

**CPEC**  
CENTER FOR TAX POLICY

# TAXPAYER REPORT

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## ASSESSED VALUATION AND PROPERTY TAX CHANGES, 2001 and 2002

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### Introduction

In a return to growth rates more consistent with the state's experience in the middle 1990s, property values as well as assessed valuations increased modestly in 2002. Unlike 2001's double digit increases in valuations, both actual and assessed, and in property tax receipts, 2002's growth rates, although still positive, were some of the lowest seen in the last decade. Based upon data obtained from the Division of Property Taxation<sup>1</sup>, property tax revenue increased by 6.29% between 2001 and 2002 while assessed valuations increased by only a modest 2.98%.

This annual CPEC Center for Tax Policy publication compiles data from the Division of Property Taxation's thirty-second annual report released in the spring of 2003. Local county assessors reassess Colorado's real and personal property every two years. Additionally, the residential assessment rates are adjusted as required by the Gallagher Amendment, a legislative mandate that was attached to House Resolution 1005 in 1982. By law, the residential assessment rate for tax year 2001-2002 held at the previous year's rate of 9.15%. The 2001 change to 9.15% was the first on since tax year 1997 and represented a new low in that rate. Preliminary calculations published in the Division of Property Taxation's 2002 Annual Report predict that the 2003 rate would fall further, to 7.96%. Non-residential assessment rates are set constitutionally at a rate of 29%.

### Review of State's Assessed and Actual Valuations

Table A shows the assessed and actual values for all Colorado property over the period 1992-2002. Between 1992 and 2002, assessed valuations more than doubled, experiencing a growth rate of 112.58%. This represents an increase in the 10-year growth rate in property valuations in Colorado. Over the same time period, actual valuations of all property in the state increased by an even greater 193.41%. As noted in earlier editions of this report, the mechanism of the Gallagher Amendment requires that the ratio of residential to non-residential remain at 45% to 55%. This Constitutional requirement ensures that as the percentage of the state's property classified as residential increases in times of increasing residential property values, the divergence between total assessed and actual values will increase as well. Colorado's experience in 2002 is consistent with this trend. As it has for many years, the Gallagher Amendment has resulted in a continued divergence between total actual and assessed values for the state's property.

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<sup>1</sup> Data for this report was gathered from the Colorado Division of Property Taxation's 32<sup>nd</sup> Annual Report.

**SUMMARY TABLE A**  
**COLORADO ASSESSED AND ACTUAL VALUE, PROPERTY TAX PERCENTAGE CHANGES 1992 TO 2002**  
(In Thousands)

Tax Year	Assessed Valuation	Actual Valuation	Residential Percentage	Total Property Tax Receipts	K-12 School Property Tax Receipts	All Other Property Tax Receipts
1992	\$ 28,490,630	\$ 142,906,292	64.69%	\$ 2,407,175	\$ 1,373,621	\$ 1,033,554
1993	\$ 28,820,035	\$ 155,096,762	67.05%	\$ 2,421,892	\$ 1,372,244	\$ 1,049,648
1994	\$ 29,831,047	\$ 160,946,795	67.50%	\$ 2,512,514	\$ 1,427,720	\$ 1,084,794
1995	\$ 32,469,923	\$ 203,663,213	71.83%	\$ 2,668,245	\$ 1,502,911	\$ 1,165,334
1996	\$ 33,606,776	\$ 211,793,476	71.96%	\$ 2,784,767	\$ 1,570,704	\$ 1,214,063
1997	\$ 38,536,665	\$ 250,804,290	72.35%	\$ 3,032,963	\$ 1,701,540	\$ 1,331,423
1998	\$ 40,165,596	\$ 261,127,928	72.55%	\$ 3,194,557	\$ 1,802,695	\$ 1,391,862
1999	\$ 46,711,921	\$ 306,002,932	72.58%	\$ 3,490,900	\$ 1,947,044	\$ 1,543,856
2000	\$ 48,757,383	\$ 320,312,969	72.85%	\$ 3,686,192	\$ 2,040,071	\$ 1,646,121
2001	\$ 58,812,664	\$ 404,716,127	74.80%	\$ 4,115,122	\$ 2,221,904	\$ 1,893,218
2002	\$ 60,564,941	\$ 419,294,563	77.48%	\$ 4,374,012	\$ 2,339,415	\$ 2,034,597
<b>Annual Percentage Change</b>						
1993	1.16%	8.53%		0.61%	-0.10%	1.56%
1994	3.51%	3.77%		3.74%	4.04%	3.35%
1995	8.85%	26.54%		6.20%	5.27%	7.42%
1996	3.50%	3.99%		4.37%	4.51%	4.18%
1997	14.67%	18.42%		8.91%	8.33%	9.67%
1998	4.23%	4.12%		5.33%	5.94%	4.54%
1999	16.30%	17.19%		9.28%	8.01%	10.92%
2000	4.38%	4.68%		5.59%	4.78%	6.62%
2001	20.62%	26.35%		11.64%	8.91%	15.01%
2002	2.98%	3.60%		6.29%	5.29%	7.47%
1992-1997	35.26%	75.50%				
1998-2002	50.79%	60.57%				
1992-2002	112.58%	193.41%				

