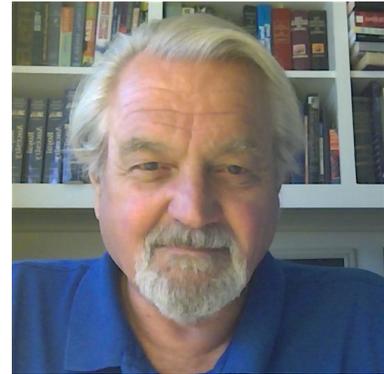


## Tax increases: some we vote on, some we don't

- Steve Miller

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Several tax questions involving big numbers will be on the ballot this November. We in Colorado are fortunate to have an opportunity to vote on new taxes and on some increases in existing taxes; but there are taxes we vote on and some that we don't. Voters might want to decide their votes this November with a perspective that extends into next year, 2017, and what happens then.

Last year, in February, we suggested that the county commissioners consider a temporary mill levy reduction as part of the 2015 tax roll. We had not completed all the valuation models for the 2015 reappraisal at that point, but it was clear from what we had completed that the increases in 2015 property values would match or exceed the rates of property valuation increases we last saw in the mid- and late 1990s.

To the commissioners' credit, they included a temporary mill levy reduction as part of the total county mill levy in 2015. Larimer County was one of very few taxing entities to do so, not only within Larimer County, but throughout the state, as well. School districts and counties are the biggest spenders of property tax.

Temporary mill levy reductions were common in our tax rolls in the 1990s when the county and other taxing entities operated under the full-bodied 1992 TABOR Amendment. The county partially "de-Bruced" in 1999. Other entities also de-Bruced around the same time.

Tax effects of rising property values are different today than they were twenty years ago. The tax effects of rising property values in the 1990s were mitigated in two ways that no longer apply exactly as they did then:

First, the TABOR Amendment specifies: "The maximum annual percentage change in each district's property tax revenue equals inflation in the prior calendar year plus annual local growth...." That means that total property tax revenue in a district cannot increase over district revenue in the prior year by more than the annual rate of inflation plus the value of new real property construction in the district. So, if inflation was 3% and net new construction added 2% to the tax base, the district's revenue could not increase by more than 5%. When property values were increasing at a rate of 8% or more each year, as they are now and were then, TABOR required a throttling back of customary budgeting practices. The county adopted temporary mill levy reductions to stay below the annual TABOR revenue ceilings. The county's de-Brucing in 1999 meant that this TABOR provision on restricting revenues no longer applied.

Second, according to the 1982 Gallagher Amendment, the assessment rate on residential properties was to be adjusted annually by the legislature to maintain a balance between property taxes paid on residential properties and the property taxes paid on non-residential properties statewide.

The residential assessment rate was adjusted downward in each reappraisal in the 1990s, from 14.34% in 1991 to 9.76% in 1999. Those reductions in the residential assessment rate caused a decrease of about one-third in the effective property tax rate on residential properties over the period. Homeowners benefited but owners of commercial and other non-residential property did not. The assessment rate of 29% on non-residential property is carved into stone in the Gallagher Amendment. When Gallagher first passed, the assessment rate on residential properties was 21%.

The residential assessment rate bottomed out at 7.96% in 2003. It hasn't changed in the six reappraisals since. We don't know if the rate will be adjusted for the 2017 reappraisal. The legislature will decide that in the next session.

The 2015 reappraisal led to property tax bills that were substantially larger than tax bills in the preceding years. Increases in property values in the 2017 reappraisal may well be even larger than in 2015, which means property taxes will also increase substantially in the 2017 tax roll. These are systemic tax increases that we don't vote on.

Our purpose here is not to take a position on any of the tax questions on the ballot but instead to advise taxpayers, property tax payers in particular, that beyond the uncertainty about which new taxes will pass on election day, there is a certainty that property taxes will go up when the 2017 tax roll is prepared. How much will yours go up? Talk to your favorite real estate pro, or go to one of the on-line property valuation sites like Zillow.com and see the value on your home there. Then, see what we have as the 2015 value on your home at Larimer.org/Assessor. The level of value for the 2017 reappraisal is June 30, 2016, so the Zillow number should be close enough. Compare the value on your property that we set last year and compare it to the Zillow value now. Sitting down beforehand is a good idea.