# Race, Taxes, & Colorado's Regressive Tax Codes:
## A Deep Dive into Local Government Tax Codes

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## Executive Summary

Inequities plague Colorado's tax system. While the choice between using different taxation methods such as sales tax versus income tax may seem benign on the surface, these choices have profound effects on who pays more of their income in taxes and how taxes are shared among communities across the state. The use of certain tax codes and their inequitable effects connect directly to the history of racial inequity and its ongoing ramifications in Colorado.

Using data provided by the Colorado Department of Local Affairs and the Colorado Municipal League, the Bell Policy Center analyzed tax codes, tax revenue, and demographic details of counties and cities across Colorado. As the beginning of a multi-part series, the Bell is using this data to examine Colorado's tax codes, its inequitable roots, and the ongoing disparities that exist between communities across Colorado based upon race, geography, and income. Through this analysis, we hope to use further data to examine how Colorado can develop a fair tax code that both provides adequate funding for public investment as well as ensures tax codes are designed in an equitable, efficient, and fair manner.

To provide context to current tax rates in the state, this paper discusses the different types of taxes – income, property, and sales and use taxes – as well as the historical background of those taxes and how Colorado's unique and regressive fiscal system interacts.

### Key Highlights

1. The combination of Colorado's constitutional tax amendments, specifically the Gallagher and TABOR amendments, have led to an increased reliance on local governments for the funding of critical public services and a more regressive tax code in Colorado.

2. As compared to the nation, Colorado is more reliant upon regressive sales taxes to fund critical public services. Local governments in Colorado increasing have relied more on regressive sales taxes and less on property taxes since 1977.

3. Colorado's state-level tax code is less regressive than those of local governments in Colorado. Constitutional restrictions preventing more revenue to be raised at the state level exacerbate the regressive effects of the overall tax code.

4. The regressivity of Colorado's tax code builds upon and exacerbates long-standing racial inequality. An overreliance on sales tax has a cumulative negative effect on Coloradans of color, as they are often less likely to own homes and spend more of their income on items affected by sales taxes.

**Key Local Analysis Highlights**

- On average, more populous counties are more reliant on sales tax revenue. This is driven by a few counties with high use of sales taxes.
- There is wide variability in the amount of per-capita local revenue raised at the local level in Colorado, leading to disparities in public investment across the state that are worsened by restrictions on raising revenue at a state level.
- While there is no apparent statewide statistical relationship between the racial demographics of counties and their tax codes, the cumulative effect of Colorado's tax codes has a disproportionate burden on communities of color.
- Even counties with similar tax codes vary greatly in revenue raised. For example, Larimer County and Denver County both have similar percentages of revenue derived from property taxes, sales taxes, and fees, licenses, and fines, but have sizable difference in amounts of revenue raised per capita.
- Localities of similar demographics also differ in raising revenue. Conejos County and Alamosa County are neighbors, have similar macroeconomic indicators and similar racial and ethnic demographics. However, their percentage of revenues from different taxes are very different.
- Some local structures are based on unique resource extraction. Weld County, with large oil and gas extraction, relies more on property taxes than any other county with more than 100,000 residents.


Even with all of this information and data, this analysis raises many questions that will be the subject of ongoing analysis, such as:

- Within counties, are there larger disparities between cities with different median incomes and racial demographics?
- If school districts and other taxing districts are added into the larger analysis, do the patterns change and are there greater disparities?
- Is total revenue per capita a proper proxy for services provided to residents? Do localities differ greatly in how their revenue is split between various public services?

Tax policy can be incredibly complicated to untangle as each individual tax interplays with each other, creating a real web of policy decisions. In this brief, the Bell examines how local taxes can have equity consequences and, when combined with state taxes, set the stage for racial equity conversations around fiscal policy that are long overdue.

## The Tax Code

There are many different types of taxes, and each serve a specific purpose. For this brief, the main taxes discussed are:

### Income taxes

These taxes are a percentage of one's annual income and are generally part of the federal and state tax code and some local tax codes in other states. Some states do not have a state income tax, but income taxes are broadly part of general funding for the federal and most state governments.

### Property taxes

These are taxes on a certain percentage of the value of property owned. These are levied on residential and commercial properties. In many cases, they are critical funding public education and local governments. Many states have state and local property taxes.

### Sales & use taxes

These are taxes on individual goods sold, taxed at a fixed percentage. Sales taxes are common at state and local government levels.

The use of different tax codes generally affects income groups differently. The definitions of progressive taxes and regressive taxes is often used to describe this disparate affect. *Progressive taxes* mean the percentages of tax increases as income increases.[1] *Regressive taxes* are those that obtain a higher percentage of income from families with low incomes than those with higher income.[2]

Income taxes are mostly progressive – those who have more income and wealth pay more than those at the lower end of the income and wealth spectrum. While some states, like Colorado, have "flat" income taxes where everyone pays the same percentage of their income in taxes, those systems can still be slightly progressive because of tax credits and deductions that can reduce the amounts taxpayers with low incomes pay.

Sales and use taxes are known as regressive. That's because these taxes take a higher percentage of income from earners with low incomes. This occurs because middle- and low-income earners are more likely to spend most of their income on goods subject to sales and use taxes versus other forms of investment and wealth accumulation. A place with a higher use of sales taxes would be seen as having a more regressive tax system.

Property taxes are somewhat in the middle. If seen as a tax on wealth – property owners tend to be wealthier than renters and homes make up a significant percentage of one's wealth – then the tax could be seen as progressive because it's a tax on a percentage of wealth. However, property taxes are many times passed on to renters and it can be seen as a tax on consumption, as in the "cost of living in your house," as elucidated by economist Tracy Gordon at The Tax Policy Center.[3]

The importance of understanding these different taxes is they each interact with one another to create the larger tax code, and that tax code can be made more or less progressive depending upon which tax is increased or reduced. That is how to create greater or lesser equity in our fiscal systems.

## History of Race in the Tax Code

Currently, discussions around tax policy do not overtly discuss race, but that doesn't mean the choices being made and the consequences of those policies do not have historic racist roots and ongoing racial consequences. At the turn of the 20th century, many tax policies were made explicitly to help white families and individuals at the expense of Black Americans. These discussions commenced after the era of Reconstruction – Reconstruction being a time when the federal government sought to have representative government with both Blacks and whites in the former Confederacy.

> **At the turn of the 20th century, many tax policies were made explicitly to help white families and individuals at the expense of Black Americans.**

However, after Reconstruction ended, Blacks were denied the vote and other rights through the enactment of Jim Crow laws, and that put state governments in the hands of almost all white legislatures and statewide officials. At that point, many former Confederate states rewrote their state constitutions and tax codes. The results of those efforts were to further economically disenfranchise Black Americans in their states and protect white economic priorities at their expense.

