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A National Perspective on the Property Tax: How Colorado Compares

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Colorado's Legislative Oversight Committee Concerning Tax Policy
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About the Lincoln Institute of Land Policy

The Lincoln Institute of Land Policy seeks to improve quality of life through the effective use, taxation, and stewardship of land



About the Lincoln Institute of Land Policy

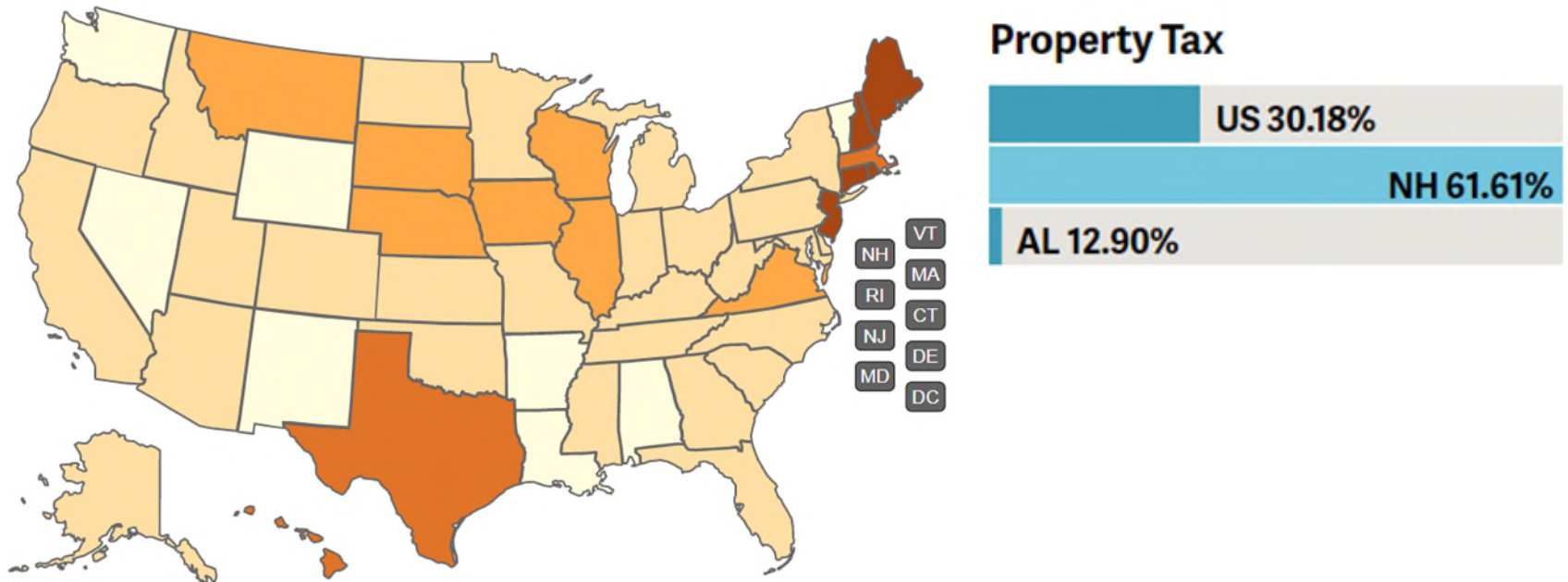
- A nonprofit private operating foundation whose origins date to 1946, the Lincoln Institute researches and recommends creative approaches to land as a solution to economic, social, and environmental challenges
- Through education, training, publications, and events, we integrate theory and practice to inform public policy decisions worldwide
- The Lincoln Institute has offices in Cambridge, Phoenix, Washington, DC, and Beijing

