Property Tax Outlook:
Where we’re going (and what we don’t know)
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Property Taxes in Colorado

Actual Values × Assessment Rate \textbf{(State)} = Assessed Values

~7.15\% Residential*
~29\% Nonresidential*

Assessed Values × Local Mill Levy = Taxes Owed

*These are the permanent rates under current law; however, lower rates are applicable in 2023 and 2024.
"Actual Values"

Colo. Const. art. X, Section 3 (1)(a) requires that valuations be determined by “appropriate consideration of cost approach, market approach, and income approach to appraisal.”

Different appraisal methods applied to different classes of property – e.g., residential property is valued according to market approach.
Timing for Market Valuations

Residential, commercial, industrial, and vacant real property valued according to market conditions as of June 30 of each even-numbered year.

Examples:

June 30, 2020, market conditions used for tax years 2021 (tax paid in 2022) and 2022 (tax paid in 2023)

June 30, 2022, market conditions used for tax years 2023 (tax paid in 2024) and 2024 (tax paid in 2025)
2023 Valuations: The Perfect Storm

FHFA All Transactions Price Index
**Colorado**, Indexed to 2012

Case-Shiller Home Price Index
**Denver**, Indexed to 2012

+40%

+42%


2023 Valuations: The Perfect Storm

Value of Colorado’s oil and gas production rose rapidly following the pandemic

Dollars in Billions

Prices peaked in June 2022

Source: Legislative Council Staff.
Assessment Rates (then)

Set by state (previously in Colorado Constitution)

Under Gallagher, used to maintain relationship between residential and nonresidential portions of the tax base

• Fixed 29% nonresidential rate
• Residential rate set biennially to maintain a target percentage for the residential share of the tax base (roughly 45%)

Not initially a way to address overall tax burden (this was accomplished locally through mill levies) – though this has changed
Assessment Rates (now)

“Permanent rates”: 7.15% residential, 29% nonresidential

Temporary reductions:

- **2023**: residential 6.7%, nonresidential 27.9%, ag/renewable 26.4%
- **2024**: multifamily residential 6.8%, ag/renewable 26.4%, **single family residential TBD (est. 7.061%)**
- Valuation subtractions for **2023 only**: $55k residential, $30k improved commercial
Evolving Policy Environment Makes Data Less Reliable
Assessors supply data to DPT and our auditor

2023 abstract data are incomplete. County applications of valuation subtractions in current data inconsistent. LCS performed additional adjustments to attempt to harmonize across counties.

- Poses risk for the state budget via school finance
- No additional reporting requirement for 2023

2023 parcel-level microdata are inconsistent, include errors
2023 AV Growth: +24.8%

Reassessment year, tax due in 2024

Residential
• 43.3% growth in actual values...
• ...but 27.9% growth in assessed values

Nonresidential
• 24.0% growth in actual values...
• ...but 22.0% growth in assessed values
Historic increase in residential and nonresidential values from property tax year 2022 to 2023 of 24.8%

Residential and nonresidential nominal and real assessed valuation
Dollars in Billions

Source: Legislative Council Staff. e=estimate, f=forecast
Adjusting for inflation, the increase in values is less severe over the last 12 years

Residential and nonresidential nominal and real assessed valuation
Dollars in Billions

Dotted lines show inflation-adjusted 2010 dollars

Source: Legislative Council Staff. Adjusted to 2010 dollars based on the outlook for the Denver-Boulder-Lakewood Consumer Price. e=estimate, f=forecast
2023 Reassessment Year: 24.8% growth

Fastest growth in resort communities, larger relative impact of legislative adjustments on growth in lower value areas of the state.
2023 Reassessment Year: 24.8% growth

Fastest growth in resort communities, larger relative impact of legislative adjustments on growth in lower value areas of the state
2024 AV Growth: +6.9%

Not a reassessment year, tax due in 2025

Residential
• 1.2% growth in actual values…
• …but 15.0% growth in assessed values

Nonresidential
• -2.3% decline in actual values…
• …but -0.7% decline in assessed values
2024 Intervening Year: 6.9% growth

Fastest growth in lower value areas of the state that experienced a larger relative impact of 2023 legislative adjustments
2024 Intervening Year: 6.9% growth

Fastest growth in lower value areas of the state that experienced a larger relative impact of 2023 legislative adjustments.
2025 AV Growth: +1.8%

Reassessment year, tax due in 2026
Will depend on market conditions as of June 30, 2024

Residential
• 1.1% growth in actual values...
• ...but 2.7% growth in assessed values

Nonresidential
• -0.002% decline in actual values...
• ...but 0.9% growth in assessed values
Mill Levies

Important misconception: a 25% increase in AVs doesn’t mean a 25% increase in tax due!

Mill levies may decrease with rising AVs due to:
• Local TABOR limits
• Statutory 5.5% limits
• Other local limits (e.g. Denver)
• Target revenue for bonds/contractual obligations
• Target revenue for MLO caps
• Specific policy interventions

**Bottom line:** we don’t know how much **taxes** will go up this year – and we can’t really know this in advance
Prior Reassessment Years

2015 reassessment:  
AVs increased 15.0%, taxes increased 12.3%

2017 reassessment:  
AVs increased 10.1%, taxes increased 10.3%

2019 reassessment:  
AVs increased 17.0%, taxes increased 15.0%

2021 reassessment:  
AVs increased 4.4%, taxes increased 4.9%
Questions?

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