

San Miguel County Revenue Stabilization Ballot Question 1A

Q & A

Q. What is the Gallagher Amendment? Why does the State change the assessment rate?

- A. The Gallagher Amendment was passed in 1982 when residential property tax rates were 21 percent. It set the amount the State can collect in property tax revenue to a ratio of 45 percent residential and 55 percent non-residential. The non-residential rate was fixed at 29 percent, therefore the State can only adjust the Residential Assessment Rate (RAR) to meet the ratio. This is a statewide average, so the boom of front range residential growth has driven the amount that the State can collect from residential down annually impacting rural counties who have very little commercial and residential values that are not increasing as rapidly if at all. TABOR (Colorado's Taxpayer Bill of Rights), passed in 1992, requires any tax increases to go to voters, so as values rise, the assessment rate goes lower, but cannot be readjusted if values decrease because it would be considered a tax increase.

Q. What is the difference between the County's 1A question and the State's Amendment B "Gallagher Amendment Repeal Measure"?

- A. Amendment B would repeal the Gallagher Amendment. As a short term fix, the State legislature approved Senate Bill 20-223 last session, which will freeze the current assessment rates (7.15 percent residential and 29 percent non-residential), but this is a legislative action that could be repealed the following year, therefore providing little certainty for counties trying to budget for essential services. After working diligently with State lawmakers for the last few years, several counties, including San Miguel, are addressing this issue at the local level. 1A will allow the County to maintain a stable revenue stream from property taxes if the legislature changes the assessment rates in the future, with or without passage of Amendment B.

Q. Is Ballot Question 1A a new tax?

- A. No. It would allow the County to adjust its mill levy, if needed, to collect the same amount of revenue if the State had maintained the assessment rate at 7.15 percent residential and 29 percent non-residential. Adjustments would be considered annually and the mill levy would revert to the current 11.652 rate after each temporary adjustment.

Q. If 1A passes, when would it go into effect? Would it still go into effect if Amendment B passes?

- A. If voters pass question 1A, it would take effect on January 1, 2021. Property taxes are paid one year in arrears, so it would begin to impact the property taxes collected in 2022. If Amendment B also passes, the County would not activate any mill levy adjustments unless the State reduces the assessment rates.

Q. Does this affect all taxes, including schools, special districts, state or federal taxes?

- A. No. This only applies to the County mill levy. Previously, Telluride's Fire, School, Library and Medical Center Districts passed similar measures.

Q. If property values increase dramatically, is there a cap on the amount the County could collect?

- A. Yes. The County could not collect more than 10 percent of the amount of property tax revenue collected in the previous year.

Q. What is “Assessed Valuation” and how are county property taxes calculated?

A. Assessed value = the actual value of a property X the assessment rate.

- \$100,000 residential property X 7.15% = \$7,150
- \$100,000 non-residential property x 29%= \$29,000

A. Taxes = Assessed value of a property X the mill levy

- \$7,150 X 11.652 (SMC’s current mill levy) = \$83.31 per \$100,000 on a residential property
- \$29,000 X 11.652 mills = \$337.91 per \$100,000 on a non-residential property

Q. If 1A does not pass how will it impact the County?

A. Based on the current valuation, if the Residential Assessment Rate (RAR) changes from 7.15 percent to 5.88 percent (the latest rate projected by the State), the County would lose over \$1.3M in revenue in 2021.

Q. As a homeowner what will I save if 1A does not pass?

A. Assuming the RAR drops to 5.88 percent in 2021, as projected by the State, a residential property would save around \$14.80 per \$100,000 and the commercial tax rates would not change. An estimated individual savings of \$74 on a \$500,000 home collectively adds up to a 1.3 million dollar deficit for the County. The County is beginning to rely on reserves to provide the existing services including road and bridge maintenance, emergency management, public safety, public health, social services and more. The costs of delivering these services is increasing along with the cost of living in the region, therefore we will have to find ways to gradually reduce services in order to continue to maintain the services that the State requires of county governments.

Q. What are the other sources of revenue available?

A. Property tax is the majority of county revenue, with sales tax, service fees and grants providing the balance. The County would have to ask voters to increase the 1 percent County sales tax rate and raise service fees, some of which are limited by statute.

For additional questions email mikeb@sanmiguelcountyco.gov or visit sanmiguelcountyco.gov/Question1A