Outline

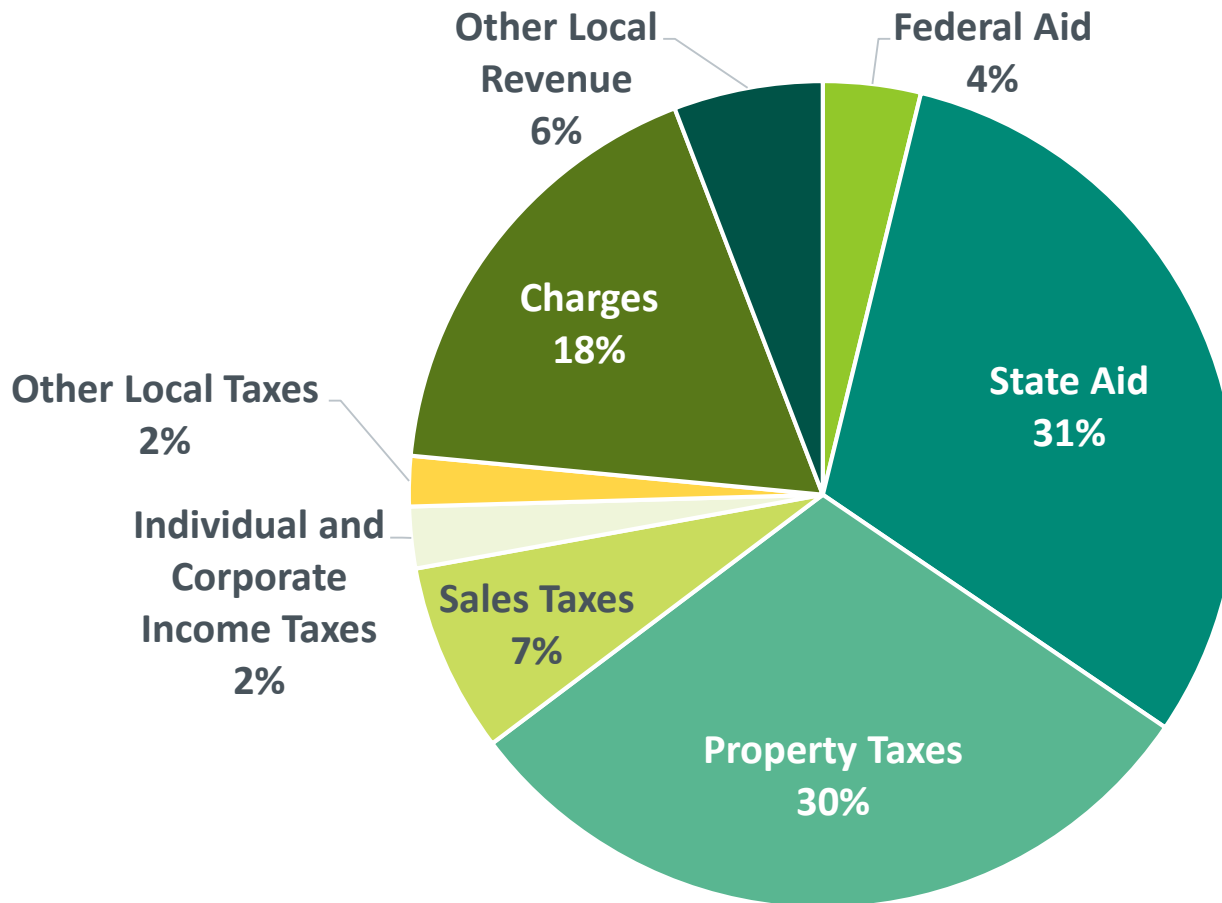
- Overview of the Property Tax in the United States
- How Colorado's Property Tax Structure Compares to Other States
- Resources