**Residential Assessed Values: A Closer Look**

As outlined above, the statewide ratio of assessed valuation between residential and non-residential is constitutionally set by the Gallagher Amendment at a target of 45% residential to 55% non-residential. However, as required by Gallagher, this ratio is applied to total state-wide assessed valuations, not to county by county values. On a county by county basis, experience with residential and non-residential assessed valuations varies widely. Consistent with prior years, Cheyenne County experienced the smallest percentage of assessed valuation coming from residential. Although Cheyenne County's residential share increased slightly from 2.90% in 2001 to 3.34% in 2002, it is still far below most of the state's counties. Cheyenne is followed closely by Rio Blanco and Kiowa Counties, with residential assessed valuations accounting for 5.42% and 5.83%, respectively. One other county, Baca, derives less than 10% of its total valuation from residential property. Baca's 2002 rate was 9.70%. At the high end of the spectrum for the state is once again Elbert County with residential representing 67.63%, up from 65.55% in 2001. Overall, as expected, the state residential percentage approximates the target percentage with 47.40% of all valuations

deriving from residential. Pueblo is the county in the state that most closely mirrors the state split between residential and non-residential property. In 2002, the assessed valuation of Pueblo's residential property was just over 47.5%. This county by county disparity in residential and thus non-residential assessed valuations, coupled with the mechanisms of the Gallagher Amendment, is one of the variables impacting the level of property tax revenues collected by each county. County by county data for all classes of property is presented in Table 2.

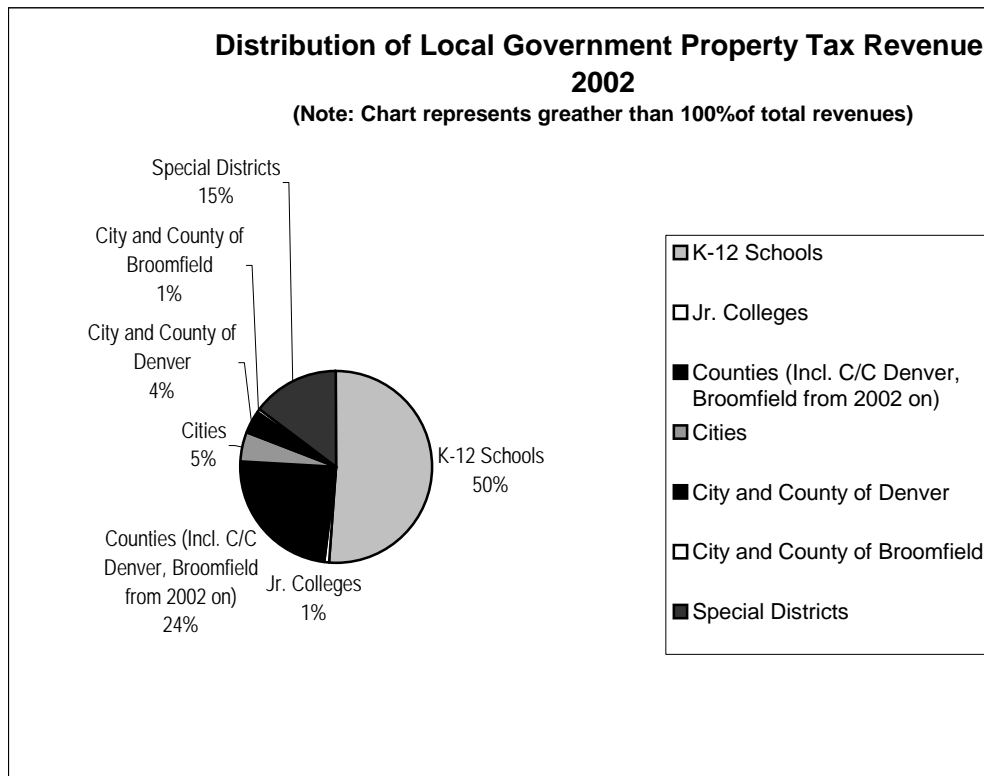
**SUMMARY TABLE B**  
**PROPERTY TAX REVENUE TO COLORADO LOCAL GOVERNMENTS - 1992 to 2002**