The oldest property tax limits in the country belong to Alabama, which were adopted in 1875 and 1901.[4] These property tax limits, enshrined in the state constitution, were explicitly put in place to ensure that property owners in the state – who, at that time, were nearly exclusively white – would maintain their historic economic advantage and their properties would not be taxed at a later date if Blacks returned to power. Given property taxes predominantly go to local government services like public K-12 education – half of local taxes are property taxes[5] – limits on property taxes end up hurting local communities and the public services upon which families in the community depend.

Later property tax limits that were put into place by other states may not have as overt a racial overtone. Forty-four states (including Colorado) and Washington D.C. currently have some kind or multiple kinds of property tax limits,[6] but the disparate impact of such policies have significant racial effects. As shown by the Urban Institute, the gap in homeownership has not significantly improved since the mid-1970s. In 1976, 72 percent of whites owned homes, compared to 44 percent of Blacks and 43 percent of Latinxs.[7] In 2016, those numbers were 72 percent of whites, 42 percent of Blacks, and 46 percent of Latinxs.

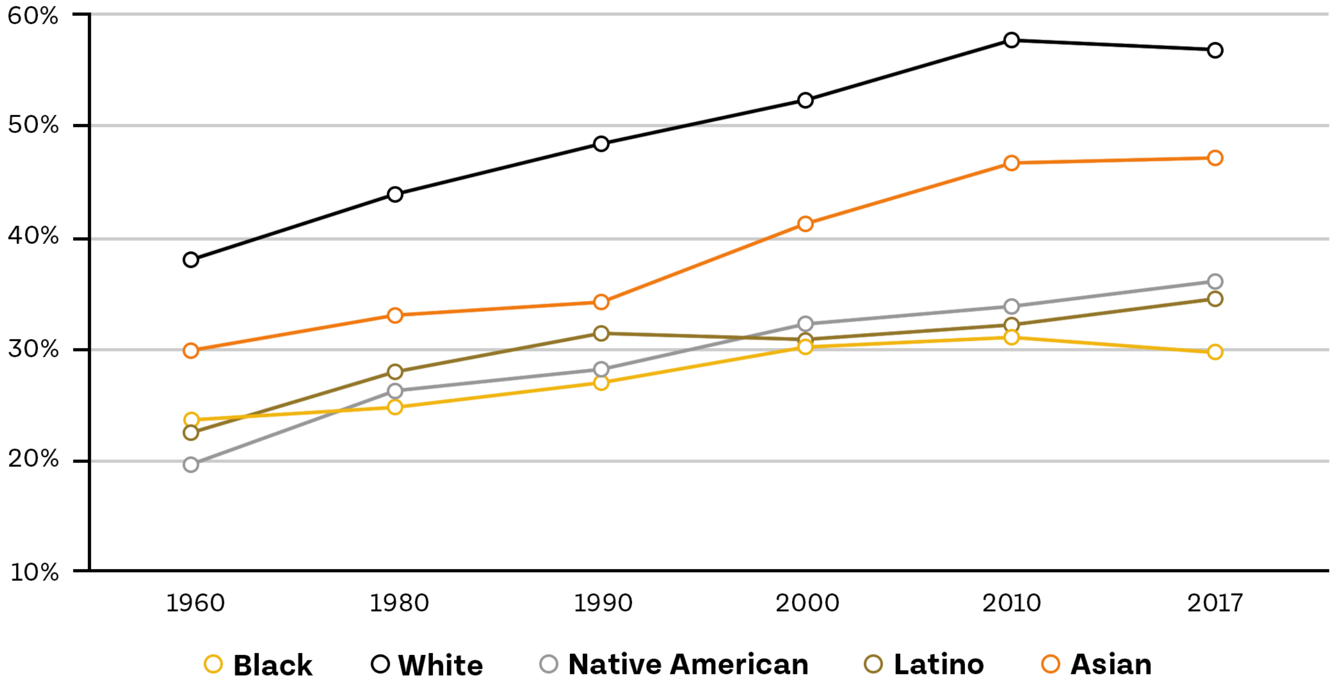
The first sales tax in the United States was implemented in 1932 in Mississippi.[8] The use of the sales tax was motivated by the governor's desire to reduce property taxes, but not decrease total revenue for state services. At a time when very few Blacks owned property in Mississippi, the property tax reduction has a significantly disproportionate benefit to white landowners. Conversely, the sales taxes had a disproportionate impact on Mississippians who spent most of their income on the purchase of goods subject to sales taxes – mostly Black Mississippians. The consequences of this policy disproportionately hurt Black residents, while providing relief for white landowners.

Sales taxes are now commonplace throughout cities, counties, and states, and are important parts of revenue in those jurisdictions, but being regressive taxes, they systematically hurt those on the lower end of the income spectrum. Because of racial disparities in income and homeownership, the overreliance on sales tax has continued racial consequences.

## Current Dynamics in Colorado

While homeownership and income distribution are more equitable than they were in 1900 or 1932, there is still a significant racial wealth gap in America. In Colorado, the gaps are similar, although rates of homeownership are lower for Coloradans of all races. According to the Bell's previous analysis, 59 percent of white, 36 percent of Latinx, and only 29 percent of Black Coloradans own homes in Colorado as of 2017.[9]

