Superintendents/Principals to Parents and Community Members

*Use this entire article or just portions of it to communicate about the mill levy correction.*

**Property tax change to correct decades-long misinterpretation of tax laws**

Most Colorado taxpayers will see their property taxes increase beginning this December due to a legislative fix to a decades-long practice that incorrectly reduced local taxes for education based on what now has been determined to be a misinterpretation of the Colorado Constitution.

The change in tax collection is mandated by House Bill 21-1164, which was signed into law in June to untangle a long-held misunderstanding by the Colorado Department of Education (CDE) and others in how Colorado’s Taxpayer’s Bill of Rights (TABOR) should be interpreted.

TABOR limits the amount of tax revenue the state can retain and spend. In the 1990s and 2000s, most school districts asked voters to allow them to retain and spend revenue in excess of the property tax revenue limitation imposed by TABOR—a voter decision that is also known as “de-Brucing” or “de-TABORing.”

Districts that de-TABORed had permission from voters to keep their local property tax collection mill levy at the level in place at the time of the de-TABOR vote. However, CDE and others interpreted state statute in such a way that de-TABORed districts should, instead, reduce their local property tax collections through 2007. Legal interpretation now concludes this was incorrect. Property taxes should never have been reduced.

The Legislature has required districts to determine what their correct mill levy should be, assuming that the unauthorized reductions had never taken place. Tax credits were put in place in December 2020 to backfill the difference between a district’s current mill levy and the mill levy that should have been in place because of the de-TABOR vote.

The legislation required CDE to develop a gradual correction plan for affected districts, allowing them to increase their local property tax collections by a small amount every year until the tax credits are zero. A total of 118 of the state’s 178 school districts are impacted by this taxation correction.

**What does it mean for taxpayers in (NAME OF SCHOOL DISTRICT) for the 2021 tax year?**

OUR DISTRICT’s voters passed a de-TABOR vote in XXXX. Our current mill levy is XX. The target mill levy is XX, meaning that we have YY in temporary tax credits. Taxpayers in our district will see a maximum one mill increase in their property tax mills for education total program yearly beginning in the 2021 tax year and occurring each year following until the tax credits are reduced to zero. A mill is a $1 tax payment for every $1,000 of taxable property value, which is set by a county assessor.

For the 2021 tax year, the residential assessment rate in Colorado is 7.15%. The assessed property value is the actual property value (provided by the county assessor) x the assessment rate.

In OUR DISTRICT, the total school district mills levied on all residential properties in 2020 was 26 mills. For a home with an actual value of $500,000, and an assessed property value of $35,750 ($500,000 x 7.15%), the property tax last year was .026 x 35,750 = $929.50. A one mill increase will increase the property tax to $965.25 (0.27 x $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.