Property Tax Reliance

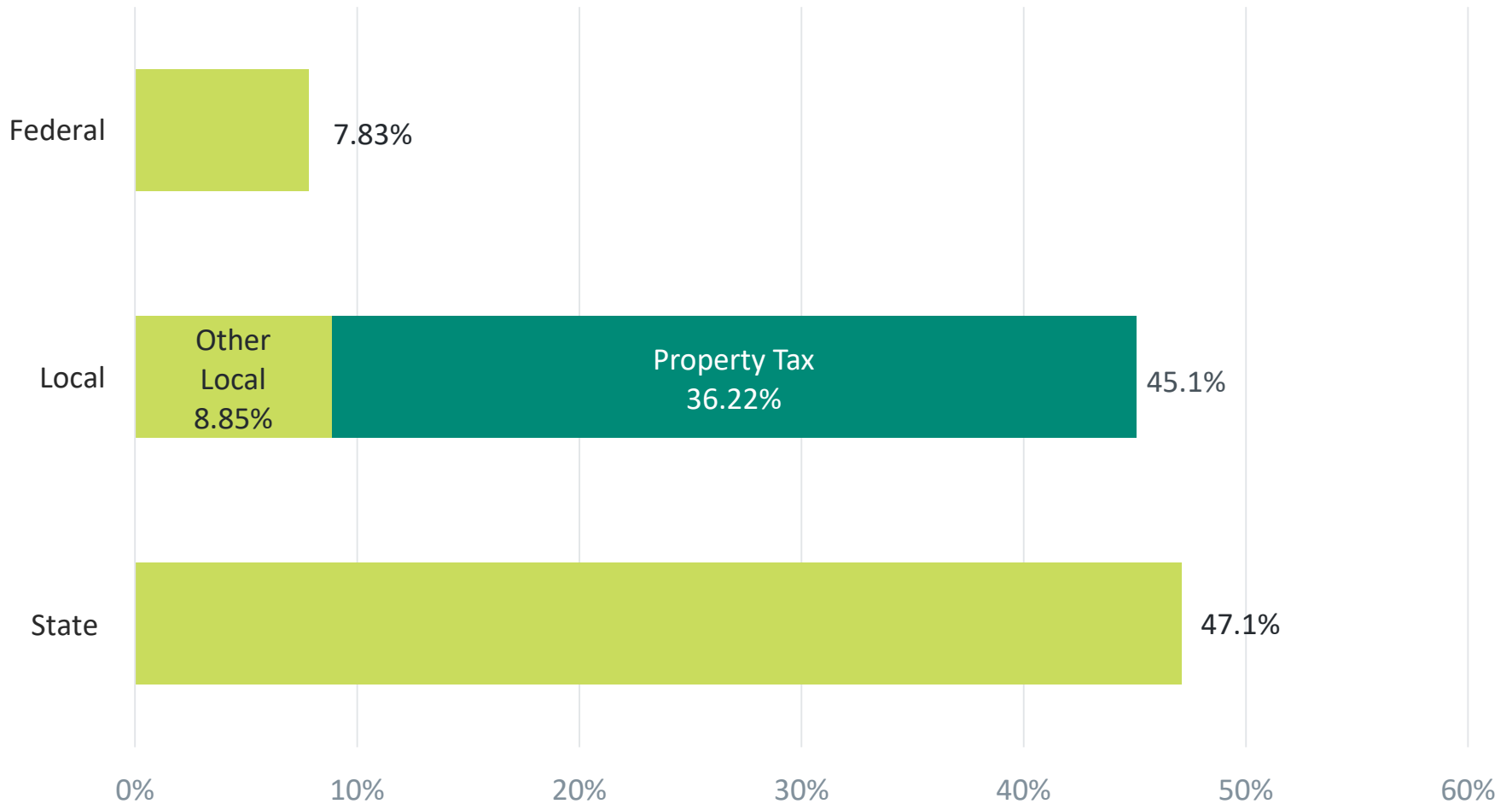
About 30 percent of all local government revenue comes from property taxes. Local government reliance on the property tax varies widely across the U.S., with heaviest reliance in the Northeast, where local governments raise up to 62 percent of their revenue through property taxation.