### Colorado Homeownership by Race Over Time



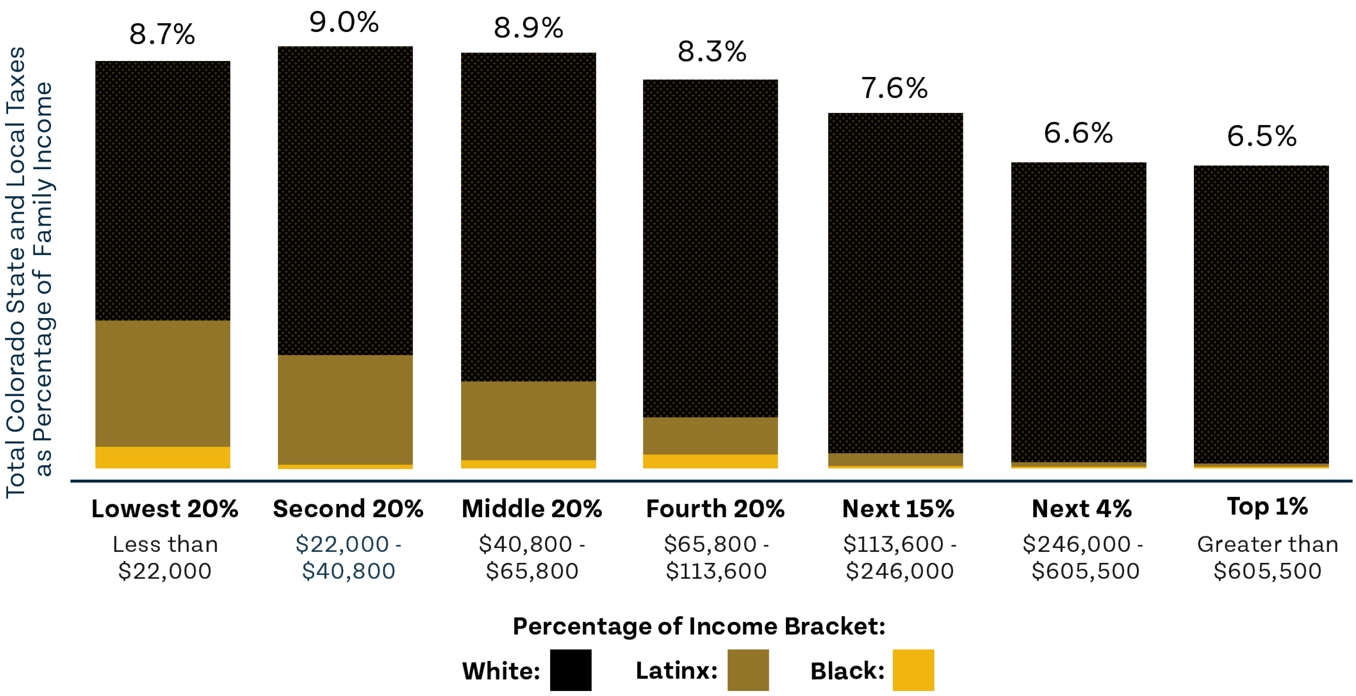

Source: Bell analysis of American Community of Survey Data 1980-2017

Income disparities also continue to persist in Colorado. The average Black worker in Colorado makes 34 percent less than the average white worker. The average Latinx worker makes 38 percent less than the average white worker, and the average Native American worker makes over 40 percent less.[10] These income disparities often result in Coloradans of color spending a higher proportion of their income on goods and services versus other investments that aren't subject to local taxes.

In Colorado, 75 percent of taxpayers are white, 16 percent are Latinx, and 2 percent are Black.[11] As seen in the graph below, communities of color are significantly overrepresented in the lowest income quintiles while very underrepresented in higher income brackets. As estimated by Colorado Department of Revenue, the current tax code in Colorado leads to a higher burden on middle- and low-income families and Coloradans of color.

**As estimated by Colorado Department of Revenue, the current tax code in Colorado leads to a higher burden on middle- and low-income families and Coloradans of color.**

## People of Color Make Up Greater Share of Income Brackets Most Affected by Higher Tax Rates




Source: 2018 Colorado Tax Profile & Expenditure Report and Colorado Fiscal Institute analysis of income distribution

## Colorado's Unique Tax Codes

Over the past half century, Colorado has made significant tax policy choices that have been often been enshrined in the state Constitution. Colorado relies less on statewide taxes and more on localized taxes that vary greatly between communities. Colorado's statewide taxes – income and statewide sales taxes, mostly – place Colorado 44th in the country for taxes per $1,000 in personal income. [12] Conversely, Colorado's local taxes are very high, ranking sixth in the country for taxes per $1,000 in personal income.[13] As a result, when including local taxes, the state ranks 37th in the country in total taxes per $1,000 in personal income.[14] Furthermore, property taxes are fairly low in Colorado, ranking 14th lowest nationally as of 2020, according to the Tax Foundation.[15]

Colorado's state tax code has led to a situation in which the state is spending less per resident than it was in the late 1990s, when adjusting for inflation.[16] In fact, due to COVID-19 related revenue shortfalls, Colorado's per-capita spending is near a historic low.[17] Due to this limited funding, Colorado ranks poorly in the funding of critical services, such as ranking 48th in per-capita spending on higher education and 37th on per-pupil K-12 education spending.[18]

Two Colorado constitutional amendments are crucial to explaining the current tax situation and tax codes in Colorado: the Gallagher Amendment (Gallagher) and the Taxpayer's Bill of Rights (TABOR). Gallagher pertains specifically to property taxes, while TABOR concerns every aspect of taxation in the state.

### Gallagher Amendment

The Gallagher Amendment was passed by Colorado voters in 1982 as a response to rising residential property taxes in the state.[19] During this time, many states were experiencing a revolt against residential property taxes, starting with California's Proposition 13 in 1978. In the 25 years preceding 1982, residential property taxes in Colorado increased from being 28 percent of the total property taxes in the state to 44 percent.[20] The amendment, as passed, froze the ratio between residential and non-residential property taxes at 45 percent and 55 percent, respectively. It also froze the assessment rate for commercial property at 29 percent.

More than 51 percent of property taxes go to local K-12 education, with 23 percent more going to county governments.[21] Freezing property tax ratios has forced local governments to decide whether to raise mill levies – rates of taxation for property – raise regressive sales taxes or reduce services within their jurisdictions. Cumulatively, more than $35 billion has shifted away from residential taxpayers, to the detriment of local governments and the services they provide.[22] In fact, the actual value of residential property in Colorado in 2019 was 79 percent of the total of all property in the state, even though residential property taxes were only 45 percent of the total property taxes.

### Taxpayer's Bill of Rights

The Gallagher Amendment was passed by TABOR was passed in 1992.[24] This far-sweeping constitutional amendment reshaped Colorado tax policy in a myriad of ways. The most relevant parts include:

- Taxing jurisdictions cannot increase tax rates without a vote of the people
- A prohibition on statewide property taxes and local income taxes
- A prohibition on real estate transfer taxes in any jurisdiction in the state

- A mandate that all income is taxed at the same rate
- A taxing body – state, county, special district, school district, or municipality – can only keep revenue that's the same amount of revenue from previous year, adjusting for inflation and population growth, mandating dollars above that are returned to the taxpayers of the jurisdiction.

TABOR combined with the Gallagher Amendment make funding services difficult in Colorado and increase inequity in the tax code. For example, income taxes are one of the few tools policymakers have to reduce inequities because of its clear progressive nature. However, because income tax rates have to be the same for all taxpayers, regardless of income, the progressivity is significantly diluted in Colorado. Under a flat tax, any across-the-board rate cutes provides the top 5 percent of income earners in Colorado with 40 percent of the total tax reduction.[25] Also, TABOR prevents local governments from levying income taxes, requiring local government to rely on more regressive taxes like sales and use taxes.

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This works in concert with Gallagher because local officials have difficulty recouping money that has been lost from reduction in residential property assessments. As a result, many local jurisdictions rely on sales tax increases, which historically have been easier to raise through a vote of the people, in turn only increasing regressivity in the tax code. Whereas statewide taxes in Colorado – like income taxes – are more progressive, the reliance on sales taxes in many local jurisdictions creates significant inequities, and Colorado in 2015 ranked sixth in the country in the proportion local taxes are of total taxes. Local taxes make up 49 percent of all taxes in the state.[26]

TABOR also adds to the regressivity of Colorado's tax code through its prohibition against real estate transfer taxes. Real estate transfer taxes – a tax on the exchange of property – can be designed in a progressive manner and used to address the larger racial wealth gap. Some states have real estate transfer taxes that operate much like income taxes, in that the tax increases as the value of property increases.[27] Structured in this manner, real estate transfer taxes can operate as progressive wealth taxes – property ownership is a significant aspect of wealth that one holds in the United States – and are useful in promoting wealth equity where they are in place. Only four other states ban real estate transfer taxes, and Colorado is the only state that bans both real estate transfer taxes and statewide property tax.[28] TABOR forces Colorado to look at other ways to introduce progressivity into its tax code, with little success over the last 30 years.

