

C P E C
CENTER FOR TAX POLICY

TAXPAYER REPORT

Vol. XLIX, No. 4
November, 2002

ASSESSED VALUATION AND PROPERTY TAX CHANGES, 2000 and 2001

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Introduction

In a reversal from the state's FY 2000 experience, property values as well as assessed valuations increased at an increasing rate in 2001. Based upon data obtained from the Division of Property Taxation¹, property tax revenue increased by 11.85% between 2000 and 2001, the highest growth rate in a decade.

This report compiles data from the Division of property Taxation's thirty-first annual report released in the spring of 2002. 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. Fiscal year 2001 saw the first change in the residential assessment rate since 1997, with the rate falling from its 1997-2000 level of 9.74% to a new low at 9.15%. 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 1991-2001. Between 1991 and 2001, assessed valuations have more than doubled, experiencing a growth rate of 107.93%. Over the same time period, actual valuations of all property in the state increased by an even greater 187.10%. 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 2001 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.

¹ Data for this report was gathered from the Colorado Division of Property Taxation's 21st Annual Report.

SUMMARY TABLE A
COLORADO ASSESSED AND ACTUAL VALUE, PROPERTY TAX PERCENTAGE CHANGES 1991 TO 2001
(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
1991	\$ 28,285,336	\$ 140,967,253	63.75%	\$ 2,341,834	\$ 1,331,418	\$ 1,010,416
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
<u>Annual Percentage Change</u>						
1992	0.73%	1.38%		2.79%	3.17%	2.29%
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%
1991-1996	18.81%	50.24%		18.91%	17.97%	20.15%
1997-2001	52.61%	61.37%		35.68%	30.58%	42.20%
1991-2001	107.93%	187.10%		75.72%	66.88%	87.37%

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 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. Cheyenne County's residential share fell from 3.19% in 2000 to 2.90% in 2001. Cheyenne is followed closely by Rio Blanco and Kiowa Counties, with residential assessed valuations accounting for 5.07% and 5.94% respectively. At the high end of the spectrum for the state is once again Elbert County with residential representing 65.55%, up from 64.65% in 2000. 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 - 1991 to 2001

Tax Year	K-12 Schools	Jr. Colleges	Counties (Incl. C/C Denver)	Cities	City and County of Denver	Special Districts	Total	Total Per Capita
1991	\$ 1,331,418,579	\$ 23,667,014	\$ 473,926,726	\$ 116,966,104	\$ 124,500,835	\$ 271,355,448	\$ 2,341,834,706	\$ 695
1992	\$ 1,373,621,260	\$ 23,965,857	\$ 475,434,242	\$ 117,734,500	\$ 140,834,865	\$ 275,584,440	\$ 2,407,175,164	\$ 695
1993	\$ 1,372,244,829	\$ 24,321,147	\$ 482,184,914	\$ 116,500,449	\$ 139,744,262	\$ 286,896,539	\$ 2,421,892,140	\$ 680
1994	\$ 1,427,720,644	\$ 25,745,652	\$ 500,871,516	\$ 119,910,714	\$ 139,771,826	\$ 298,484,785	\$ 2,512,505,137	\$ 687
1995	\$ 1,502,911,790	\$ 27,558,452	\$ 536,369,179	\$ 129,604,653	\$ 142,959,579	\$ 328,841,592	\$ 2,668,245,245	\$ 713
1996	\$ 1,570,704,820	\$ 27,080,431	\$ 560,248,408	\$ 135,273,393	\$ 146,645,096	\$ 344,815,185	\$ 2,784,767,333	\$ 730
1997	\$ 1,701,540,305	\$ 31,347,691	\$ 606,895,454	\$ 151,862,139	\$ 156,300,895	\$ 385,009,409	\$ 3,032,955,893	\$ 779
1998	\$ 1,802,695,143	\$ 30,393,831	\$ 636,597,698	\$ 156,867,917	\$ 156,924,819	\$ 411,592,400	\$ 3,195,071,808	\$ 821
1999	\$ 1,947,044,020	\$ 31,411,052	\$ 698,617,836	\$ 179,396,810	\$ 157,633,114	\$ 476,797,783	\$ 3,490,900,615	\$ 866
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
2001	\$ 2,221,904,350	\$ 40,315,492	\$1,009,972,155	\$ 227,632,656	\$ 167,077,247	\$ 615,297,504	\$ 4,115,122,157	\$ 957