Sources of Local General Revenue, 2019



K-12 Public Education Revenue by Source, U.S., 2018-2019

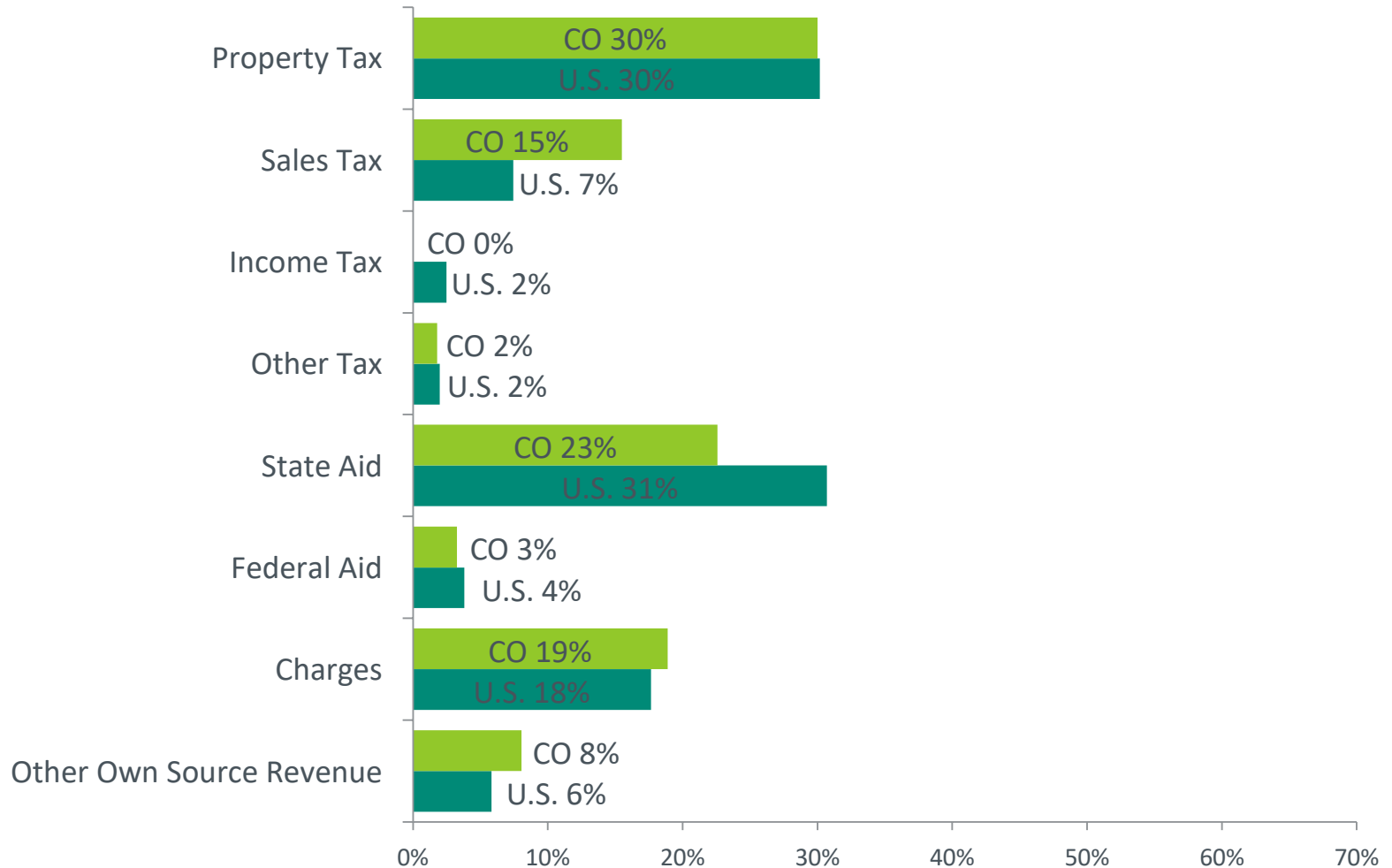


Source: National Center for Education Statistics

Distinctive Features of Colorado's Property Tax System

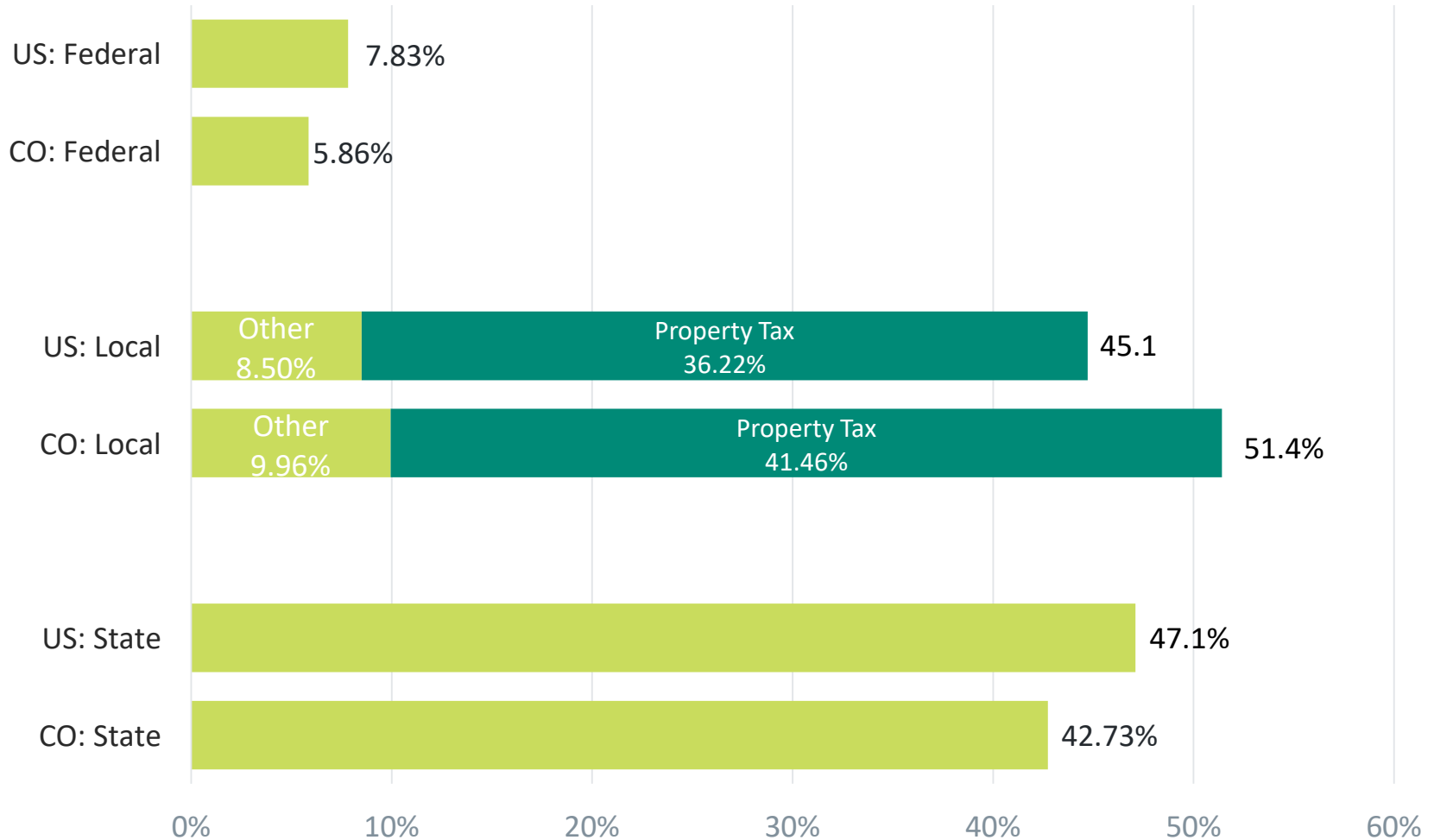
- In most states, municipalities are primarily funded by the property tax, but in Colorado municipal revenue comes primarily from the sales tax, with counties, school districts and special districts relying on the property tax.
- The property tax has been the most limited of all taxes in Colorado, restricted both by the TABOR and Gallagher amendments. With the repeal of the Gallagher amendment effective 2021, the legislature is authorized to lower assessment rates, but increases require voter approval under TABOR.

