 2003 – 2016 and 7.15 is the residential assessment rate currently)

Gallagher Formula, can change, depending on assessed value.

When figuring out mill rate % is rounded up.

Formula of value for mill levy tax is as follows: See service plan for your area for mill levy amount.

30 mills: 400,000.00 / 7.15 = 55,944.050 x .033399 = $ 1,868.00 for Metro District tax.

35 mills: 400,000.00 / 7.15 = $55,944.050 x .038965 = $2180.00 for Metro District tax.

39 mills: 400,000.00 / 7.15 = 55,944.050 x .043418 = $ 2,429.00 for Metro District tax.

50 mills: 400,000.00 / 7.15 = $55,944.050 x .055664 = $3,114.00 for Metro District tax.

(Formulas Subject to change)

/ is divided by