Tax Year	K-12 Schools	Jr. Colleges	Counties (Incl. C/C Denver, Broomfield from 2001 on)	Cities	City and County of Denver	City and County of Broomfield	Special Districts	Total	Total Per Capita
1992	\$1,373,621,260	\$23,965,857	\$ 475,434,242	\$117,734,500	\$ 140,834,865		\$ 275,584,440	\$2,266,340,299	\$ 695.00
1993	\$1,372,244,829	\$24,321,147	\$ 482,184,914	\$116,500,449	\$ 139,744,262		\$ 286,896,539	\$2,282,147,878	\$ 680.00
1994	\$1,427,720,644	\$25,745,652	\$ 500,871,516	\$119,910,714	\$ 139,771,826		\$ 298,484,785	\$2,372,733,311	\$ 687.00
1995	\$1,502,911,790	\$27,558,452	\$ 536,369,179	\$129,604,653	\$ 142,959,579		\$ 328,841,592	\$2,525,285,666	\$ 713.00
1996	\$1,570,704,820	\$27,080,431	\$ 560,248,408	\$135,273,393	\$ 146,645,096		\$ 344,815,185	\$2,638,122,237	\$ 730.00
1997	\$1,701,540,305	\$31,347,691	\$ 606,895,454	\$151,862,139	\$ 156,300,895		\$ 385,009,409	\$2,876,654,998	\$ 779.00
1998	\$1,802,695,143	\$30,393,831	\$ 636,597,698	\$156,867,917	\$ 156,924,819		\$ 411,592,400	\$3,038,146,989	\$ 821.00
1999	\$1,947,044,020	\$31,411,052	\$ 698,617,836	\$179,396,810	\$ 157,633,114		\$ 476,797,783	\$3,333,267,501	\$ 866.00
2000	\$2,040,071,477	\$32,010,299	\$ 900,428,826	\$181,362,333	\$ 162,471,206		\$ 525,301,370	\$3,679,174,305	\$ 876.35
2001	\$2,221,904,350	\$40,315,492	\$1,009,972,155	\$227,632,656	\$ 167,077,247	\$ 21,634,608	\$ 615,297,504	\$4,115,122,157	\$ 956.72
2002	\$2,339,415,193	\$41,580,428	\$1,086,851,608	\$236,963,114	\$ 180,413,561	\$ 23,909,228	\$ 669,201,161	\$4,374,011,504	\$ 969.33
<u>Annual Percentage Change</u>									
1993	-0.10%	1.48%	1.42%	-1.05%	-0.77%		4.10%	<b>0.70%</b>	-2.16%
1994	4.04%	5.86%	3.88%	2.93%	0.02%		4.04%	<b>3.97%</b>	1.03%
1995	5.27%	7.04%	7.09%	8.08%	2.28%		10.17%	<b>6.43%</b>	3.78%
1996	4.51%	-1.73%	4.45%	4.37%	2.58%		4.86%	<b>4.47%</b>	2.38%
1997	8.33%	15.76%	8.33%	12.26%	6.58%		11.66%	<b>9.04%</b>	6.71%
1998	5.94%	-3.04%	4.89%	3.30%	0.40%		6.90%	<b>5.61%</b>	5.39%
1999	8.01%	3.35%	9.74%	14.36%	0.45%		15.84%	<b>9.71%</b>	5.48%
2000	4.78%	1.91%	28.89%	1.10%	3.07%		10.17%	<b>10.38%</b>	1.19%
2001	8.91%	25.95%	12.17%	25.51%	2.83%		17.13%	<b>11.85%</b>	9.17%
2002	5.29%	3.14%	7.61%	4.10%	7.98%	10.51%	8.76%	<b>6.29%</b>	1.32%