Sources of Local General Revenue, Colorado and U.S., 2019



Source: U.S. Census Bureau

Property Tax Share of K-12 Funding, U.S. and Colorado

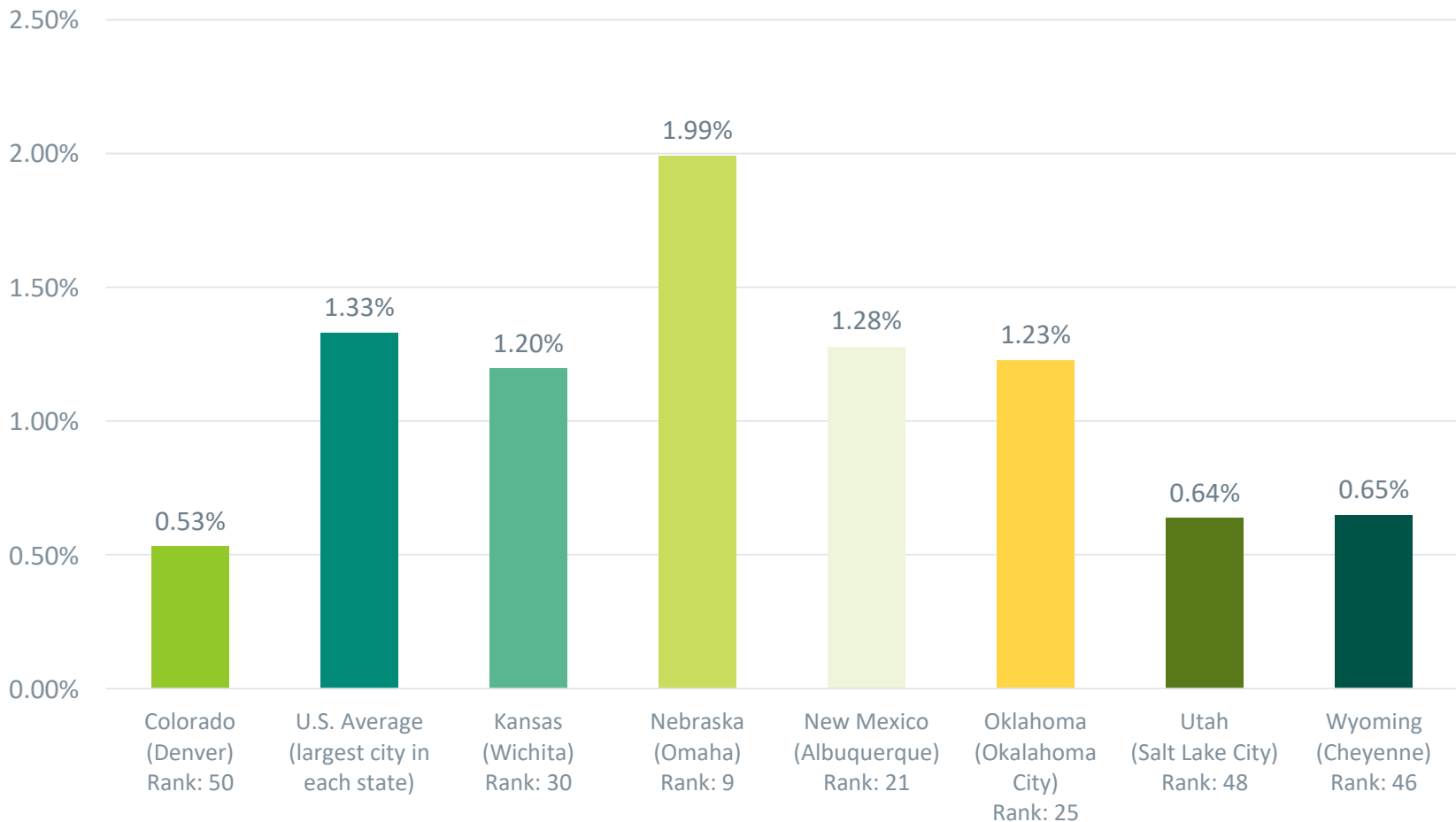


Selected Colorado Property Tax Statistics, 2019

	Colorado	U.S. Average	Rank (of 51) <i>1 is highest</i>
Per capita property tax	\$1,816	\$1,758	16
Property tax percentage of personal income	3.0%	3.1%	21
