



CENTER FOR TAX POLICY

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COLORADO PROPERTY VALUES AND TAX TRENDS, 1987-2006

While actual, or market, values of Colorado property have dramatically increased in the past two decades, the assessed values (upon which taxes are calculated) have grown at a much smaller rate. Actual values jumped from about \$147 billion in 1987 to nearly \$555 billion in 2006. On the other hand, assessed value increased from \$33 billion to nearly \$75 billion for the same period.

The following four charts depict these changes using per capita and constant (inflation-adjusted) dollar measurements. [Chart 1](#) shows actual and assessed values in per capita terms between 1987 and 2006. Assessed values rose by 124% between 1987 and 2006. Actual values, however, jumped by 278%. Thus, assessed values rose by over two times and actual values by nearly four. The increases took place primarily in the second half of the two decades as assessments rose by 16% for the first half (1987-1997) and 94% in the second half (1997-2006). Actual values increased by 71% in the first half and 121% in the second half. Actual values decreased between 1989 and 1991. The decline in actual value mirrored Colorado's economic doldrums during that period. The state's economy began to pick up in the mid-1990s, due significantly to growth in the high tech sector. In per capita terms, assessed value fell between 1987 and 1993, from \$10,201 to \$7,994 for that period, and then continued to rise, totaling \$15,683 in 2006. Per capita actual values also declined at first, falling from \$45,052 in 1987 to \$40,878 in 1992. However, they have jumped to \$116,798 by 2006.

[Chart 2](#) shows the same information -- per capita assessed and actual value -- calculated in inflation-adjusted or constant dollars. While assessed value declined in per capita constant-dollar terms, actual values rose by about 50% during the same period. Simply put, assessed values have remained fairly constant over the period, when accounting for inflation and population growth.

That stability is largely a result of the Gallagher Amendment, a provision of the state's 1982 property tax reform, Amendment One. This provision required that the ratio of residential property to non-residential property remain the same after each two-year reassessment. Most non-residential property is assessed at 29% of actual value. To maintain the ratio, as residential property growth has outstripped non-residential, the residential assessment rate has declined from 18% in 1987 to 7.96% for both 2005 and 2006. Thus, for non-residential property, not based upon production, assessments are 3.6 times those of residential property.

[Chart 3](#) shows the share of actual values for both residential and non-residential property. The residential share went from about 61% in 1987 to nearly 78% in 2006. Non-residential property's share declined from 39% to 22% for the same period. These numbers reflect the tremendous demand for housing in the mid to late 1990s, as Colorado was the third fastest-growing state in the nation for that decade.

When actual values are placed along with assessed values, the picture dramatically changes. [Chart 4](#) shows the share of both assessed and actual values for Colorado property during the past two decades. The additional data depict not only the actual value of the previous chart, but also the changes in assessed value. Residential assessed values changed little during the period, declining slightly from 48% to 46% and non-residential property increased from 52% to about 54%. This chart clearly portrays the impact of the Gallagher Amendment, as assessed value remained fairly static, while actual values show the growth in residential values in relationship to non-residential property.

The next three charts show property tax revenue to the state's local governments over the past two decades. Property tax revenue increased from about \$2.1 billion for tax year 1987 to \$3 billion in 1997 and \$5.47 billion in 2006. In per capita terms, property tax revenue rose from \$630 in 1987 to \$755 in 1997, with a decline between 1991 and 1995. Per capita property tax revenues rose more quickly between 1997 and 2006, to \$1,152 at the end of that period. Thus, in per capita terms, property tax receipts rose by 20% during the first half of the two-decade period and jumped by 52% during the second half. [Chart 5](#) shows Colorado property tax revenue on a per capita basis from 1987 through 2006.

When per capita property tax receipts are calculated to reflect inflation, a different picture emerges. In constant dollars, per capita property tax revenue fell by 2% between 1987 and 1997 and rose by 22% between 1997 and 2006. While overall per capita revenue rose by 83% over the two decades, it increased by only 2% in inflation-adjusted constant dollars. [Chart 6](#) shows per capita property tax revenue in both current and constant dollars.