### Breakdown of Local Government's Distribution of Revenue

Table B summarizes the distribution of property tax revenue received by different governmental units at the local level. Over the last decade (1992-2002), the 10-year growth rate in local government property tax revenue collections was 93%. This growth rate continues a trend of increasing 10-year growth rates. The previous 10-year growth rate was 75.20% for the decade ending in 2001. Consistent with prior years, the largest portion of locally received property tax revenue supports K-12 education. In tax year 2002, just over 53.5% of total property tax revenues, or \$2.33 billion of the \$4.375 billion collected, went to Colorado's school districts. Consistent with the trend in the state, the recipient of the smallest portion of local property tax is the state's junior colleges. In 2001, the junior college system received about \$41.5 million in property tax revenues.

In 2002, Colorado's special districts experienced the largest growth rate in property tax revenue with a growth rate of 8.76%. In a reversal from last year, junior colleges experienced the smallest growth rate in property tax revenues. In 2002, junior college property tax revenue grew by only 3.14%. Overall, property tax revenues grew at a rate of 6.29%, returning the state to the more modest growth rates experienced in the mid 1990s. On a per capita basis, the growth rate of 1.32% was the second lowest in a decade. In 2001, each citizen in Colorado shouldered a property tax burden of \$969. However, as per a Division of Property Taxation calculation, residential taxpayers experienced savings of just over \$873 million in 2002 and of an estimated \$6.8 billion since 1987<sup>2</sup> due to the shift in property tax burden from residential to non-residential resulting from the Gallagher Amendment. Pie Chart 1 shows the distribution of local property tax revenues to the various units of local government in Colorado.



### Property Class Changes

Table 1 shows the total assessed valuations for the nine different property classes for the years 2001 and 2002. Bar Chart 1 demonstrates that residential property continues to have the highest assessed total value of the nine property classes as classified by the state. Consistent with prior years, the second highest values are in commercial property. And, consistent with the trend begun in 2000, residential values grew at a greater rate than commercial values. Prior to 2000, commercial values were growing more rapidly than residential ones. In 2002, state assessed property experienced the largest rate of growth, followed closely by oil and gas property. In this year's summary, producing mines, vacant land, and industrial property experienced negative rates of valuation growth. For the first time, this year's report includes exempt property in Table 1. In Colorado, tax exempt property accounts for 15% of total valuations. This is the third

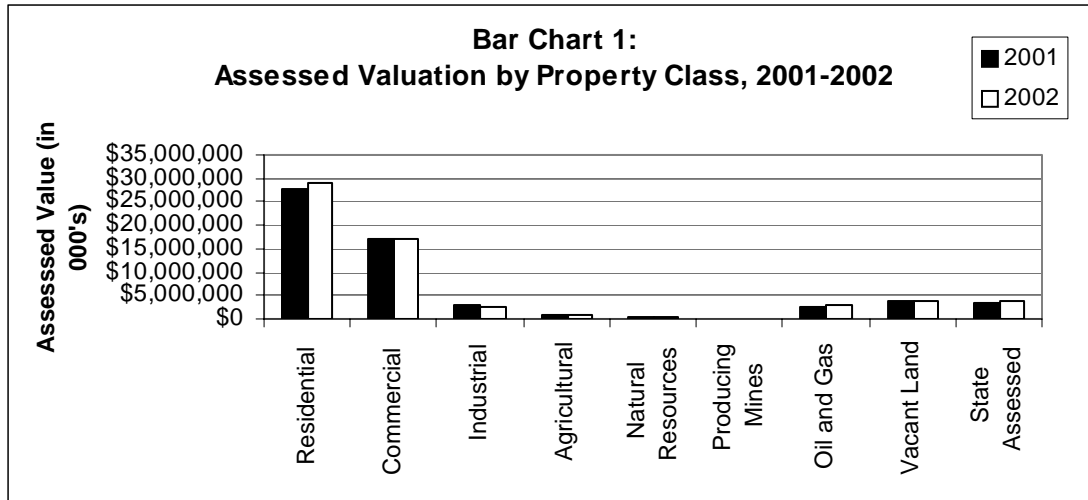
<sup>2</sup> 1987 was chosen as the beginning point for this calculation because the residential assessment rate remained at 21% from the passage of Gallagher until 1987. As noted earlier, the residential assessment rate is currently 9.15%.