Total property tax as percentage of state-local revenue	17.8%	16.6%	18
Median owner-occupied home value ²	\$343,300	\$217,500	5
Median real estate taxes paid for owner-occupied home ²	\$1,756	\$2,471	30
Effective tax rate, median owner-occupied home ³	0.5%	1.1%	49

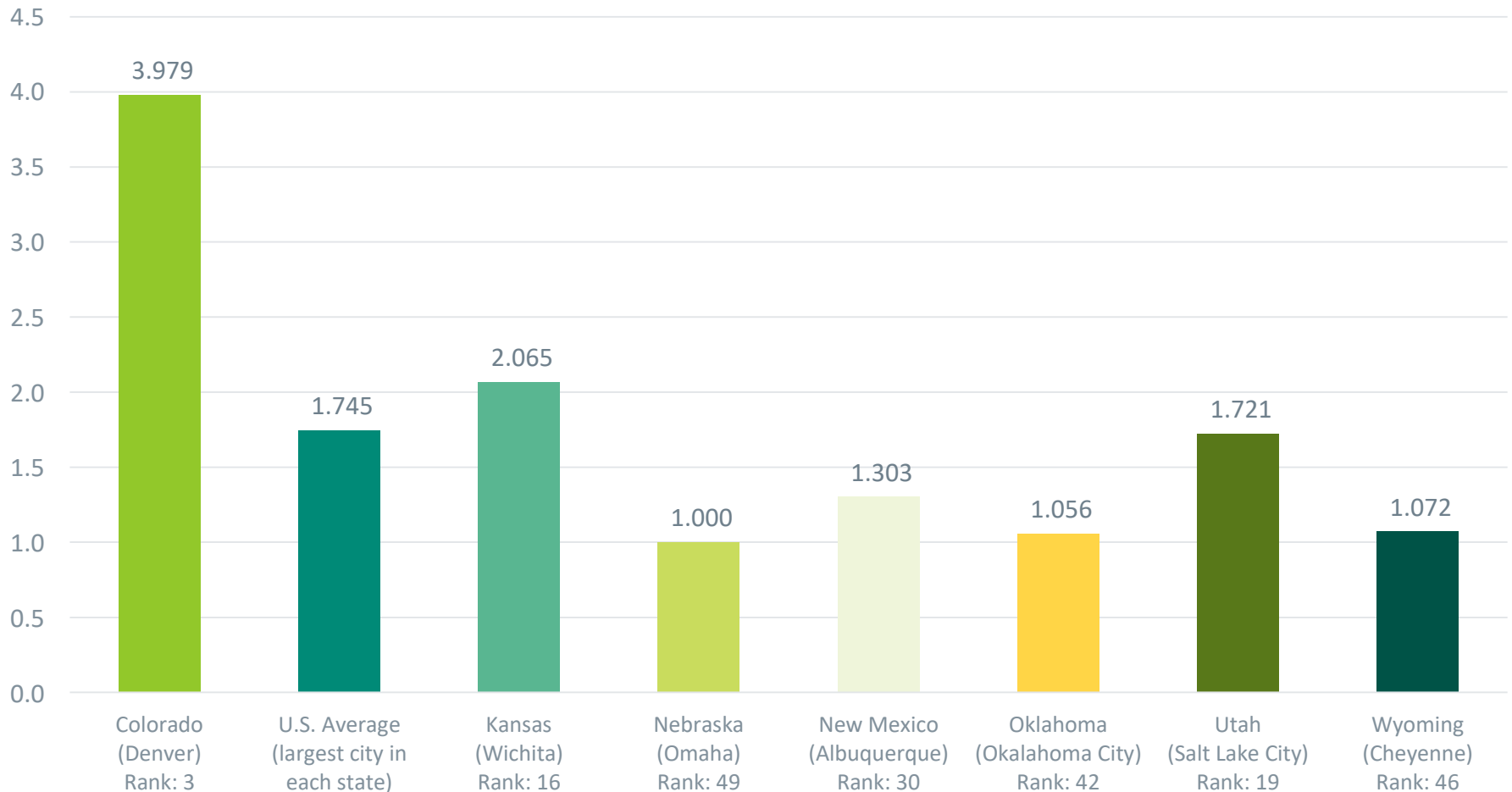
Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

