

Town of Avon Ballot Issue 2E Gallagher Amendment Stabilization Question November 3, 2020 ballot



BALLOT ISSUE The Avon Town Council referred Ballot Issue 2E, a Gallagher Amendment Stabilization Question, to the Avon voters. Ballot Issue 2E would authorize, but not require, the Avon Town Council to increase the Town of Avon's mill levy rate to maintain current property tax revenues that would otherwise decrease in the future due to provisions of the Gallagher Amendment. Both Eagle County and the Eagle Fire Protection have placed similar ballot issues on their respective ballots to maintain existing property tax revenues.

BACKGROUND

The Gallagher Amendment was adopted in 1982 in response to ongoing concerns about ever-increasing residential property taxes. The Gallagher Amendment divides the state's total property tax burden between residential and nonresidential property. Gallagher requires that 45% of the total amount of state property tax collected must come from residential property and the remaining 55% must come from commercial property. Gallagher goes on to provide the assessment rate for commercial properties is permanently fixed at 29%.

Given the assessment rate for commercial properties is set at 29%, the General Assembly must set the residential

assessment rate (the "RAR") every odd year in order to maintain the 45%/55% allocation between residential and commercial taxes mandated by Gallagher. In 1982, the RAR was at 21%, but due to significant growth in the residential real estate market in the last forty years the RAR has decreased significantly over time, and the RAR was most recently set at 7.15% in 2019.

GALLAGHER IMPACT

As a general matter, an individual's property tax bill, and the amount ultimately received by the Town, is calculated using the following formula:

$$\text{Market Value of Property} \times \text{Residential Assessment Rate} \times \text{Town of Avon Mill Rate} = \text{Property Tax}$$

EXAMPLE for residence worth \$500,000:
Market Value of Property: \$500,000 x
2019 Residential Assessment Rate: 7.15%
x
Avon Mill Levy Rate: 8.956

$$\$500,000 \times .0715 \times .008956 = \$320.18 \text{ property tax due to the Town of Avon.}$$

The Town of Avon sets the Mill Levy rate, the Market Value is set by the Eagle County Assessor and the Residential

Assessment Rate is set by the State of Colorado in accordance with Gallagher. Due to statewide residential development outpacing commercial development in Colorado since 1982 the Residential Assessment Rate has declined, which then reduces property tax revenues when the mill levy remains the same.

The State of Colorado is expected to reduce the residential assessment rate in 2021 from 7.15% to 5.88%. This change would affect Avon's property tax assessment on a hypothetical \$500,000 residence as follows:

$$\$500,000 \times .0588 \times .008956 = \$263.30 \text{ property tax due to the Town of Avon, or a } \$56.88 \text{ reduction in annual property tax due to Avon.}$$

Passage of Ballot Issue 2E would have the anticipated impact of maintaining Avon's property tax at \$320.18 for a \$500,000 residence rather than resulting in a \$56.88 property tax reduction from a lower Residential Assessment Rate in 2021. Passage of Ballot Issue 2E would have the anticipated impact in maintaining existing Town of Avon property tax revenues and prevent an overall property tax revenue reduction of approximately \$240,000 for the Town of Avon.

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BALLOT QUESTION LANGUAGE :

BALLOT ISSUE 2E - SUSTAINING EXISTING LEVELS OF COUNTY REVENUE FROM FUTURE STATE IMPOSED REDUCTIONS IN RESIDENTIAL ASSESSED VALUATION RATES DUE TO ARTICLE X, SECTION 3 OF THE COLORADO CONSTITUTION (GALLAGHER AMENDMENT) OR SIMILAR STATE ACTION WITHOUT RAISING THE MILL LEVY FOR THE 2021 TAX COLLECTION YEAR, SHALL THE AVON TOWN COUNCIL HAVE THE AUTHORITY TO ADJUST THE TOWN OF AVON'S MILL LEVY RATE THEREAFTER AS NEEDED FOR THE SOLE PURPOSE OF MAINTAINING REVENUES THAT MAY OTHERWISE BE LOST AS A RESULT OF STATE IMPOSED REDUCTIONS IN THE RATIO OF ASSESSED PROPERTY TAX VALUATIONS SO THAT THE ACTUAL TAX REVENUES GENERATED BY THE TOWN'S MILL LEVIES ARE THE SAME AS THE REVENUES THAT WOULD HAVE BEEN GENERATED HAD THE STATE NOT IMPOSED SUCH REDUCTIONS, IN ORDER TO ALLOW THE TOWN TO SUSTAIN SERVICES TO THE AVON COMMUNITY?