Annual Percentage Change								
1992	3.17%	1.26%	0.32%	0.66%	13.12%	1.56%	2.79%	0.00%
1993	-0.10%	1.48%	1.42%	-1.05%	-0.77%	4.10%	0.61%	-2.16%
1994	4.04%	5.86%	3.88%	2.93%	0.02%	4.04%	3.74%	1.03%
1995	5.27%	7.04%	7.09%	8.08%	2.28%	10.17%	6.20%	3.78%
1996	4.51%	-1.73%	4.45%	4.37%	2.58%	4.86%	4.37%	2.38%
1997	8.33%	15.76%	8.33%	12.26%	6.58%	11.66%	8.91%	6.71%
1998	5.94%	-3.04%	4.89%	3.30%	0.40%	6.90%	5.35%	5.39%
1999	8.01%	3.35%	9.74%	14.36%	0.45%	15.84%	9.26%	5.48%
2000	4.78%	1.91%	28.89%	1.10%	3.07%	10.17%	5.39%	1.19%
2001	8.91%	25.95%	12.17%	25.51%	2.83%	17.13%	11.85%	9.17%

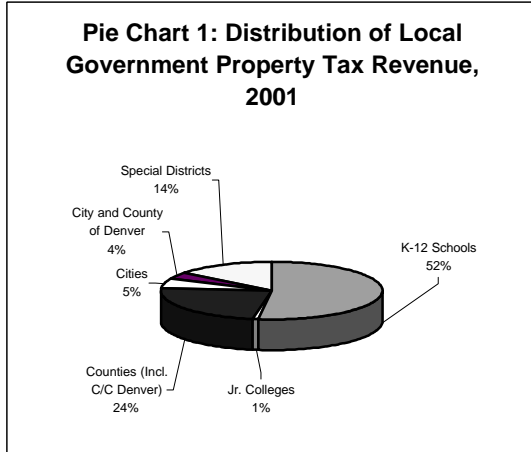
Breakdown of Local Government's Distribution of Revenue

Table B summarizes the distribution of property tax revenue received by different governmental units at the local level. Over the last decade (1991-2001), the ten year growth rate in local government property tax revenue collections was 75.20%. This growth rate continues a trend of increasing ten year property tax revenue growth trends. The previous rate of increase was 63.70% for the decade ending in 2000. Consistent with prior years, the largest portion of locally received property tax revenue supports K-12 education. In tax year 2001, again 52% of total property tax revenues, or \$2.2 billion of the \$4.1 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 just over \$40 million in property tax revenues.

However, junior colleges experienced the largest growth rate in property tax revenue in 2001 with a growth rate of 25.95%. They were followed closely by municipalities with a 25.51% growth rate. Counties, the sector with the highest 2000 growth rate, experienced a growth rate in total revenue of 12.17%, among the lowest of the rates experienced by units of local government in 2001. Overall, property tax revenues grew at a rate of 11.85%, the highest and only double digit one year growth rate in a decade. On a per capita basis, the growth rate of 9.17% was also the highest in a decade. In 2001, each citizen in Colorado shouldered a property tax burden of \$957. However, as per a Division of Property Taxation calculation, residential taxpayers experienced savings of just over \$823 million in 2001 and of an estimated \$5.9 billion since 1987² due to the shift in

² 1987 was chosen as the beginning point for this calculation because the residential

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.