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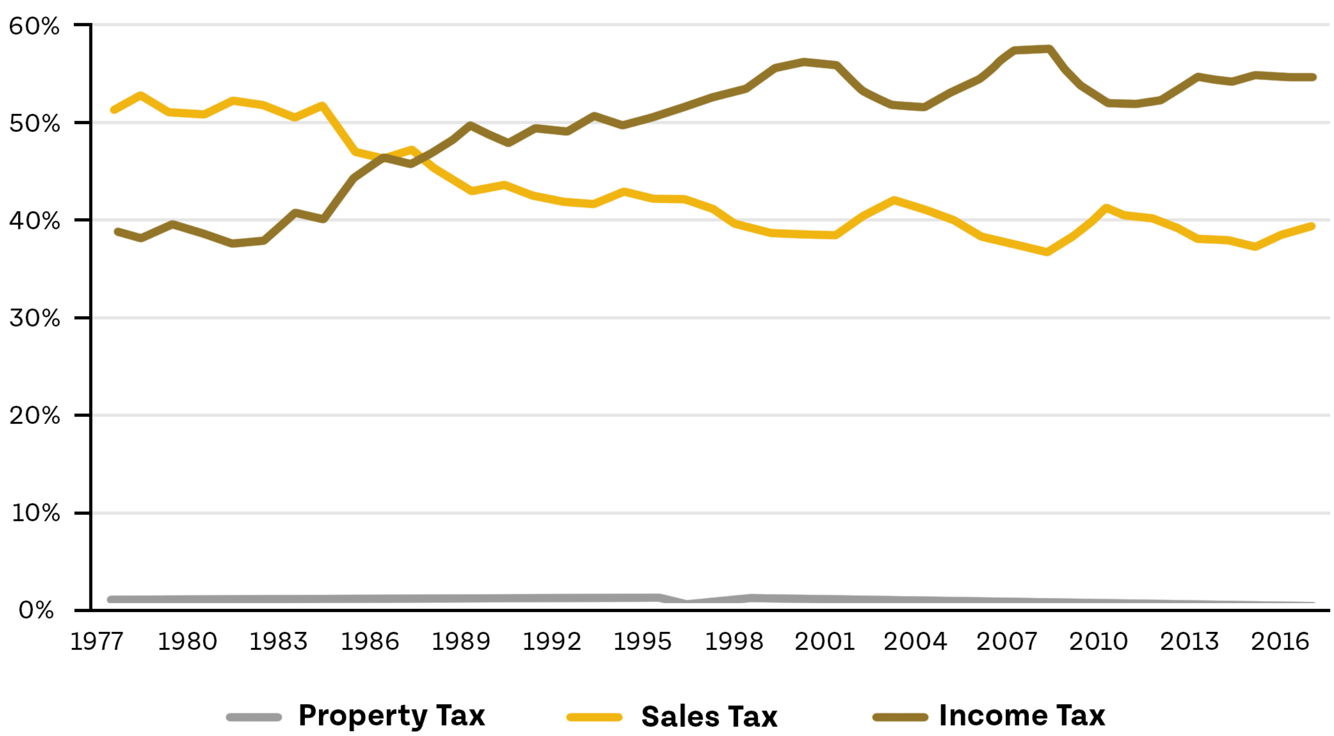
## Fees

Another important feature of Colorado's fiscal system is the use of fees. While Colorado is not an outlier and just slightly above average nationally in the use of fees – fees make up 14 percent of state revenues, compared to 11.8 percent nationally – TABOR made the use of fees and government-owned businesses, known as enterprise funds, a crucial part of the fiscal puzzle.[29] Enterprise funds cannot derive more than 10 percent of its annual funding from the government, meaning almost all funding for individual enterprise funds come from user fees. User fees are another regressive form of revenues as, similar to sales taxes, the fees are the same exact dollar amount for everyone regardless of income.

## Colorado's Changing Taxing System

Over the past 30 years, the income tax has become a larger proportion of Colorado's state-level tax code. To some degree, this has meant the state's tax code has become less regressive. Because raising state revenue is limited by TABOR and Colorado uses a flat tax code, progress towards a less regressive structure has been limited. Colorado had a progressive (or "graduated") income tax for decades. During this time period, higher levels of income were taxed at higher rates. When combined with local taxes, this led to a more progressive tax code that better proportionately taxed Coloradans of different incomes. That changed in 1987 when a flat tax was instituted by the state legislature, taxing all income at the same rate.

## Colorado State Taxes by Source




Source: Bell analysis of Tax Policy Center's state & local finance data

Compared to the rest of the nation, Colorado localities have more regressive tax codes. This national comparison includes all local tax entities, such as cities, counties, school districts, and other special tax districts.