Homestead Effective Property Tax Rate, Colorado, U.S. Average, and Selected States, 2021



Source: Lincoln Institute of Land Policy and Minnesota Center for Fiscal Excellence

Commercial-Homestead Classification Ratios, Colorado, U.S. Average, and Selected States, 2021



Source: Lincoln Institute of Land Policy and Minnesota Center for Fiscal Excellence

Colorado's Property Tax Burden

- Rank of 16th in the nation for per capita property tax
- Rank of 21st in the nation for property tax as a percentage of personal income
- Rank of 50th (2021) in the nation for estimated effective property tax rate for the median-value owner-occupied home
 - For FY 2023, residential property will be assessed at 6.765 percent of actual value while commercial property will be assessed at 27.9 percent of actual value

Property Tax Features of State Governments, Colorado, 2020

Feature	Colorado	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	Yes*	18*
Circuit breaker property tax relief program	Yes	34

Source: Significant Features of the Property Tax via State-by-State Property Tax at a Glance

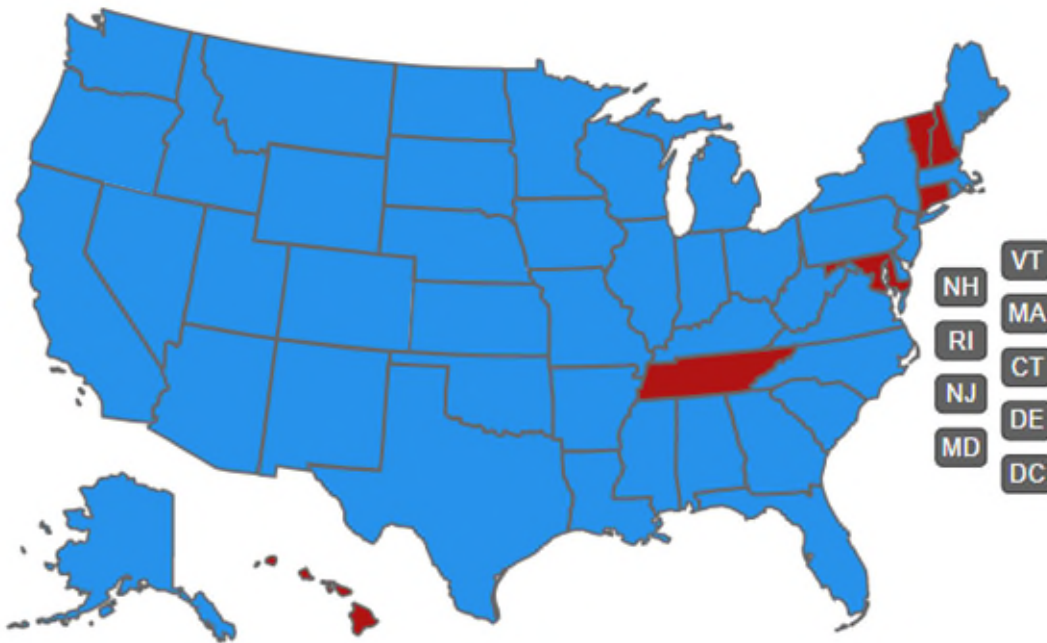
*Colorado repealed the Gallagher Amendment, effective 2021

State-Imposed Property Tax Limits

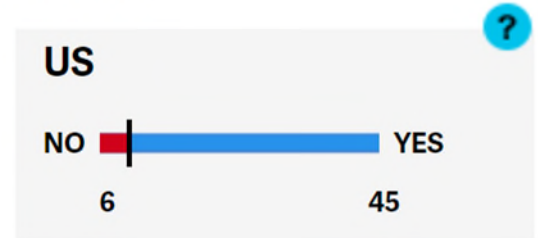
All but three states limit local property taxation in at least one of three ways:

- **Rate Limit:** A legal limit on property tax rates so that they are either frozen or tied to an index or formula.
- **Levy Limit:** A legal limit on the amount of revenue raised by the property tax or on the rate of growth in property tax revenues.
- **Assessment Limit:** A legal limit on annual increases in assessed values that either freezes such values or ties increases to an index or formula