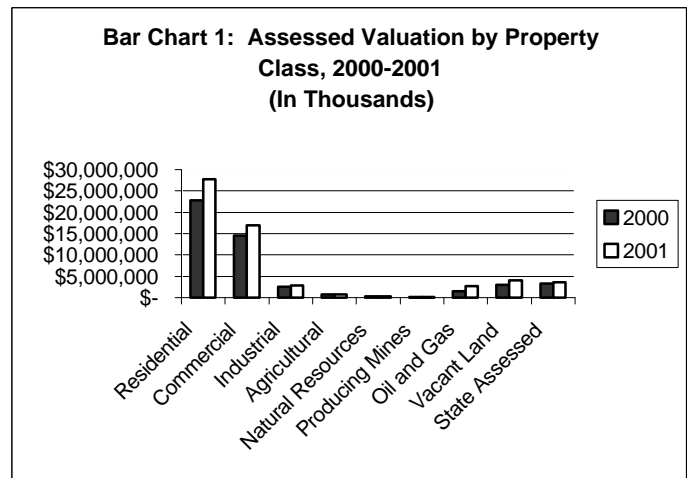


Property Class Changes

Table 1 shows the total assessed valuations for the nine different property classes for the years 2000 and 2001. 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. 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. Once again, oil and gas experienced the largest rate of growth while both producing mines and agricultural lands experienced negative rates of valuation growth in 2001. Overall, growth rates in assessed valuations were almost 5 times greater than those from the year before.

County by County Reviews

Table 2 shows the county by county data for the state. Of the now 64³ counties in Colorado, 13 exceeded \$1 billion in total assessed value, with Summit County as the latest of Colorado's counties to exceed the \$1 billion level. All of Colorado's counties experienced increases in assessed valuations in 2001. The largest increases were experienced by Rio Blanco and La Plata Counties with growth rates of 47.51% and 43.93%, respectively. The rate of increase in La Plata County, largely fueled by increases in the oil and gas classification, is even more remarkable as it is one of the counties with total assessed valuations in excess of \$1 billion. However, all of the state's other large valuation counties (valuations in excess of \$1 billion) experienced at least double digit growth rates in valuation in 2001. The smallest overall increase was in Sedgwick County with a growth rate of 1.26%. Overall, statewide assessed valuations grew at a rate of 20.61%, a return to rates similar to those experienced in 1999. In a reversal from 2000, assessed valuations grew at a greater rate than total property tax receipts, partially as a result of the decrease in average county mill levies of 7.02% statewide.



assessment rate remained at 21% from the passage of Gallagher until 1987. As noted earlier, the residential assessment rate is currently 9.15%.

³ This year's report is the first in which Broomfield County appears.

In 2001, the majority (40 out of 64) of the state's counties experienced double digit growth rates. This is a very different trend from 2000 when only 4 counties experienced growth rates greater than 10%. The fastest growing counties experienced high growth rates because of growth in classifications other than residential, a trend consistent with tax year 2000, but inconsistent with the years prior to 2000. Overall, all of the state's property classifications experienced growth in valuations except for producing mines and agricultural lands.

TABLE 1
COLORADO ASSESSED VALUATION BY PROPERTY CLASS 2000 AND 2001
(In Thousands of Dollars)

Class	2000		2001		Dollar Change	Percent Change	% of Total 2000	% of Total 2001
	\$	\$	\$	\$				
Residential	\$ 22,729,547	\$ 27,699,298	\$ 4,969,751	21.86%	47%	47%		
Commercial	\$ 14,509,466	\$ 16,900,676	\$ 2,391,210	16.48%	30%	29%		
Industrial	\$ 2,502,934	\$ 2,790,876	\$ 287,942	11.50%	5%	5%		
Agricultural	\$ 815,711	\$ 799,198	\$ (16,513)	-2.02%	2%	1%		
Natural Resources	\$ 255,609	\$ 266,471	\$ 10,862	4.25%	1%	0%		
Producing Mines	\$ 99,719	\$ 89,982	\$ (9,737)	-9.76%	0%	0%		
Oil and Gas	\$ 1,485,638	\$ 2,651,249	\$ 1,165,611	78.46%	3%	5%		
Vacant Land	\$ 3,060,650	\$ 4,004,131	\$ 943,481	30.83%	6%	7%		
State Assessed	\$ 3,298,105	\$ 3,610,779	\$ 312,674	9.48%	7%	6%		
TOTAL	\$ 48,757,379	\$ 58,812,660	\$ 10,055,281	20.62%	100%	100%		

