Municipal Fiscal Policy

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CML

COLORADO MUNICIPAL LEAGUE

Empowered cities and towns, united for a strong Colorado

Municipal Revenue Sources

- Sales and Use Tax
- Property Tax
- Fees
- Other taxes
  - Lodging tax
  - Occupation tax
  - Admissions tax

Outside sources

- Federal Funds
  - Community Development Block Grants
  - Specific program grants (COPS, etc.)
- State Funds
  - Highway Users Tax Fund
  - Severance Tax
  - Cigarette Tax
  - Marijuana Tax

Sales Tax

- Tax levied as a percent of retail sales of tangible personal property
- Cities and towns authorized by statute to adopt municipal sales or use tax by ordinance (subject to voter approval)
- Primary revenue source for Colorado cities and towns.
- Use tax is sales tax levied on certain goods (building materials, vehicles) purchased outside of the municipality, but used or consumed within the municipality

Property Tax

- Property Tax mill levy set each year by Trustees/Council
- The levy of one mill collects $1 for each $1,000 of assessed valuation of taxable property
- Property Tax is collected by the County Treasurer and remitted to the municipality

Fees

- Fees are charges imposed for the purpose of defraying the cost of a service
- Fees collected are dedicated to funding that particular service
- Wide variety of fees
  - Development impact   - Facilities use
  - Recreation programs   - Franchise
  - Refuse disposal

Enterprises

- Enterprises are exempt from TABOR limits and election provisions
- Enterprises are "government businesses" that are self supporting
- To maintain enterprise status they can receive no more than 10% of their revenue from tax dollar sources.
- Water and wastewater utilities are a common example of an enterprise

CONSTITUTION
Gallagher Amendment

- Voters approved Gallagher in 1982
- Requires 55% of property tax to be collected from commercial property – 45% residential
- Growth of residential properties have outpaced commercial property growth
- Result: Commercial property assessed at 29% of market value – residential at 7.2% - to maintain 55/45 balance

CONSTITUTION
Taxpayer Bill of Rights

- Voters approved TABOR in 1992
- Requires voter approval for:
  - Any new tax
  - Extension of expiring tax
  - Mill levy increase
  - Tax policy change resulting in net tax revenue gain
- Tax rate reductions do not require election

CONSTITUTION
Taxpayer Bill of Rights

- Limits annual growth of municipal revenue and spending to inflation percent (Denver-Boulder CPI) plus percent growth of real property values within municipality
- Example: CPI increases 1%, property values increase 2% = revenue growth permitted 3%
- If revenues decrease – new lower base figure is established (ratchet effect)

CONSTITUTION
Taxpayer Bill of Rights

- Exceptions to TABOR revenue limits include:
  - Enterprises
  - Federal funds
  - Reserve fund expenditures
  - Property sales
  - Voter approved revenue changes

CONSTITUTION
Taxpayer Bill of Rights

- Revenue limit over-rides (de-Brucings) have met with overwhelming success among Colorado municipalities
- Municipal ballot questions since TABOR
  - 86% of TABOR limit over-rides approved
  - 59% of tax rate increases approved
  - 69% of bond issues approved

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