_____ YES/FOR

_____ NO/AGAINST

Arguments to vote YES on Ballot Issue 2E: (1) Ballot Issue 2E would authorize, but not require, the Avon Town Council to capture revenues lost due to the Gallagher Amendment so the Town of Avon may maintain its current level of services without having to raise taxes in the future. Ballot Issue 2E is not asking for an increase in tax revenue. (2) The Gallagher Amendment was added to the Colorado

Constitution in 1982, and initially set the Residential Assessment Rate ("RAR") at 21% and Commercial Assessment Rates at 29%. While the commercial rate is fixed, the residential rate can move up or down. The amendment also requires property tax revenues in the state to be collected at a ratio of 45% residential and 55% all other property types. In order to maintain this ratio, the Colorado General Assembly is required to set the RAR every two years to keep the 45%/55% ratio in place. (3) As the State of Colorado has experienced significant residential growth, the Colorado General Assembly has consistently been forced to decrease the RAR - from 18%, then 15%, then 12%, then 9%, down to 7.96% in 2003. It then dropped again to 7.15% in 2017 and is expected to drop again to 5.88% in 2020. (4) As a result, the amount of money the Town has been able to collect on property taxes has decreased over the years. It is anticipated the reduction in the RAR to 5.88% will result in the Town losing approximately \$240,000 in revenues next year. These types of revenue losses will continue and only increase as the RAR continues to decline as residential property values continue to increase. Ballot Issue 2E not only prevents revenue losses now, but so long as the state continues to decrease the RAR. (5)

Ballot Issue 2E only authorizes the Avon Town Council to increase the mill levy to make up for the amount of revenue lost by state imposed changes to the RAR. Ballot Issue 2E does not authorize the Town to generate new revenue. (6) Passage of Ballot Issue 2E will allow the Town to avoid budget cuts that would impact services and amenities we all value, including the Rec Center, maintenance of Nottingham Park, snowplowing, the summer concert series (including Salute to the USA) and other basic Town functions.



Arguments to vote NO on Ballot Issue 2E: (1) It's simple. The Town of Avon wants to freeze the mill levy at the current rate of 7.15% while under State law the rate will drop to 5.88%. The Town of Avon wants to circumvent the State Constitution in order to generate more taxes. Which is a tax increase or they wouldn't be required by law to ask you to vote on it. In other words,

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your taxes will be lower if this bill does not pass. **(2)** But there's more. They also want to adjust the mill levy "thereafter" for the same purpose with no end in sight. **(3)** For 2021 they will not raise the current mill levy, they will just maintain the current rate of 7.15%. But read the next sentence. "Thereafter" they are asking for the right to adjust the mill levy to "maintain revenues" - whatever that means- and it does not include a sunset date. So we are being asked to give them this authority forever. This request is nothing more than the Town

of Avon asking for a blank check going forward for whatever "maintaining revenues" means. **(4)** This is local government attempting to circumvent the State Constitution. But even worse, there is no alternative plan in place as to what's next. It's simply the old adage "I'm from the government and I'm here to help so trust me". **(5)** Removing this protection in this unstable economic environment, when already 32% of homeowners are behind in their mortgage payments, is an irresponsible solution to a problem that can

be fixed without increasing property taxes or changing the basic structure of the current law. **(6)** So ask yourself one basic question. In good times, does government ever give you a refund? I think we all know the answer to that. **(7)** If Amendment B passes, your assessment rate will be 7.15%. If it is defeated, your assessment rate will be 5.88%. It's a tax increase and it's that simple.