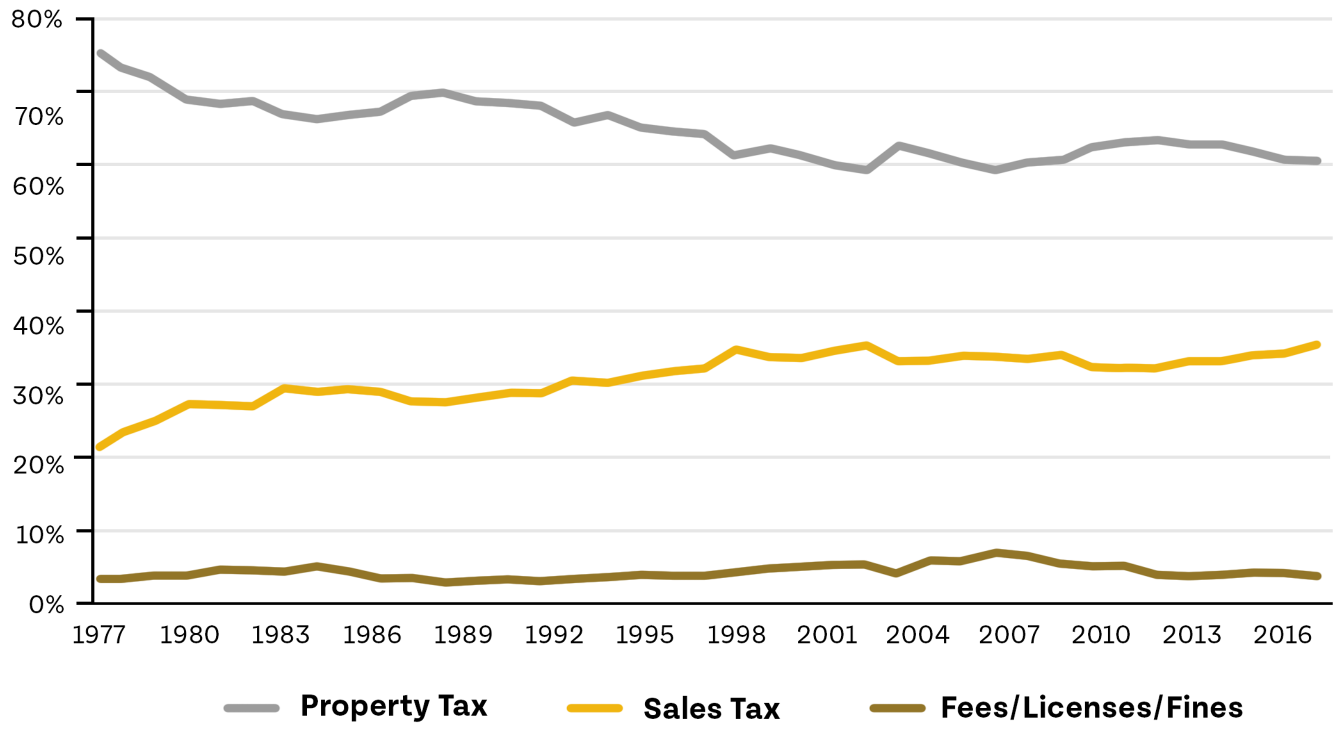
At both the municipal level and the county level, inclusive of taxes for school districts and special tax districts, property taxes have decreased as a share of overall taxation. In its place, sales taxes have increased steadily. Whether by choice or necessity, sales taxes have become a great proportion of local government taxation.

### Breakdown of Local Tax Codes by Tax Source

| | % Property | % Sales | % Income |
|---|---|---|---|
| National | 72% | 17% | 6% |
| Colorado | 61% | 35% | 0% |

Source: Bell analysis of Tax Policy Center's state & local finance data

### Colorado Local Revenue by Source




Source: Bell analysis of Tax Policy Center's state & local finance data

## Current Local Taxation in Colorado

To examine Colorado's local tax codes, the Bell examined data obtained from the Department of Local Affairs from 2016, the most recent year of full tax data for cities and counties. To generate an understanding of total taxes and fees raised within specific areas of the state, the analysis combines data from all cities within a particular county with the county-specific tax information (e.g. information on Douglas County combines county information with information from the cities of Castle Pines, Larkspur, Lone Tree, Parker, and parts of Aurora and Littleton). For cities that overlap multiple counties, a city's tax information and totals were divided proportionately to the percentage of city population in each county (e.g. Aurora is divided proportionately between Arapahoe, Adams, and Douglas counties). Racial demographics were analyzed at the county level along with median income.

The current Colorado local analysis does not include school districts and other taxing districts such as special tax districts, which are a legally authorized districts that levy taxes outside of typical local government structures either to repay bonds or provide additional services. Future analysis of these additional structures can provide additional information on the equity, efficiency, and effectiveness of the varying tax codes throughout Colorado.

Because Colorado's counties vary greatly in size, the analysis was divided into three categories: Large Counties (population of 100,000 or more residents), Medium Counties (population above 20,000 and below 100,000), and Small Counties (populations above 5,000 and below 20,000). Counties below 5,000 were not analyzed at this time due to limits within the data.

Through a high-level examination of counties above 5,000 residents (inclusive of cities tax data within each county), the Bell finds:

- More populous counties rely more on sales taxes. This is largely driven by a few large counties that are highly reliant on sales taxes.

### Colorado Local Government Averages

| Size of County | Total Local Revenue (Per Capita) | Property Tax | Sale/ Use | Fees/ Licenses/ Fines |
|---|---|---|---|---|
| 5,000 to 20,000 | $1,600 | 46% | 21% | 20% |
| 20,000 to 100,000 | $1,418 | 37% | 35% | 17% |
| 100,000+ | $1,471 | 27% | 46% | 17% |

