

MILL LEVY CORRECTION

Implementation of House Bill 21-1164



Mill Levy Correction

This December, many Colorado school districts will begin raising property tax levies to fix a decades' old practice that reduced local tax revenue 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 and local governments 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 127 out of 178 Colorado school districts. These 127 school districts have been directed by the legislature to raise their local property tax mill levy, over time, **to the lowest of:**

- The mill levy level approved by their voters at the time of the de-TABOR vote;
- The mill levy level required to fully fund the district according to the school finance formula;
- 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 .048 mills (1 year of credits) to 18.480 mills (19 years of credits).

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.