metrodistrict EDUCATION ALLIANCE

Gallagher and TABOR Amendments

Coloradans passed two constitutional amendments in the 1980s and 1990s that have provided more motivation to use metropolitan districts but have also contributed to the confusion around taxing.

- The Gallagher Amendment was approved by voters in 1982 and it froze the assessment rate for non-residential property at 29% and dictated that the assessment rate for residential property would change as needed to maintain a statewide split in property taxes between residential property (45%) and non-residential property (55%).
- This measure effectively reduced taxes for residential property (the residential assessment rate declined from 21% to 7.15%) but also resulted in less revenue for the existing cities and towns.
- With less revenue available, more pressure was put on growth to "pay its own way" and metro districts are a mechanism to do this.
- For residential property owners, Gallagher reduced their general tax burden but created challenges for local jurisdictions to provide public infrastructure, thus allowing the opportunity for metro district taxes.
- Voters can pass a "Gallagher Adjustment," but it has proven hard to get voters in established communities to do so.
    - Voter-approved "Gallagher Adjustments" have led to much confusion regarding perceived tax increases.
    - A Gallagher Adjustment only allows an increase in a mill levy to make up for the loss in tax revenue resulting from a change in the residential assessment rate, this is best explained in an example using the change in residential assessment rate that occurred in 2016/2017 (from 7.96% to 7.2%):

- The Taxpayers Bill or Rights (TABOR) was approved by voters in 1992 and places limits on the amount of revenue that governments can retain and spend and requires voter approval for any tax increases.
    - Like the Gallagher Amendment, TABOR has also made it difficult for cities and municipalities to find funding to provide services and has increased the pressure for new growth to "pay its own way."
    - By requiring new development to "pay its own way," cities and counties avoid having to ask voters for a tax increase and bonding authority.
    - Expenditures and revenue of the development do not cause the city to run up against their revenue and spending limits required under TABOR
    - The burden of taxation and bonding authority for public infrastructure is shifted to the taxpaying residents in the metropolitan district.