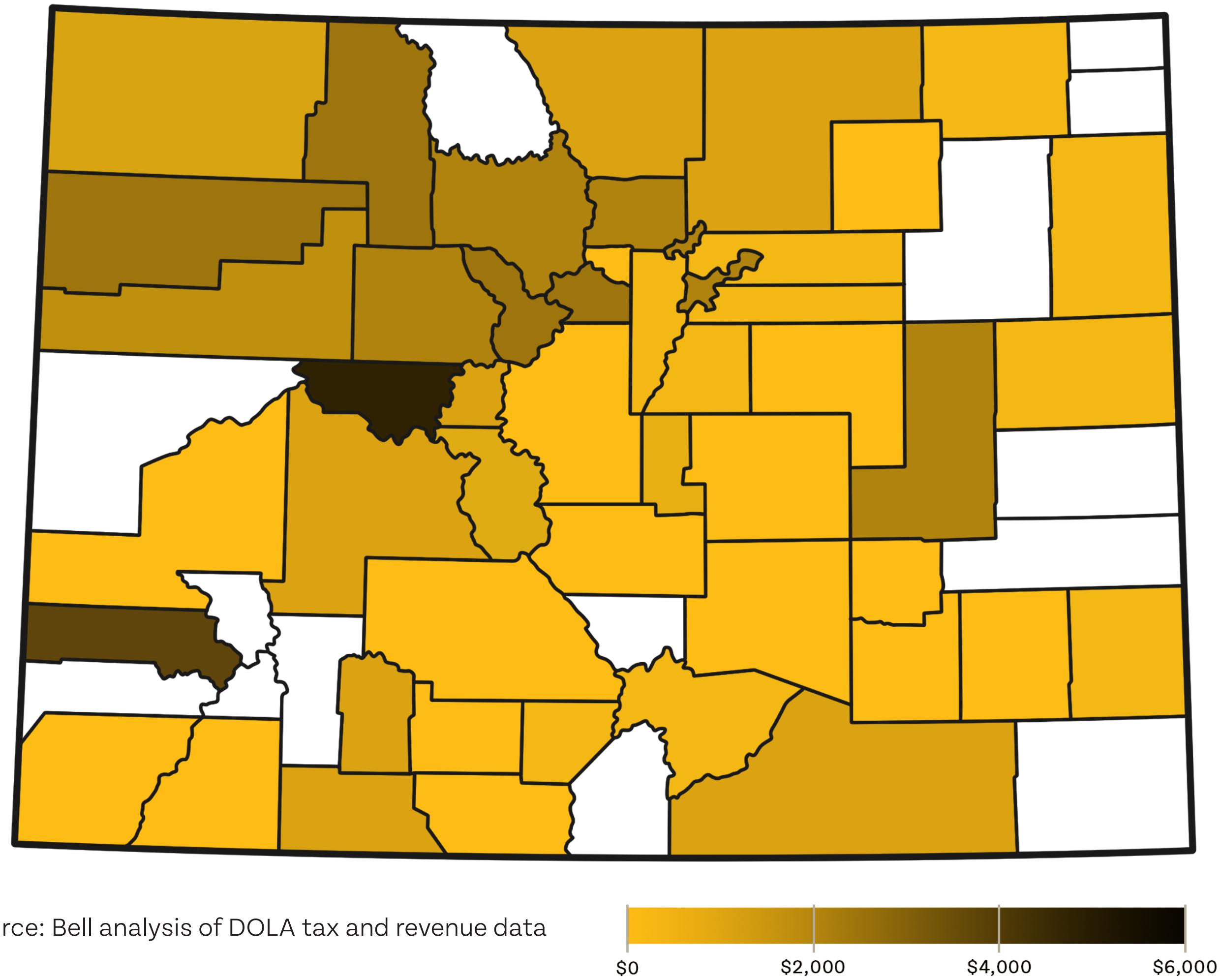
Source: Bell analysis of DOLA tax data

- The use of fees, licenses, and fines differs the least between counties of different sizes and among counties of similar sizes.

- There are large differences in per-capita tax revenue between counties. There are counties of all sizes that raise less than $1,000 per capita. While there are a few smaller counties (e.g. Pitkin County) that raise over $4,500 per capita, higher per-capita levels were generally closer to $3,000 per capita in 2016 dollars. *(See map, next page)*

- While regression analysis shows no statistically significant relationship between a county's racial breakdown and the use of particular tax codes, the overall trend of Colorado localities to use the sales tax as a greater proportion of their tax code results in a cumulative dipropionate burden on communities of color.

## Total Local Revenue per Capita




Source: Bell analysis of DOLA tax and revenue data

### Analysis of Large Counties (11 total)

On average, sales taxes comprise a larger percentage of local revenue of Large Counties in Colorado. They also use property taxes and fees less than Small and Medium Counties. While some of this may be explained by the fact Large Counties are typically centers of commercial activity and those localities can generate sizeable revenue from taxing the sale of goods and services, it's also explained by a few outliers among large counties that rely heavily on sales and uses taxes compared to the rest of the state.

Among large counties, there are counties with dramatically different tax codes.

- **El Paso County uses sales and use taxes to generate 65 percent of its local revenue.** This is the highest number among counties in Colorado and well above the average of counties across all sizes. Such a large reliance on sales and use taxes makes the local tax code very regressive and makes government revenue highly susceptible to fluctuations in the economy.

- **Counties such Larimer, Jefferson, Denver, and Boulder have a more balanced tax code** that both helps reduce regressively and protect those counties from short-term fluctuations in the economy. Because property taxes are based upon assessments that don't occur on an annual basis, they are less likely to fluctuate rapidly. Conversely, for the same assessment reasons, property taxes are less likely to recover quickly if they decrease.

- **Weld County is highly reliant upon property taxes among Large Counties.** Weld County relies heavily on resource extraction, and as a result, uses property taxes more than other similarly populated counties because minerals are counted in non-residential property taxes. Because of this, the structure could place less burden on both residential property and the sale of goods.

In examining the racial demographics and median incomes of Large Counties, the Bell did not find a statistical relationship between those factors and the use of certain taxation tools within the county, there noticeable differences that merit more localized analysis and comparisons. For instance, Denver and Adams County were the most diverse Large Counties in 2016 but are on opposite ends of the spectrum in the use of sales taxes. Conversely, Mesa and El Paso are less diverse than similar sized counties and use sales taxes more than all other similarly sized counties.

There are sizeable gaps in the amount of per-capita local revenue generated by different counties, with Denver generating the most at about $2,500 per capita and El Paso generating the least at $850 per capita. An examination how local funds are spent combined with this analysis of how funds are generated can produce a better picture of inequalities that may persist within counties.

**Large Counties: Per-Capita Local Revenue & Demographics**
(Ranked by Total Per-Capita Revenue)

| County | Total Local Revenue (Per Capita) | Median County Income | American Indian | Asian | Black | Hispanic | White |
|---|---|---|---|---|---|---|---|
| Denver County | $2,538 | $63,793 | 1% | 4% | 10% | 34% | 50% |
| Boulder County | $2,176 | $78,642 | 1% | 5% | 1% | 15% | 78% |
| Larimer County | $1,683 | $67,664 | 1% | 3% | 1% | 12% | 84% |
| Weld County | $1,634 | $70,908 | 1% | 2% | 1% | 31% | 66% |
| Adams County | $1,384 | $67,575 | 1% | 4% | 3% | 41% | 51% |
| Douglas County | $1,261 | $115,314 | 1% | 5% | 1% | 8% | 85% |
| Arapahoe County | $1,225 | $73,925 | 1% | 6% | 10% | 20% | 62% |
| Jefferson County | $1,193 | $78,943 | 1% | 3% | 1% | 16% | 79% |
| Mesa County | $1,118 | $53,683 | 1% | 1% | 1% | 15% | 82% |
| Pueblo County | $1,116 | $44,634 | 1% | 1% | 2% | 44% | 52% |
| El Paso County | $850 | $65,334 | 1% | 4% | 6% | 17% | 72% |

Source: Bell analysis of DOLA tax & demographic data in 2016 dollars, median county income from www.indexmundi.com in 2018 dollars

## Large Counties: Proportion of Revenue by Source & Ranking
(Ranked by Use of Sales/Use Taxes)

| County | Sales/Use % of Revenue | Sales/Use Rank | Property % of Revenue | Property Rank | Fee/License/Fines % of Revenue | Fee/License/Fines Rank |
|---|---|---|---|---|---|---|
| El Paso County | 65% | 1 | 12% | 11 | 15% | 10 |
| Mesa County | 52% | 2 | 19% | 10 | 20% | 3 |
| Adams County | 50% | 3 | 24% | 7 | 16% | 7 |
| Arapahoe County | 49% | 4 | 24% | 6 | 16% | 6 |
| Douglas County | 45% | 5 | 27% | 5 | 18% | 4 |
| Pueblo County | 45% | 6 | 34% | 2 | 11% | 11 |
| Jefferson County | 44% | 7 | 32% | 4 | 16% | 8 |
| Larimer County | 44% | 8 | 24% | 8 | 24% | 1 |
| Boulder County | 42% | 9 | 32% | 3 | 16% | 9 |
| Denver County | 38% | 10 | 22% | 9 | 21% | 2 |
| Weld County | 28% | 11 | 43% | 1 | 17% | 5 |

Source: Bell analysis of DOLA tax data

## Analysis of Medium Counties (14 total)

On average, Medium Counties appear to be the most diversified in their use of the various tax tools. There are Medium Counties that are either heavily reliant upon sales tax or property tax, but Medium Counties tend to be more balanced between the use of sales and property tax.