States with Property Tax Rate or Levy Limits, 2020

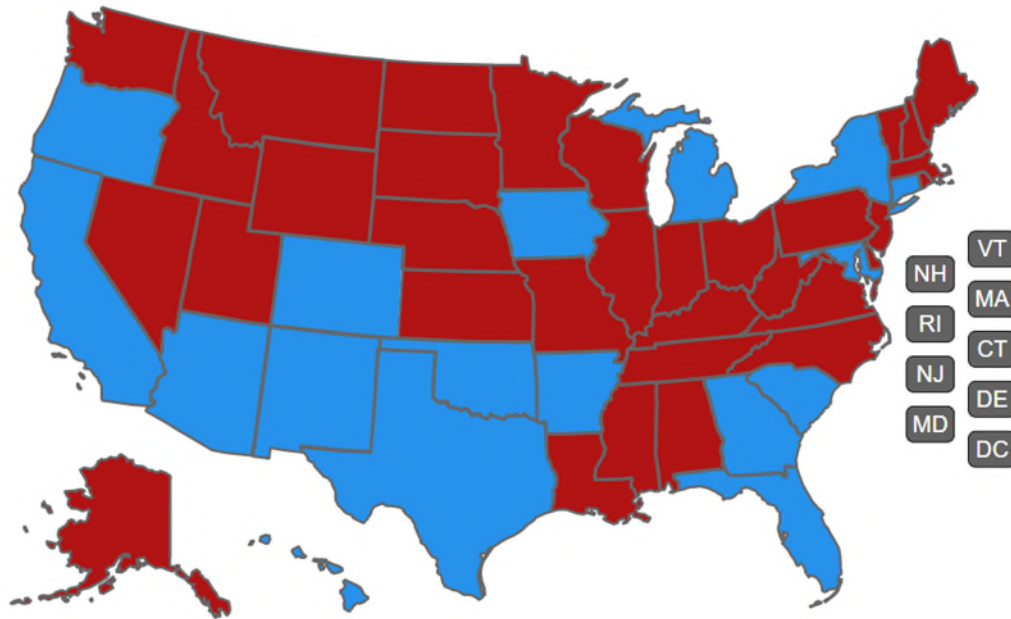


Limits on property tax rates
or levies

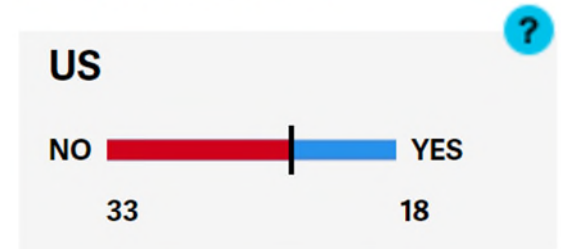


Source: State-by-State Property Tax at a Glance

States with Assessment Limits, 2020



Limits on the rate of growth
of assessed value



Source: State-by-State Property Tax at a Glance

Colorado Property Tax Limits

- The Taxpayers Bill of Rights (TABOR) amendment (effective 1992) limits both property tax rates and levies, and also includes a revenue/expenditure cap.
- 5.5% Levy Limit (effective 1913)
- From its enactment in 1983 until its repeal, effective 2021, the Gallagher Amendment required an adjustment of the residential assessment ratio such that the residential share of total assessed value did not exceed 45 percent

Resources

Introduction to the Property Tax

www.lincolninst.edu/introduction-property-tax

- “Property Tax 101: Why the Property Tax” (2020)
- “Property Tax 101: The Mechanics” (2020)
- “Property Taxes: What Everybody Needs to Know” by Ronald C. Fisher (2021)

Property Tax Relief for Homeowners (2021)

by Adam H. Langley and Joan Youngman

www.lincolninst.edu/publications/policy-focus-reports/property-tax-relief-homeowners

Resources

State-by-State Property Tax at a Glance Narratives and Visualization Tool

www.lincolninst.edu/research-data/data-toolkits/significant-features-property-tax/state-state-property-tax-glance/property-tax-data-visualization

This data toolkit presents information on property tax systems in the 50 states and the District of Columbia. An interactive map allows users to easily view and compare key property tax statistics among states. Companion tables and charts display numerical values for key property tax system variables for each state, DC, and the U.S.

Resources

50-State Property Tax Comparison Study (2021)

<https://www.lincolninst.edu/publications/other/50-state-property-tax-comparison-study-2021>

Rethinking the Property Tax-School Funding Dilemma (2022)

by *Daphne A. Kenyon, Bethany P. Paquin, and Andrew Reschovsky*

www.lincolninst.edu/publications/

Thank you!

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