

It's Time for Gallagher to Take a Bow... and Exit the Budget Tampering Stage

Perhaps the [Gallagher Amendment](#) made sense in 1982, but in 2020 the cost of automatic reductions in residential property taxes – without consideration of the consequences – has become too great. Repealing Gallagher and freezing the residential assessment rate at its current rate will help Colorado's small businesses recover from the COVID crisis and stop the harm to local service providers, particularly in rural and less wealthy areas.

In 1982 the residential assessment rate was 21%. Today, it is 7.15%, and the impacts of the COVID recession may lower it again to 5.8%. A YES vote on Amendment B is *not* a tax hike. It is a freeze of the current residential tax assessment rate and a recognition that Gallagher has achieved its goal of reducing residential property taxes, but further formulaic reductions will harm Colorado's recovery from the COVID health and economic crises.

A thriving economy does not only depend on a favorable business environment, it also depends on the quality of life we enjoy, and the quality of the education our children receive – our future workforce. COVID has renewed our understanding of the value of our first responders, nurses, doctors, and educators in maintaining and building quality of life for Coloradans. Gallagher's erosion of the residential property tax base threatens to further squeeze resources from these services when we need them most, and often *where* we need them the most.

Many wealthier and growing communities, especially along the Front Range, have felt less impact of the negative consequences of Gallagher because residential property values have risen enough to offset forced residential rate reductions. Districts in rural and less wealthy communities have seen their reduction in rates get piled onto lower property values further stressing budgets for K-12 schools, fire and ambulatory services, law enforcement, and hospitals.

Gallagher also increases the burden on small businesses in this time of economic crisis. Over the years, residents of local service districts have voted to raise their mill levies to offset revenue losses caused by Gallagher. Each time this happens the property tax burden gets shifted more from homeowners to businesses because the assessment rate for non-residential properties is fixed at 29% while the residential rate continues to decline.

The impact is stark. At the time Gallagher entered the Colorado Constitution, businesses paid \$1.40 in property taxes for every \$1.00 paid by homeowners. Today, businesses pay \$4.00 for every \$1.00 paid by homeowners.¹ Shifts in property values due to the COVID recession means that soon, it may be five to one. While this arrangement may have been appropriate in responding to rising residential property taxes in 1982, now it is adding a burden to Colorado's businesses when many of them are struggling to survive during the COVID pandemic.

We encourage Colorado voters to vote YES on Amendment B.

Submitted by: Michelle Claymore, 2020 EDCC Board Chair on behalf of the Economic Development Council of Colorado (EDCC).

For more information on Amendment B and the impacts of Gallagher, please refer to <https://edconline.org/product/virtual-series-iv-why-should-i-care-about-gallagher/>

¹ <https://buildingabettercolorado.org/understanding-the-gallagher-amendment/>

About the Economic Development Council of Colorado:

Established in 1976, the Economic Development Council of Colorado (EDCC) promotes effective, responsible economic development across Colorado. Today we are the state's premier economic development resource, representing the economic development interests of both the private and public sectors throughout the state. We connect our communities, our members and our partners to high-quality educational opportunities and trusted resources, and advocate for sound policies and programs that support a vibrant economy and enhance quality of life for all of Colorado.

EDCC members come from a variety of settings. We are rural and urban, public and private sector, for profit and not-for-profit, and include individual communities, counties and regional organizations, local and state government, chambers of commerce, universities and private industry. We are economic development professionals, community volunteers, and business and political leaders. For more information on EDCC, follow us on Twitter and Facebook. To become involved with EDCC visit us at <https://edcconline.org/> or email us at edcc@edcconline.org.