A BILL FOR AN ACT

CONCERNING THE ESTABLISHMENT OF REGIONAL RESIDENTIAL ASSESSMENT RATES.

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at http://leg.colorado.gov/.)

Alternatives to the Gallagher Amendment Interim Study Committee. Contingent on the passage of a concurrent resolution that repeals the constitutional requirement that the general assembly adjust the residential assessment rate based on the percentage of the aggregate value of residential real property (Gallagher Amendment), the bill creates regional residential assessment rates. The bill establishes 8 regions in the
state, which are the same as the regions managed by regional offices within the division of local government in the department of local affairs as of January 1, 2019. A local government that is located in more than one region is part of each of the regions, and the respective regional residential assessment rates apply to residential real property depending on which region the property is located.

The property tax administrator (administrator) is required to determine the regional target percentage for each region and, for each year in which there is a change in the level of value used in determining actual value beginning with the 2021 property tax year, the administrator shall calculate the estimated residential assessment rate necessary to insure that the percentage of the aggregate valuation for assessment within a region that is attributable to residential real property remains the same as it was in the year immediately preceding the year in which the change occurs. The estimated regional assessment rate will be the regional residential assessment rate; except that:

- A regional residential assessment rate shall not decrease by more than 5% from the prior reassessment cycle;
- A regional residential assessment rate shall not drop below 5%; and
- An increase in the regional residential assessment rate shall not take effect unless voters of the region approve the increase, the ballot issue for which will automatically be referred to the voters of the region at a coordinated election. If the ballot issue is not approved by a majority of the electors voting thereon, then the reassessment rate stays the same as it was in the prior reassessment cycle.

On or before January 15, 2021, and January 15 of each odd-numbered year thereafter, the administrator shall prepare a preliminary report related to regional residential assessment rates. On or before April 30, 2021, and April 30 of each odd-numbered year thereafter, the administrator shall prepare a final report related to regional residential assessment rates.

The bill also repeals statutory provisions that implemented the Gallagher Amendment, which would be inconsistent with the regional rates.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. In Colorado Revised Statutes, 39-1-104.2, amend (3)(p); and repeal (2), (4), (5), and (6) as follows:

39-1-104.2. Legislative declaration - adjustment of residential
rate. (2) After careful consideration of all available information, the general assembly hereby finds and declares that the action of the first session of the fifty-sixth general assembly which set the ratio of valuation for assessment for residential real property at eighteen percent has produced a deviation from the intent of section 3 of article X of the state constitution which ensures that the percentage of the aggregate statewide valuation for assessment which is attributable to residential real property shall remain the same as it was in the year immediately preceding the year in which a change occurs in the level of value used in determining actual value. Therefore, the general assembly finds that legislation is necessary for the following purposes: To adjust the residential rate for 1988; to ensure that deviations from the constitutional mandate set forth in section 3 of article X of the state constitution shall not be perpetuated into this or any future year; and to provide a process for future adjustments in the ratio of valuation for assessment for residential real property.

(3) (p) Based on the determination by the administrator that the target percentage is 45.76 percent, the ratio of valuation for assessment for residential real property is 7.2 percent of actual value for property tax years commencing on or after January 1, 2017, until the next property tax year that the general assembly adjusts the ratio of valuation for assessment for residential real property but prior to January 1, 2021.

(4) To ensure that in present and future years there is no deviation from the intent of section 3 of article X of the state constitution:

(a) Commencing January 1, 1989, for each year in which there is a change in the level of value, the administrator shall determine the target percentage in order to ensure that the percentage of the aggregate statewide valuation for assessment which is attributable to residential real
property remains the same as it was in the year immediately preceding the
year in which such change occurs. In determining the target percentage,
the administrator shall use data concerning valuation for assessment
which has been adjusted to eliminate the effects of having rounded the
then current residential rate to the nearest one-hundredth of one percent.
The net increase in valuation for assessment attributable to new
construction and to the net increase in the volume of mineral and oil and
gas production shall be added to the valuation for assessment, as so
adjusted. The sum so determined shall be the basis on which the target
percentage is calculated:

(b) In order to implement the provisions of paragraph (a) of this
subsection (4), the administrator shall use data concerning the 1987
valuation for assessment when the aggregate statewide valuation for
assessment was based on the 1985 aggregate statewide valuation for
assessment plus the net increase in valuation for assessment attributable
to new construction and to the net increase in the volume of mineral and
oil and gas production which occurred during 1986. The administrator
shall add the 1988 net increase in valuation for assessment attributable to
new construction and the net increase in the volume of mineral and oil
and gas production to the 1987 aggregate statewide valuation for
assessment, and the resulting amounts shall be the basis for determining
the target percentage for 1989:

(5) (a) Commencing January 1, 1989, for each year in which there
is a change in the level of value used in determining actual value, the
general assembly, pursuant to the authority granted in section 3 of article
X of the state constitution, shall, by law, adjust the residential rate in
order that the percentage of aggregate statewide valuation for assessment
which is attributable to residential real property for such year equals the
target percentage:

(b) The residential rate shall be based on a documented estimate
of the total valuation for assessment of all taxable property in the state
arrived at by projecting the percentage of change in the level of value for
each class of taxable property to all taxable property in such class in the
state:

(e) The administrator shall be responsible for ensuring that a
documented estimate study is completed by the division of property
taxation:

(6) No later than January 15 of each year in which there is a
change in the level of value used in determining actual value, the
administrator shall report to the state board of equalization:

(a) An estimate of the total valuation for assessment of all taxable
property in the state;

(b) An estimate of the percentage of aggregate statewide valuation
for assessment which would be attributable to residential real property if
the residential rate fixed in current law remained the same. Such estimate
shall be based upon the projected valuations as determined by the
documented study:

(c) The target percentage as determined under paragraph (a) of
subsection (4) of this section;

(d) The projected residential rate. The rate shall be rounded to the
nearest one-hundredth of one percent, and the rate shall ensure that the
percentage of the aggregate statewide valuation for assessment which is
attributable to residential real property shall remain as it was in the year
immediately preceding the year in which such change occurs.
SECTION 2. In Colorado Revised Statutes, 39-1-104, repeal (1.5) as follows:


Residential real property shall be valued for assessment at twenty-one percent of its actual value, except as provided in section 39-1-104.2.

SECTION 3. In Colorado Revised Statutes, add 39-1-104.7 as follows:

39-1-104.7. Local government - assessment rates - definitions.

(1) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE REQUIRES:

(a) "LOCAL GOVERNMENT" MEANS A COUNTY, CITY AND COUNTY, CITY, TOWN, SPECIAL DISTRICT, OR SCHOOL DISTRICT.

(b) "REASSESSMENT CYCLE" MEANS THE TWO-YEAR REASSESSMENT CYCLE DESCRIBED IN SECTION 39-1-104 (10.2).

(c) "REGION" MEANS A REGION CREATED IN SUBSECTION (2) OF THIS SECTION.

(d) "REGIONAL RESIDENTIAL ASSESSMENT RATE" MEANS THE RATIO OF VALUATION FOR ASSESSMENT FOR RESIDENTIAL REAL PROPERTY FOR EACH REGION THAT IS DETERMINED IN ACCORDANCE WITH THIS SECTION.

(e) "TARGET PERCENTAGE" MEANS THE PERCENTAGE OF AGGREGATE VALUATION FOR ASSESSMENT ATTRIBUTABLE TO RESIDENTIAL REAL PROPERTY FOR A REGION AS DETERMINED IN ACCORDANCE WITH SUBSECTION (3)(a) OF THIS SECTION.