Among Medium Counties:

- **The city and county of Broomfield, the most populous of the Medium Counties, has the highest rate of sales tax usage.** This is a similar rate to the highest rates of the Large Counties.
- Counties such as **Montrose, Teller, Logan, La Plata, and Garfield have a relatively proportionate use of sales and property taxes.**
- **Many mountain counties, such as Summit, Routt, and Eagle, have higher per-capita revenue totals,** likely due to resort communities with the county.
- **There is a larger difference between Medium Counties in per-capita local revenue raised compared to Large Counties.** Several counties raised less than $1,000 in revenue per capita.

Similar to Large Counties, the Bell did not find a statistical relationship between demographic factors and the use of certain taxation tools within the county. Further analysis is needed to examine the intra-county dynamics.

**Medium Counties: Per-Capita Local Revenue & Demographics** (Ranked by Total Per-Capita Revenue)

| County | Total Local Revenue (Per Capita) | Median County Income | American Indian | Asian | Black | Hispanic | White |
|---|---|---|---|---|---|---|---|
| Summit County | $3,156 | 77,589 | 0% | 1% | 1% | 15% | 82% |
| Routt County | $2,726 | 74,273 | 1% | 1% | 1% | 8% | 90% |
| Eagle County | $2,660 | 84,685 | 0% | 1% | 1% | 32% | 66% |
| Garfield County | $1,984 | 72,898 | 1% | 1% | 1% | 30% | 67% |
| Broomfield County | $1,961 | 89,624 | 1% | 7% | 1% | 12% | 78% |
| Logan County | $1,225 | 48,922 | 1% | 1% | 4% | 17% | 77% |
| Teller County | $1,025 | 65,382 | 1% | 1% | 1% | 6% | 91% |
| Delta County | $813 | 44,512 | 1% | 1% | 1% | 15% | 82% |
| Morgan County | $812 | 51,626 | 1% | 1% | 3% | 37% | 59% |
| La Plata County | $807 | 64,372 | 5% | 1% | 1% | 13% | 80% |
| Montezuma County | $729 | 46,797 | 12% | 1% | 0% | 12% | 75% |
| MontroseCounty | $727 | 48,739 | 1% | 1% | 0% | 21% | 77% |
| Elbert County | $672 | 96,658 | 1% | 1% | 1% | 6% | 91% |
| Fremont County | $486 | 46,296 | 2% | 1% | 4% | 14% | 79% |

Source: Bell analysis of DOLA tax & demographics data in 2016 dollars,
median county income from www.indexmundi.com in 2018 dollars

**Medium Counties: Proportion of Revenue by Source & Ranking** (Ranked by Use of Sales/Use Taxes)

| County | Sales/Use | | Property | | Fee/License/Fines | |
|---|---|---|---|---|---|---|
| | % of Revenue | Rank | % of Revenue | Rank | % of Revenue | Rank |
| Broomfield County | 53% | 1 | 27% | 9 | 13% | |
| Routt County | 47% | 2 | 26% | 11 | 15% | 9 |
| Delta County | 47% | 3 | 20% | 14 | 21% | 3 |
| Fremont County | 46% | 4 | 25% | 12 | 19% | 6 |
| Eagle County | 42% | 5 | 21% | 13 | 20% | 4 |
| Montrose County | 41% | 6 | 41% | 6 | 10% | 13 |
| Teller County | 40% | 7 | 37% | 7 | 10% | 14 |
| Logan County | 39% | 8 | 35% | 8 | 15% | 8 |
| Summit County | 38% | 9 | 26% | 10 | 24% | 2 |
| La Plata County | 38% | 10 | 42% | 5 | 11% | 12 |
| Garfield County | 34% | 14 | 42% | 4 | 15% | 10 |
| Elbert County | 14% | 12 | 50% | 3 | 23% | 2 |
| Montezuma County | 3% | 13 | 60% | 2 | 19% | 5 |
| Morgan County | 3% | 14 | 67% | 1 | 17% | 7 |

Source: Bell analysis of DOLA tax data


## Analysis of Small Counties (25 total)

On average, Small Counties use property taxes more than other counties in Colorado. While there are exceptions to this trend, the top counties that are most reliant on property taxes are Small Counties. Small Counties also have the largest average amount of local revenue generated per capita, but this average is skewed by a few counties that have very large per capita amounts.

Among Small Counties:

- **There are localities of similar demographics that significantly differ in raising revenue.** Conejos County and Alamosa County are neighbors, have similar macroeconomic indicators, and similar racial and ethnic demographics. However, their percentage of revenues from different taxes are very different.

- **Pitkin, San Miguel, and Clear Creek Counties have the highest per-capita local revenue totals of all counties in Colorado.** These counties do not have high median incomes, raising questions about the intra-county disparities. The cities of Aspen and Telluride are driving the high totals for Pitkin and San Miguel Counties, but most of the Clear Creek County total is from the county itself.

Similar to Large and Medium Counties, the Bell did not find a statistical relationship between demographic factors and the use of certain taxation tools within the county. Further analysis is needed to examine the intra-county dynamics.

**Small Counties: Per-Capita Local Revenue & Demographics** (Ranked by Total Per-Capita Revenue)

| County | Total Local Revenue (Per Capita) | Median County Income | American Indian | Asian | Black | Hispanic | White |
|---|---|---|---|---|---|---|---|
| Pitkin County | $5,140 | 39,1919 | 0% | 2% | 1% | 10% | 87% |
| San Miguel County | $4,097 | 50,753 | 1% | 1% | 0% | 10% | 88% |
| Clear Creek County | $3,389 | 34,392 | 1% | 1% | 1% | 5% | 92% |
| Rio Blanco County | $2,808 | 54,580 | 1% | 1% | 1% | 11% | 86% |
| Lincoln County | $2,356 | 69,936 | 1% | 7% | 6% | 14% | 78% |
| Grand County | $2,351 | 34,746 | 1% | 1% | 1% | 8% | 89% |
| Lake County | $1,863 | 37,586 | 1% | 1% | 0% | 42% | 56% |
| Moffat County | $1,414 | 75,120 | 1% | 1% | 0% | 16% | 82% |
| Las Animas County | $1,407 | 70,469 | 1% | 1% | 1% | 45% | 52% |
| Gunnison County | $1,285 | 54,979 | 1% | 1% | 0% | 9% | 89% |
| Prowers County | $1,255 | 36,705 | 1% | 1% | 1% | 38% | 60% |
| Archuleta County | $1,254 | 51,046 | 1% | 1% | 0% | 19% | 77% |
| Chaffee County | $1,238 | 46,918 | 1% | 1% | 2% | 11% | 86% |
| Kit Carson County | $1,192 | 41,945 | 1% | 1% | 3% | 21% | 75% |
| Yuma County | $1,157 | 49,423 | 0% | 1% | 0% | 23% | 76% |
| Otero County | $954 | 52,807 | 1% | 1% | 1% | 44% | 54% |
| Gilpin County | $904 | 34,136 | 2% | 1% | 1% | 6% | 91% |
| Bent County | $870 | 66,861 | 1% | 1% | 7% | 33% | 57% |
| Crowley County | $844 | 71,244 | 1% | 1% | 9% | 31% | 56% |
| Park County | $811 | 40,097 | 1% | 1% | 1% | 5% | 92% |
| Huerfano County | $808 | 55,543 | 1% | 1% | 0% | 38% | 60% |
| Alamosa County | $787 | 38,639 | 1% | 1% | 1% | 50% | 47% |
| Rio Grande County | $677 | 34,410 | 1% | 1% | 0% | 45% | 53% |
| Saguache County | $630 | 64,479 | 1% | 1% | 0% | 43% | 54% |
| Conejos County | $508 | 48,394 | 1% | 1% | 0% | 60% | 39% |