highest property class percentage in the state (behind residential and commercial property). Overall, the growth rate in assessed valuations of 4.29% was significantly lower than 2001's growth rate of 20.62%.

**TABLE 1**  
**COLORADO ASSESSED VALUATION BY PROPERTY CLASS 2001 AND 2002**  
(In Thousands of Dollars)

Class	2001		2002		Dollar Change	% Change	% of Total 2001	% of Total 2002
Residential	\$ 27,699,298	\$ 28,888,969	\$ 1,189,671	4.29%	40%	40%		
Commercial	\$ 16,900,676	\$ 17,282,636	\$ 381,960	2.26%	25%	24%		
Industrial	\$ 2,790,876	\$ 2,752,081	\$ (38,795)	-1.39%	4%	4%		
Agricultural	\$ 799,198	\$ 812,991	\$ 13,793	1.73%	1%	1%		
Natural Resources	\$ 266,471	\$ 272,255	\$ 5,784	2.17%	0%	0%		
Producing Mines	\$ 89,982	\$ 64,779	\$ (25,203)	-28.01%	0%	0%		
Oil and Gas	\$ 2,651,249	\$ 2,798,698	\$ 147,449	5.56%	4%	4%		
Vacant Land	\$ 4,004,131	\$ 3,807,155	\$ (196,976)	-4.92%	6%	5%		
State Assessed	\$ 3,610,779	\$ 3,885,377	\$ 274,598	7.60%	5%	5%		
<b>Total Taxable Property</b>	<b>\$ 58,812,660</b>	<b>\$ 60,564,941</b>	<b>\$ 1,752,281</b>	<b>2.98%</b>	<b>86%</b>	<b>85%</b>		
Exempt Property	\$ 9,681,775	\$ 10,868,691	\$ 1,186,916	12.26%	14%	15%		
<b>TOTAL ASSESSED VALUATION</b>	<b>\$ 68,494,435</b>	<b>\$ 71,433,632</b>	<b>\$ 2,939,197</b>	<b>4.29%</b>	<b>100%</b>	<b>100%</b>		

Bar Chart 1 below summarized the 2001-2002 assessed valuations for the state.



### County by County Reviews

Table 2 shows the county by county data for the state. Of the 64 counties in Colorado, 13 exceeded \$1 billion in total assessed value. Last year, Summit County joined the list of counties with assessed valuations in excess of \$1 billion. Although there were no new counties to exceed that milestone in 2002, Pueblo

County is quickly approaching with total assessed valuation of almost \$993 million. Mineral County has the smallest property base with 2002 assessed valuation of just over \$22 million.

Unlike 2001 when all of Colorado's counties experienced positive growth in assessed valuation, in 2002, 14 counties experienced decreases in assessed valuation. The largest decrease on a percentage basis was in Cheyenne County with a 12.28% decrease. On an absolute basis, Grand County lost the most valuation with a drop of just over \$33 million in 2002. Only 5 counties experienced double digit growth rates in 2002, with the largest of these in Las Animas County. Of the counties with valuations in excess of \$1 billion, only Douglas continued to experience double digit growth. In 2001, all of the \$1 billion or greater valuation counties experienced growth rate in excess of 10%.

Overall, statewide assessed valuations grew at a rate of 2.98%, far more modest than the just over 20% growth in 2001. In a reversal from 2001, assessed valuations grew at a lower rate than total property tax receipts. In 2002, property tax receipts grew by 6.29%. Statewide, average county mill levies grew by 2.75%.