(2) (a) FOR THE PURPOSE OF ESTABLISHING A REGIONAL RESIDENTIAL ASSESSMENT RATE, THE STATE IS DIVIDED INTO EIGHT

(b) A LOCAL GOVERNMENT THAT IS LOCATED IN MORE THAN ONE REGION IS PART OF EACH OF THE REGIONS, AND THE RESPECTIVE REGIONAL RESIDENTIAL ASSESSMENT RATES APPLY TO RESIDENTIAL REAL PROPERTY DEPENDING ON WHICH REGION THE PROPERTY IS LOCATED.

(3) (a) For the property tax year commencing January 1, 2019, the administrator shall determine the percentage of the aggregate valuation for assessment that is attributable to residential real property within each region. For each reassessment cycle thereafter, the administrator shall again determine the percentage of the aggregate valuation for assessment that is attributable to each class of taxable property within each region, after adding in the increased valuation for assessment attributable to new construction and to increased volume of mineral and oil and gas production. For each year in which there is a change in the level of value used in determining actual value, the administrator shall calculate the estimated residential assessment rate necessary to insure that the percentage of the aggregate valuation for assessment within each region that is attributable to residential real property remains the same as it was in the year immediately preceding the year in which the change occurs. Beginning with the property tax year commencing on January 1, 2021, the estimated regional residential assessment rate determined by the administrator for a region for a reassessment cycle is the
REGIONAL RESIDENTIAL ASSESSMENT RATE THAT APPLIES FOR ALL PROPERTY WITHIN THE REGION, EXCEPT AS SET FORTH IN SUBSECTION (4) OF THIS SECTION.

(b) On or before January 15, 2021, and January 15 of each odd-numbered year thereafter, the administrator shall prepare a preliminary report related to the regional residential assessment rates. On or before April 30, 2021, and April 30 of each odd-numbered year thereafter, the administrator shall prepare a final report related to the regional residential assessment rates. The preliminary and final reports related to the regional residential assessment rate must include the following information for each region:

(I) The target percentage for each region;

(II) The estimated regional residential assessment rate calculated under subsection (3)(a) of this section; and

(III) The regional residential assessment rate that applies for each region in light of the limitations set forth in subsection (4) of this section. If the regional residential assessment rate is contingent on voter approval, then the administrator must identify the regional residential assessment rate that will be referred to the voters and the regional residential assessment rate for the current reassessment cycle.

(4) (a) (I) A regional assessment rate for a reassessment cycle shall not decrease by more than five percent of the regional reassessment rate from the prior reassessment cycle.

(II) The minimum regional assessment rate is equal to five percent.
(b) If the administrator's calculation indicates that a regional assessment rate should increase, the local governments within the region shall conduct a coordinated election at the election held on the first Tuesday in November of the first year of the reassessment cycle to seek voter approval to increase the regional assessment rate as set forth in this section. If the ballot measure is approved by a majority of the electors in the region voting thereon, then the regional assessment rate for the region is the rate approved by the voters of the region. If the ballot measure is not approved by a majority of the electors voting thereon, then the reassessment rate stays the same as it was in the prior reassessment cycle.

(5) The regional residential assessment rate determined under this section is rounded to the nearest one-hundredth of one percent.

SECTION 4. Act subject to petition - effective date. (1) Except as otherwise provided in subsection (2), this act takes effect at 12:01 a.m. on the day following the expiration of the ninety-day period after final adjournment of the general assembly (August 2, 2019, if adjournment sine die is on May 3, 2019); except that, if a referendum petition is filed pursuant to section 1 (3) of article V of the state constitution against this act or an item, section, or part of this act within such period, then the act, item, section, or part will not take effect unless approved by the people at the general election to be held in November 2020 and, in such case, will take effect on the date of the official declaration of the vote thereon by the governor.

(2) This act takes effect only if House/Senate Concurrent
Resolution is approved by the people at the November 2019 statewide election and becomes law, and, in such case, this act takes effect on the date of the official declaration of the vote thereon by the governor.