

MILL LEVY CORRECTION

Implementation of House Bill 21-1164



COLORADO
Department of Education

Mill Levy Correction

This December, many Colorado school districts will begin raising property taxes to fix a decades' old practice that reduced local taxes for education based on what has now been determined to be an incorrect interpretation of the Colorado Constitution.

Background

In the 1990s and 2000s, many school districts obtained voter approval to retain and spend revenue above the property tax revenue limitation imposed on the district by the Colorado Taxpayer Bill of Rights (TABOR) provision of the Colorado Constitution. TABOR limits the amount of revenue the state can retain and spend. Voter approval to retain revenue above the TABOR limit is often known as a "de-TABOR" vote or "de-Brucing," after Douglas Bruce, who authored the Colorado Taxpayer Bill of Rights.

Districts that de-TABORed had permission from the voters to keep their local property tax collection mill levy at the level in place at the time of the de-TABOR vote.

However, the Colorado Department of Education and others interpreted state statute such that some de-TABORed districts should, instead, reduce their local property tax collections through 2007. Because de-TABORed districts had permission from the voters to keep their property tax collection at a higher level, it is now clear that local property tax collections should not have been reduced.

House Bill 21-1164

Beginning in 2020, the state Legislature began to take action to correct the historical error of reducing local property tax mill levies in districts where taxpayers had voted to keep them higher.

In 2021, the legislature passed HB 21-1164, requiring CDE implement a correction plan for districts with temporary tax credits. Specifically, the plan must ensure that districts incrementally reduce temporary tax credits "as quickly as possible but by no more than one mill each property tax year," beginning in the 2021 tax year.

CDE developed an implementation plan for HB21-1164 in compliance with the statute. Beginning in the 2021 tax year, districts with temporary tax credits will reduce their tax credits by a maximum of one mill each year until the credits are reduced to zero. (See sidebar).

Mill Levy Correction

The Mill Levy Correction impacts 118 out of 178 Colorado school districts. These 118 school districts have been directed by the legislature to raise their local property tax mill levy, over time, to the lowest of:

- LCCS*
1997 • The mill levy level approved by their voters at the time of the de-TABOR vote;
- 19.067* • The mill levy level required to fully fund the district according to the school finance formula;
- 26.830* • or 27 mills.

Impacted districts have put in place temporary tax credits and will reduce those credits by no more than 1 mill per year until the credits are exhausted and the local mill levy is back at the legally required level.

Districts' temporary tax credits range from .004 mills (1 year of credits) to 17.695 mills (18 years of credits).

$$\text{LCCS} - 2.468 = 3\text{yrs}$$

Mill Levy Correction will be implemented starting in the 2021 tax year.

A mill is a \$1 tax payment for every \$1,000 of taxable property value, which is set by a county assessor.

Mill Levy Correction Drop-In Article

~~$0.27 \times 35,750 = \$9,750$~~ . A one mill increase will increase the property tax to ~~$\$965.25 (0.27 \times \$35,750)$~~ for 2021. Please note that, due to potential changes to property tax policy, these calculations are only valid for 2021.

These charts shows the cost of an additional one mill per year for the 2021 taxpayer, per \$100,000 of property value, for both residential and non-residential property taxpayers:

Residential Property

2021 Actual Property Value	2021 Residential Assessment Rate	2021 Assessed Property Value	One Mill (.001)	Impact of One Additional Mill for 2021
\$100,000	7.15%	\$7,150	.001	\$7.15
\$200,000	7.15%	\$14,300	.001	\$14.30
\$300,000	7.15%	\$21,450	.001	\$21.45
\$400,000	7.15%	\$28,600	.001	\$28.60
\$500,000	7.15%	\$35,750	.001	\$35.75

Non-Residential Property

2021 Actual Property Value	2021 Residential Assessment Rate	2021 Assessed Property Value	One Mill (.001)	Impact of One Additional Mill for 2021
\$100,000	29%	\$29,000	.001	\$29.00
\$200,000	29%	\$58,000	.001	\$58.00
\$300,000	29%	\$87,000	.001	\$87.00
\$400,000	29%	\$116,000	.001	\$116.00
\$500,000	29%	\$145,000	.001	\$145.00

The addition of these funds into the education funding system will free up state money for education that otherwise would have been used to “backfill” the undercollection of local property taxes. As a result, the legislature will have access to additional state funds for education. In the 2021-22 school year, the legislature chose to allocate these newly available state funds to additional funding for at-risk and English learner students in Colorado school districts.

For more information, please visit: <https://www.cde.state.co.us/cdefinance/milllevycorrection>.

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