Another way of analyzing the trends in taxes is to relate them to personal income in the state. This method produces a different trend line: As a share of income, property tax revenue declined from 3.9% in 1987 to 2.8% in 1997. It increased slightly to 2.9% in 2006. As a percentage of income, property tax revenues generally declined from 1988 through 2000. The trend began with adoption of the 1988 School Finance Act, which sought to increase state aid to schools and lower school district property taxes. The percentage of personal income directed to school districts, including the relatively low total for junior colleges, declined from 2.4% to 1.5% for the period.

The downward shift was already in place by the time the Taxpayer's Bill of Rights (TABOR) was implemented at the local level in the mid-1990s. TABOR requirements that limited government spending and required voter approval of tax increases continued the downward slope. However, many local governments began to receive permission by their voters to exceed the spending limits, a process known as "de-Brucing". As a result, property taxes revenues began to grow, relative to income, in 2001. They were about at the same level in 2006 as they were in 1994. It is important to note that economic conditions are significant in this analysis, as a robust economy such that of the late 1990s, will lessen the impact of taxes on personal income. Conversely, a depressed economy overstates the impact of taxes. [Chart 7](#) shows Colorado property tax revenue as a percentage of personal income between 1987 and 2006.

Chart 1 COLORADO PROPERTY VALUES PER CAPITA, 1987-2006

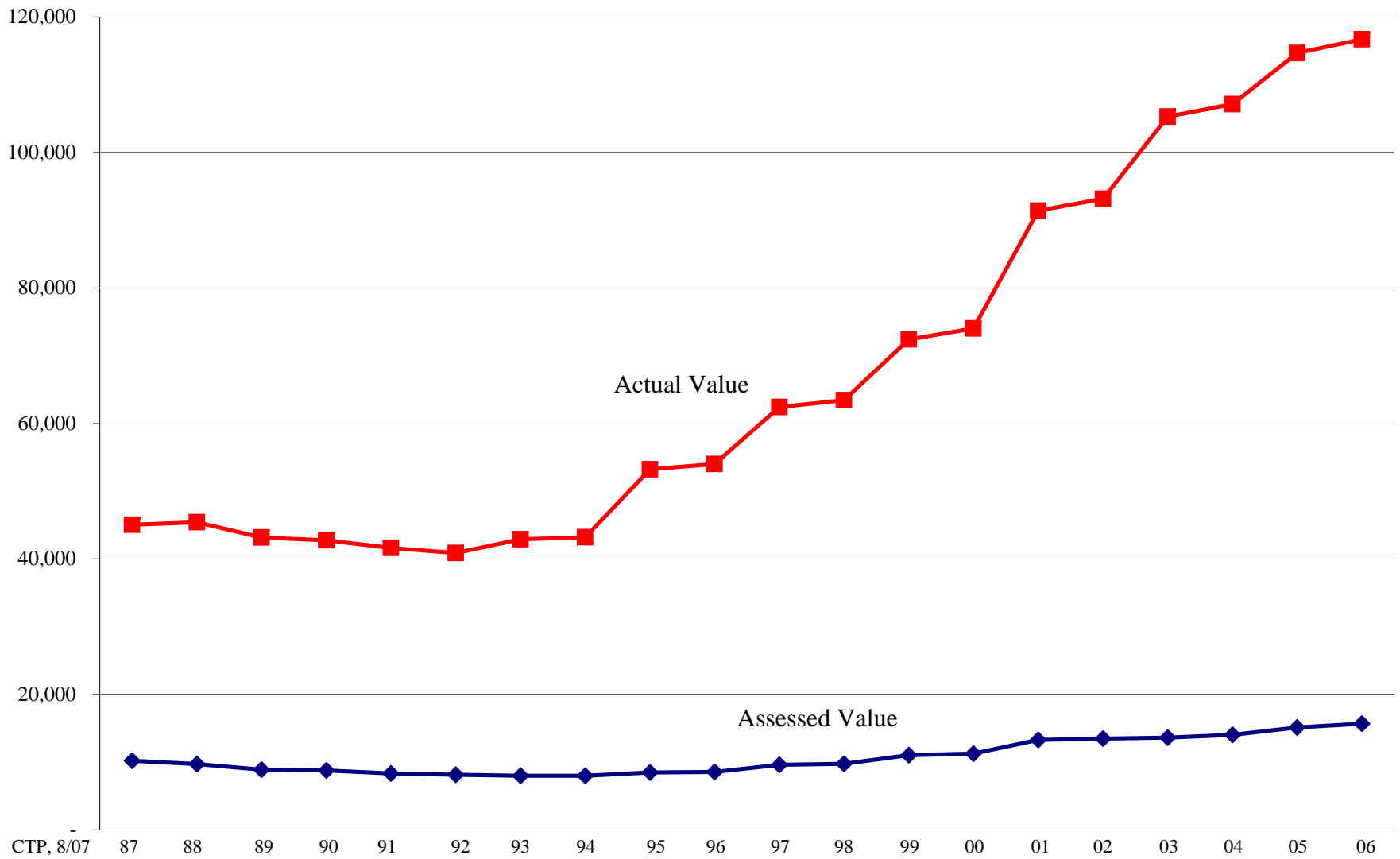


Chart 2 PER CAPITA ASSESSED AND ACTUAL VALUE, CONSTANT DOLLARS

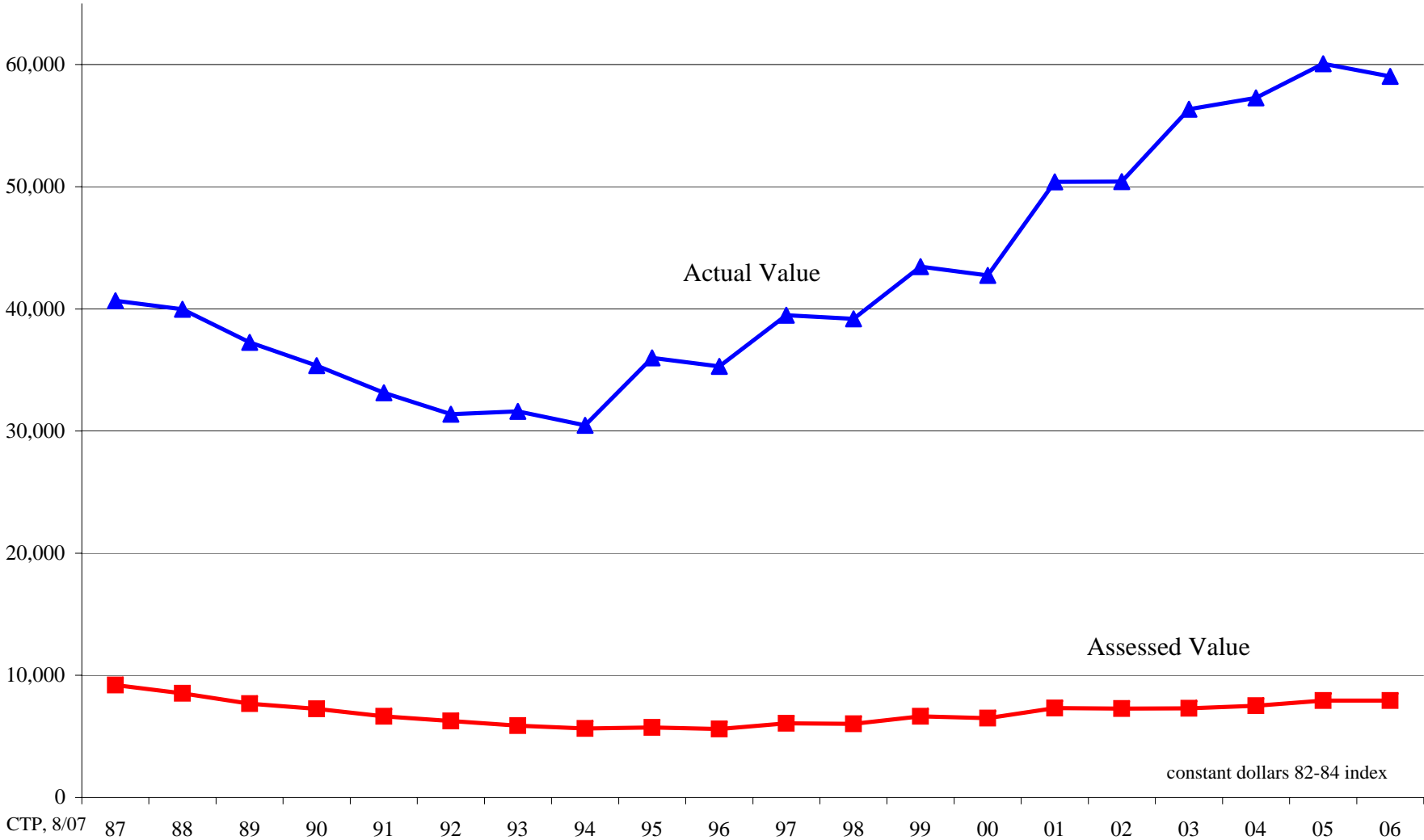


Chart 3 SHARE OF ACTUAL VALUES - RESIDENTIAL AND NON-RESIDENTIAL PROPERTY

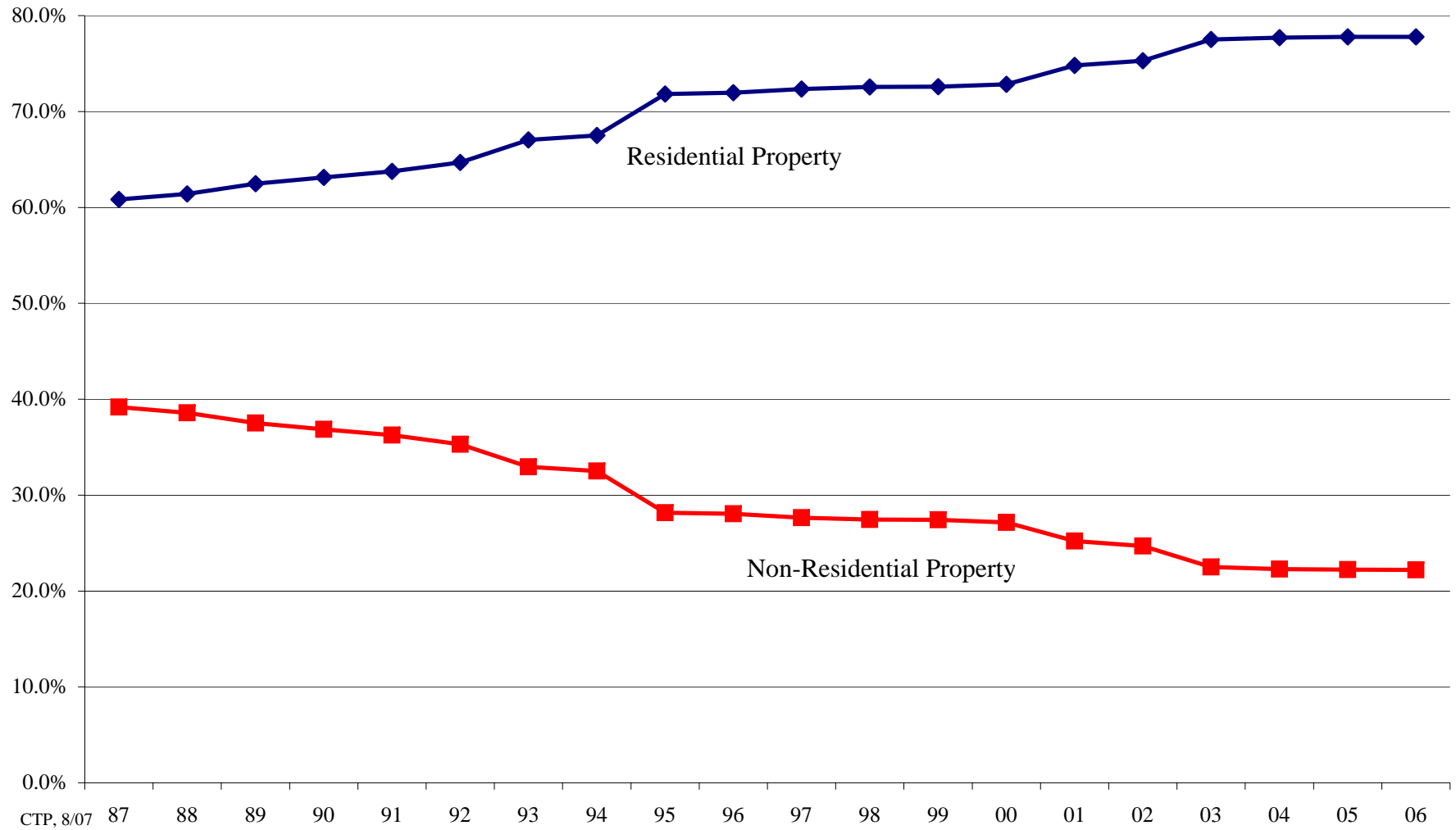