### **Property Tax Revenues**

Statewide, total property tax revenue increased by just under \$259 million between 2001 and 2002. This is a smaller increase than the \$429 million increase between 2000 and 2001, but still a larger absolute increase than the state has experienced in recent years prior to 2001. In 2001, total property tax collections in the state were just under \$4.375 billion, a 6.29% increase over the prior year's revenues. Again, 2002's growth was far more modest than 2001's rate of 11.64%. Overall, average mill levies in the state increased by 2.75%, a reversal from last year when the state overall average mill levy decreased by just over 7%. In 2002, 13 of the state's counties reported decreases in average mill levies. The largest percentage decrease was in Las Animas County whose mill levy fell by 11.44% or just over 39 mils. Unlike 2001, when increasing valuations fueled the increase in property tax revenue, in 2002, the revenue increases were somewhat equally driven by small mill levy increases and small valuation increases.

In 2002, 9 counties reported decreases in property tax revenues. On a percentage basis, most of the county decreases were modest. However, Rio Blanco County experienced just under a 6% decrease in property tax revenues. On a percentage basis, the largest increase in revenues occurred in Archuleta County. In absolute dollars, Boulder County experienced the largest increase in property tax revenues. This reverses last year when Boulder County was the only county in the state to lose revenues compared to the prior year. Of the larger counties, those with property tax revenues in excess of \$100 million, Boulder County experienced the largest percentage growth in revenues. Of those larger counties, 3 experienced growth rates in excess of 10%.

Consistent with last year's report, the highest mill levy in the state is again in Phillips County at 99.207. Also consistent with last year, the lowest mill levy in the state was in La Plata County. However, La Plata's average mill levy did increase by 3.68% to a current level of 30.306. Thirteen counties experienced decreases in mill levies, with the largest percentage decrease in Las Animas County. The largest percentage increase in the state was in Archuleta County whose levy increased by 14.24%. Overall, mill levies in the state increased by 2.75%, a reversal of last year's decrease.

### **Conclusion**

In comparison with the state's 2001 experience, the word for tax year 2002 is modest. Total state assessed valuations grew by 2.98% over 2001's value, a growth rate that is dampened even for an even numbered, non-reappraisal tax year. As Summary Table A demonstrates, valuations historically grow at far more rapid rates in reappraisal years. Tax revenues for 2002 grew by 6.29%, again modest compared with recent prior year's double-digit increases.

On a per capita basis, each resident of Colorado carries an annual property tax burden of \$969, a 91.32% increase over the per capita tax burden from 2001. Only 3 previous times in the decade has property tax revenue grown at less than 2%. Additionally, as per a Division of Property Taxation calculation, residential taxpayers experienced savings of just over \$873 million in 2001 due to the shift in property tax burden from residential to non-residential resulting from the Gallagher Amendment. This represents a savings of approximately \$193 per capita. This slight increase in both overall and per capita property taxes comes in a year when average mill levies statewide rose by 2.75%. In 2002, unlike 2001, both slightly rising valuations and mill levies contributed to the increase in property tax receipts.

Colorado's K-12 school districts continued to receive the majority of the property tax revenues in the state, and their percentage of the pie increased slightly to just over 53%. The fastest growing sector of local government in terms of property tax revenues was special districts, and in a reversal from last year, junior colleges, the sector receiving the smallest percentage of total revenue saw the smallest rate of increase in property tax revenue.

Finally, consistent with the predicted effects of the Gallagher Amendment and times of increasing residential property values, the difference between total actual and assessed values continued to increasingly diverge during the past ten years. Between 1992 and 2002, assessed valuations increased by 112.58% while actual values increased by 193.41% over the same period. Statewide, residential property now accounts for 77.48% of all actual valuations, up from the 74.80% of 2001. Preliminary calculations obtained from the Division of Property Taxation suggest that this trend will continue into 2003. As reported in last year's study, in 2001 Colorado saw its first decrease in the residential assessment rate since 1997. That rate now sits at 9.15. As per state law, that rate held constant in 2002 but preliminary Division of Property Taxation calculations predict further reductions in 2003.