Property Tax Revenues

Statewide, total property tax revenue increased by just under \$429 million between 2000 and 2001. This is a much larger increase than the \$195 million of growth experienced between 1999 and 2000. In 2001, total property tax collections in the state topped \$4 billion with total collections just exceeding \$4.11 billion. This represents an 11.64% increase over tax year 2000 collections. Overall, average mill levies in the state decreased by just over 7% and 49 of the state's counties reported decreases in mill levies between 2000 and 2001. Consistent with 2000, increasing valuations fueled the majority of the increase in property tax revenues.

In a county by county review, only Boulder County reported a decrease in property tax revenues in 2001. This decrease is attributable to the transfer of some of Boulder County's commercial property to the new Broomfield County. The largest

absolute increase in property tax revenues was enjoyed by Arapahoe County and on a percentage basis Rio Blanco experienced the largest growth in receipts. Of the larger counties, those with property tax revenues in excess of \$100 million, Douglas County experienced the largest percentage growth at 22.19% or just over a \$47 million increase.

The highest mill levy in the state is now in Phillips County, replacing last year's highest in Kiowa County. The lowest in the state is in La Plata County with a mill levy of 29.228. The largest rate of mill levy growth was 13.09% experienced by Cheyenne County, the only county in the state to post double digit mill levy growth. At the other extreme, Kiowa County's 17.10% decrease in its mill levy was the largest percentage decrease in the state. This brings Kiowa County's mill levy, formerly the highest in the state, more in line with some of Colorado's other higher mill levy counties. The overall statewide decrease in average

mill levy of 7.02% readjusts the level after last years slight increase in statewide overall average.

Conclusion

Values, both assessed and actual continued to grow in Colorado in 2001. In fact, assessed valuations posted their largest percentage growth in a decade with a growth rate of 20.62%. . Over the last ten years, only 1997 and 1999 came close to such a rate of assessed value growth with rates of 14.76% and 16.30%, respectively. The 26.35% growth in actual values was topped only one other time in the decade when actual values grew by 26.54% between 1994 and 1995. Consistent with the trend in Colorado, actual valuations grew at a greater rate than assessed values in 2001.

Property tax revenues, as with assessed valuations, experienced double digit percentage growth in 2001. In a reversal from last year, the rate of growth of property tax revenues accelerated again in 2001. On a per capita basis, each resident of Colorado carries an annual property tax burden of \$957, a 9.17% increase over the per capita tax burden from 2000. However, as per a Division of Property Taxation calculation, residential taxpayers experienced savings of just over \$823 million in 2001 due to the shift in property tax burden from residential to non-residential resulting from the Gallagher Amendment. This increase in both overall and per capita property taxes comes in a year when average mill levies statewide fell by 7.02%. In 2001, unlike 2000, rising valuations are the main contributing factor behind 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 remained at 52%. The fastest growing sector of local government in terms of property tax revenues was junior colleges, yet the overall percentage of revenues to junior colleges remains at only 1% statewide. The share to Colorado's counties

continued to increase, up to 24% from 23% and 20% in 2000 and 1999 respectively.

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 1991 and 2001, assessed valuations increased by 107.93% while actual values increased by 187.10% over the same period. Statewide, residential property now accounts for 74.80% of all actual valuations, up from the 72.85% of 2000. Preliminary calculations obtained from the Division of property Taxation suggest that this trend will continue into 2002. As a result, in 2001 Colorado saw its first decrease in the residential assessment rate since 1997. That rate now sits at 9.15.