

Dear General Assembly Members:

RE: SCR20-001 Gallagher Repeal

Members of the Colorado real estate community herein represent a number of trade organizations and major companies in our community. Our missions identify, analyze and communicate policy positions to the greater business community and the voting public.

We would like to share our views and concerns about SCR20-001, the proposed Senate Concurrent Resolution to repeal the Gallagher Amendment. While we appreciate the intent to remedy some of the challenges that the Gallagher Amendment has presented over the years, we are concerned that this approach may have unintended consequences to our economy.

We agree that the current commercial property tax rates are highly expensive for our business sectors that drive the Colorado economy and these revenues also contribute significant support to our local governments, school districts, and special districts that provide essential services such as fire protection to Coloradans. And we understand that if property tax assessments decline it would place pressure on the state budget to backfill these important needs. However, we are concerned about potential unintended consequences that this measure could have in the future if we de-couple Gallagher from the Constitution. Some of our specific concerns and comments are as follows:

- Commercial assessments have long supplied substantial and increasing revenue contributions to state and local government due to a consistent 29% assessment rate. The economic downturn related to Covid-19 is estimated to reduce valuations and therefore these payments. And if we see Commercial properties go out of business these current property tax rate cannot alleviate that type of lost revenue.
- Removing the commercial assessment rate from the Constitution will make the property tax assessment rate subject to future rate hikes. And while voters have TABOR to give them the opportunity to vote on any increases for now, if TABOR were not part of the equation, there would be nothing to hold back increases to business or residential property taxes.
- Alternatively, we do not have confidence that future legislatures would ever consider reducing property taxes.
- The current proposal also would uncouple commercial assessment rates from residential rates, making businesses more vulnerable to voters increasing taxes on the business community.
- Without an expected tax rate reduction many homeowners and businesses may not be able to remain in Colorado's urban core.
- Why did we not consider a timeout to Gallagher such as Referendum C in years past with TABOR? This time would allow for work to determine a long-term solution that tackles the big issues that affect working family budgets more comprehensively.

We recognize that putting forward a replacement concept for Gallagher requires more significant stakeholder work and would involve a higher threshold of 55% of voters to succeed at the ballot box

than a straight repeal of the Gallagher Amendment. However, we believe this important step should not be overlooked because finding a more long-term way to address potential unintended consequences of SCR-001, the inequality in our property tax system and the school finance formula as we continue to confront a volatile, changing economic environment post Covid-19 is certainly a worthy endeavor to put Colorado on a path to future economic prosperity for all Coloradans.

We appreciate your consideration of our concerns about the proposal and we respectfully request that you take them into account as you consider SCR20-001.

Sincerely,

*Colorado Association of REALTORS®*

*Denver Commercial Association of REALTORS®*

*Colorado Association of Mechanical and Plumbing*