Chart 4 SHARE OF ACTUAL VS. ASSESSED VALUES, RESIDENTIAL AND NON-RESIDENTIAL PROPERTY

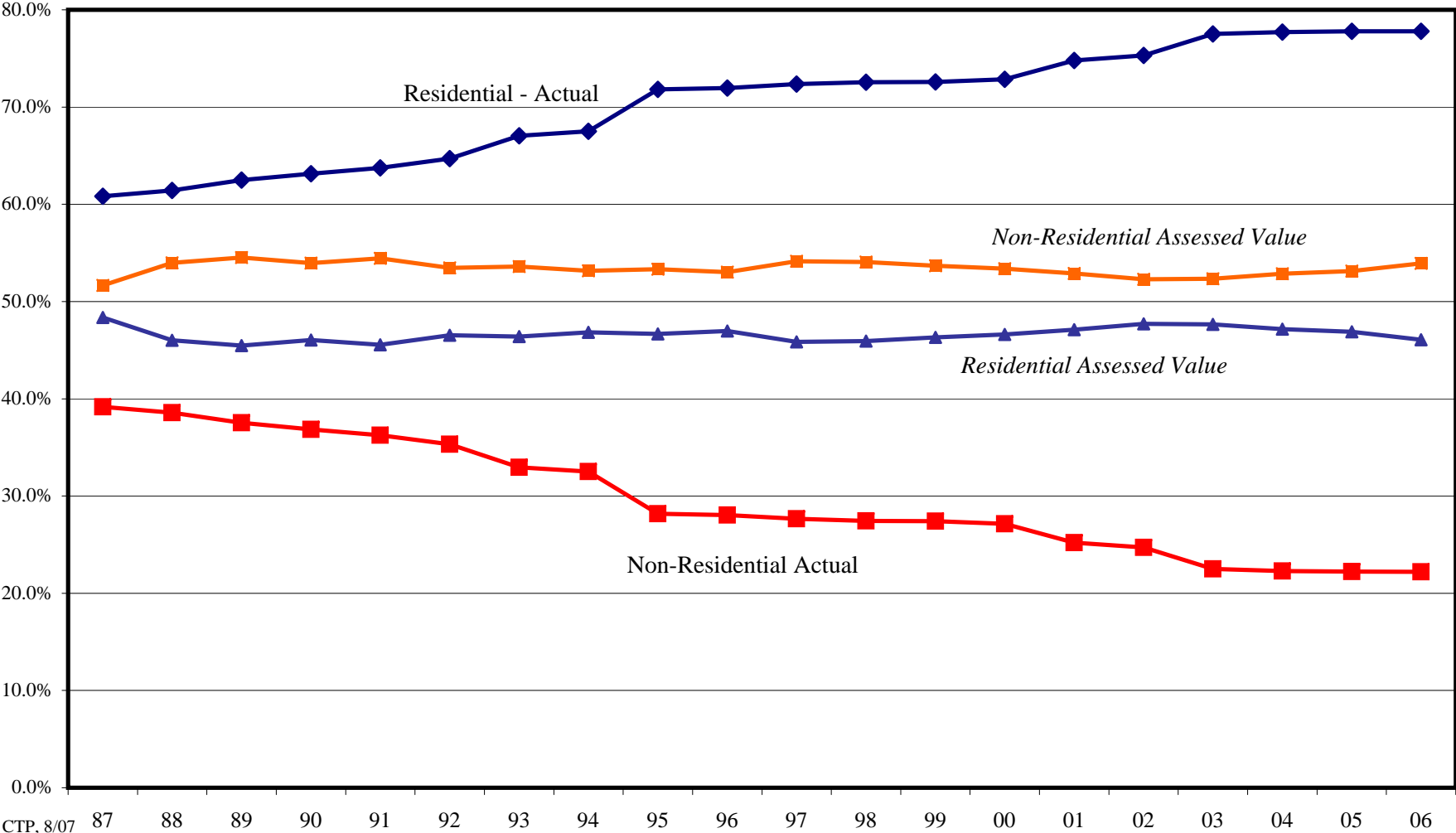


Chart 5 COLORADO PROPERTY TAX REVENUE PER CAPITA, 1987-2006

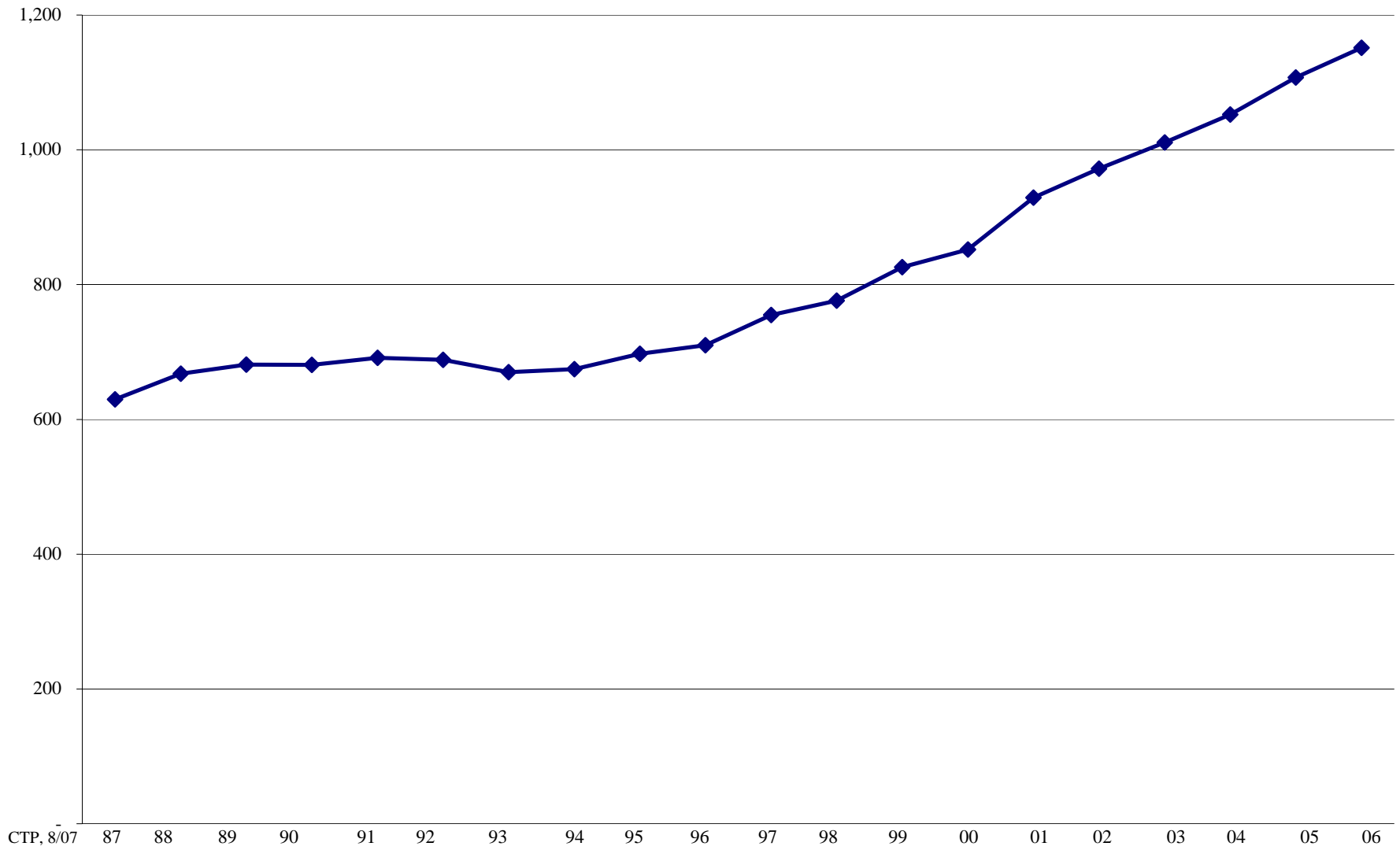


CHART 6 PER CAPITA PROPERTY TAX REVENUE, CURRENT AND CONSTANT DOLLARS

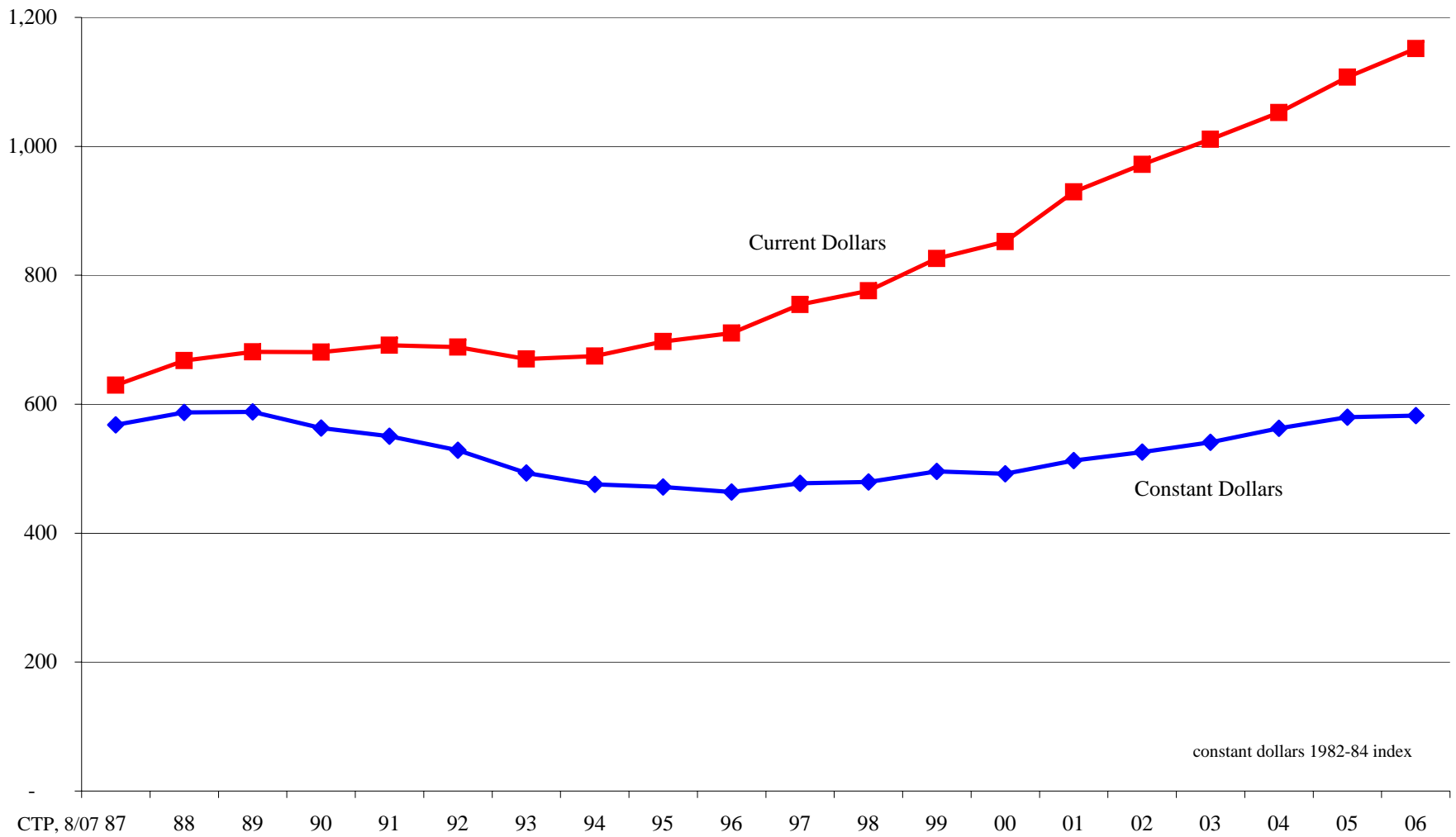


Chart 7 COLORADO PROPERTY TAX REVENUE AS A PERCENTAGE OF PERSONAL INCOME

