

## **Three Springs Metropolitan District No. 1, 2 and 4 2018 Mill Levy Adjustment**

The Three Springs Metropolitan Districts Nos. 1, 2 and 4 (the “**Taxing Districts**”) have been imposing a mill levy of 50 mills. The mill levy is used to pay for financing, constructing, operating and maintaining the public improvements in the community. Due to a complex provision of Colorado law, the Board of Directors expects to increase the mill levy rate for collection in 2018. *Please note that the increase in rate is intended to be tax neutral, so though the mill levy rate will increase, taxes paid by you to the District will be essentially the same.*

### **The Gallagher Amendment**

Since the Taxing Districts’ organizations, the assessment ratio of residential property for property tax purposes has been 7.96%. Under the “Gallagher Amendment,” the State Assessor expects the assessment ratio for residential property in the State to decline to 7.20% for tax collection year 2018. Most other classifications of property (including commercial property) are assessed at a ratio of 29%, and will not change for tax collection year 2018.

Under their Bond documents and intergovernmental agreements, the Taxing Districts are required to adjust their mill levy rates to offset any reduction in the residential assessment ratio. This adjustment is tax neutral (no tax increase) and merely allows the Taxing Districts to recapture revenue that would otherwise be lost.

The Taxing Districts understand that 7.20% is the final assessment ratio for collection year 2018, the maximum offsetting mill levy rate increase for the Taxing Districts will be 5.277 mills, for a total levy of 55.277 mills. (Calculated by multiplying 50 mills times the quotient of 7.96% divided by 7.20%.) In other words, the mill levy rate will be increased approximately 10% to offset the reduction in the assessment ratio of approximately 10%. This offset is commonly known as “Gallagherization” or a “Gallagher Adjustment.”

### **Additional Notes**

To the extent that the Taxing Districts have a combination of commercial and other property (which is generally assessed at a ratio of 29%), the corresponding and offsetting mill levy rate increase would be less than 5.277 mills. The Boards will make their Gallagher Adjustment calculations after the County Assessor provides the final assessed valuations of each of the Taxing Districts, including data regarding the mix of residential and other classes of property.

The Gallagher Adjustments will operate independently of the regular biennial reassessment of property. Every two years (coming up January 1, 2018), the County Assessor re-evaluates the actual values of all properties in the County. When the real estate market is strong, actual values increase and when the real estate market is weak, actual values decline. To the extent that the County Assessor determines that your property has increased (or decreased) in value, the amount of taxes due on your property will increase (or decrease) correspondingly. The combination of Gallagher Adjustments and County-wide reassessments may affect your property differently than other properties in the Taxing Districts.

We hope that this helps explain the steps the Boards will be taking. Please feel free to contact the Colorado Department of Local Affairs (DOLA) Division of Property Taxation at (303-846-7777) or [www.colorado.gov/pacific/dola/property-taxation](http://www.colorado.gov/pacific/dola/property-taxation) if you have any detailed questions about the Gallagher Amendment.