Source: Bell analysis of DOLA tax & demographics data in 2016 dollars,
median county income from www.indexmundi.com in 2018 dollars

**Small Counties: Proportion of Revenue by Source & Ranking** (Ranked by Use of Sales/Use Taxes)

| County | Sales/Use | | Property | | Fee/License/Fines | |
|---|---|---|---|---|---|---|
| | % of Revenue | Rank | % of Revenue | Rank | % of Revenue | Rank |
| Chaffee County | 53% | 1 | 15% | 25 | 23% | 9 |
| Pitkin County | 41% | 2 | 28% | 21 | 19% | 13 |
| Las Animas County | 41% | 3 | 25% | 23 | 12% | 21 |
| Alamosa County | 39% | 4 | 33% | 18 | 9% | 24 |
| Otero County | 37% | 5 | 21% | 24 | 27% | 5 |
| Prowers County | 37% | 6 | 27% | 22 | 22% | 12 |
| Grand County | 37% | 7 | 30% | 19 | 22% | 11 |
| San Miguel County | 31% | 8 | 29% | 20 | 14% | 18 |
| Archuleta County | 30% | 9 | 35% | 17 | 18% | 14 |
| Gunnison County | 24% | 10 | 48% | 12 | 17% | 16 |
| Lincoln County | 20% | 14 | 55% | 10 | 12% | 22 |
| Huerfano County | 19% | 12 | 47% | 13 | 22% | 10 |
| Saguache County | 17% | 13 | 40% | 16 | 29% | 2 |
| Moffat County | 17% | 14 | 60% | 7 | 12% | 20 |
| Clear Creek County | 14% | 15 | 66% | 3 | 13% | 19 |
| Yuma County | 14% | 16 | 57% | 9 | 16% | 17 |
| Crowley County | 14% | 17 | 42% | 15 | 27% | 4 |
| Rio Grande County | 12% | 18 | 80% | 1 | 9% | 25 |
| Lake County | 11% | 19 | 69% | 2 | 11% | 23 |
| Rio Blanco County | 7% | 20 | 61% | 6 | 25% | 8 |
| Park County | 6% | 21 | 58% | 8 | 25% | 7 |
| Bent County | 5% | 22 | 51% | 11 | 27% | 3 |
| Kit Carson County | 3% | 23 | 65% | 4 | 17% | 15 |
| Conejos County | 1% | 24 | 43% | 14 | 41% | 1 |
| Gilpin County | 0% | 25 | 64% | 5 | 25% | 6 |

Source: Bell analysis of DOLA tax data

## Questions Raised by Current Analysis

Colorado's overall tax structure has prevented many communities throughout Colorado from reducing regressivity within the tax code. Based upon this initial analysis, there continue to be many more unanswered questions, such as:

1. **Within counties, are there larger disparities between cities with different median incomes and racial demographics? Do we see greater disparities between incorporated and unincorporated areas?**
2. **If school districts and other taxing districts are added to the analysis, do the patterns change and are there greater disparities?**
3. **Is total revenue per capita a proper proxy for services provided to residents? Do localities differ greatly in how their revenue is split between various public services?**
4. **Do the specific fees, fines, and license revenue matter in terms of progressivity of a local tax system?**
5. **Are certain types of taxes better for local governments to weather economic recessions or downturns?**
6. **Would bringing non-residential and residential assessment rates to parity increase or decrease local revenues?**
7. **How much does resource extraction – and the role it plays in a county economy – impact the use of property taxes instead of sales taxes? And how is that changing, or how will it change, as the economy moves toward non-carbon energy?**

Tax policy is not neutral in who it benefits and burdens. Changes made to Colorado's Constitution made in the late 1980s and early 1990s have greatly restricted and influenced who benefits from the tax code in Colorado. These decisions cannot be removed from the broader historical context of tax policy in America. Through continued analysis of tax codes in Colorado, Coloradans can begin to explore methods for reforming our overall system to address longstanding inequities.

## Data Sources:

**Colorado's Changing Taxing System:**

- Data from the U.S. Census Annual Survey of State and Local Governments was obtained using the Tax Policy Center's data tool. Available at: https://state-local-finance-data.taxpolicycenter.org/pages.cfm

**Current Local Taxation in Colorado:**

- City and county tax, revenue, and expenditure data was provided by the Division of Local Government within the Department of Local Affairs.
- Office of the State Demographer data was used for 2016 population and demographic data. Available at: https://demography.dola.colorado.gov/data/
- Index Mudi analysis of county median income from 2014-2018 adjusted to 2018 dollars was used. This data allowed for a better analysis of smaller counties, given smaller sample sizes in other data sets. Available at: https://www.indexmundi.com/facts/united-states/quick-facts/colorado/median-household-income#map

## Endnotes

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**3** Tracy Gordon, "Critics Argue the Property Tax is Unfair. Do They Have a Point?" March 9, 2020, https://www.taxpolicycenter.org/taxvox/critics-argue-property-tax-unfair-do-they-have-point

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**12** *Id.*

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**14** *Id.*

**15** The Tax Foundation, "Property Taxes," 2020, https://statetaxindex.org/tax/property/

**16** Tyler Jaeckel, "Has the Colorado State Budget Grown?" October 2019, https://www.bellpolicy.org/2019/10/22/colorado-state-budget-growth/

**17** The Bell Policy Center, "Lasting Damage: COVID-19's Damage to Colorado's Already Strapped State Budget," May 2020, https://www.bellpolicy.org/2020/05/26/covid-state-budget/

**18** *Id.*

**19** Colorado Department of Local Affairs, Division of Property Taxation, "Presentation to Alternatives to Gallagher," July 13, 2018, https://leg.colorado.gov/sites/default/files/images/groff_property_tax_administrator.pdf

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