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# Property Tax Outlook:

## Where we're going (and what we don't know)

Presentation to the Commission on Property Tax  
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# Property Taxes in Colorado

Actual Values



$$\times \text{Assessment Rate } \mathbf{(\text{State})} =$$

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

Assessed Values



Assessed Values



$$\times \mathbf{\text{Local}} \text{ Mill Levy} =$$

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.**

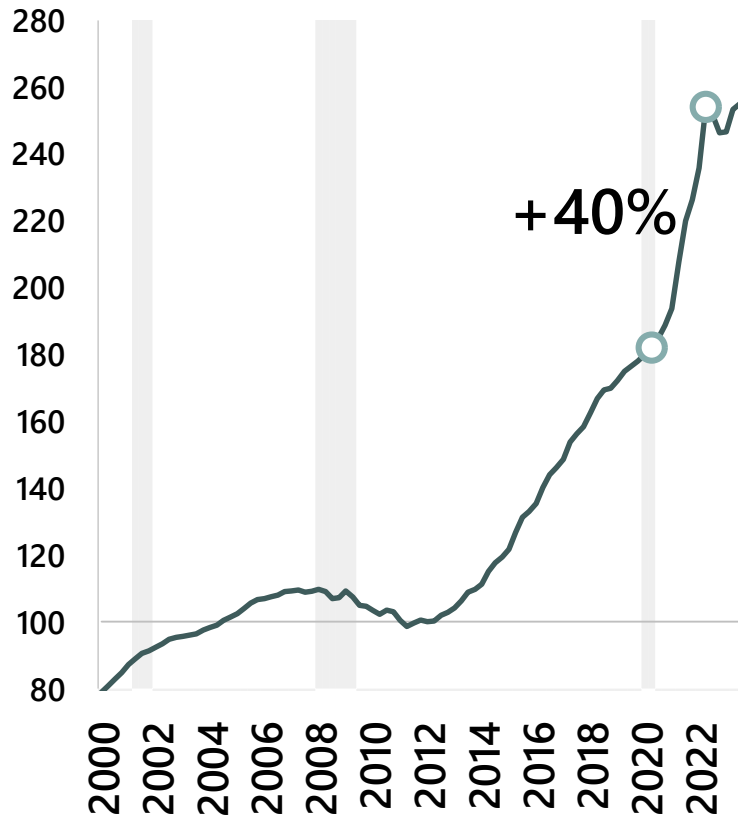
Examples:

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

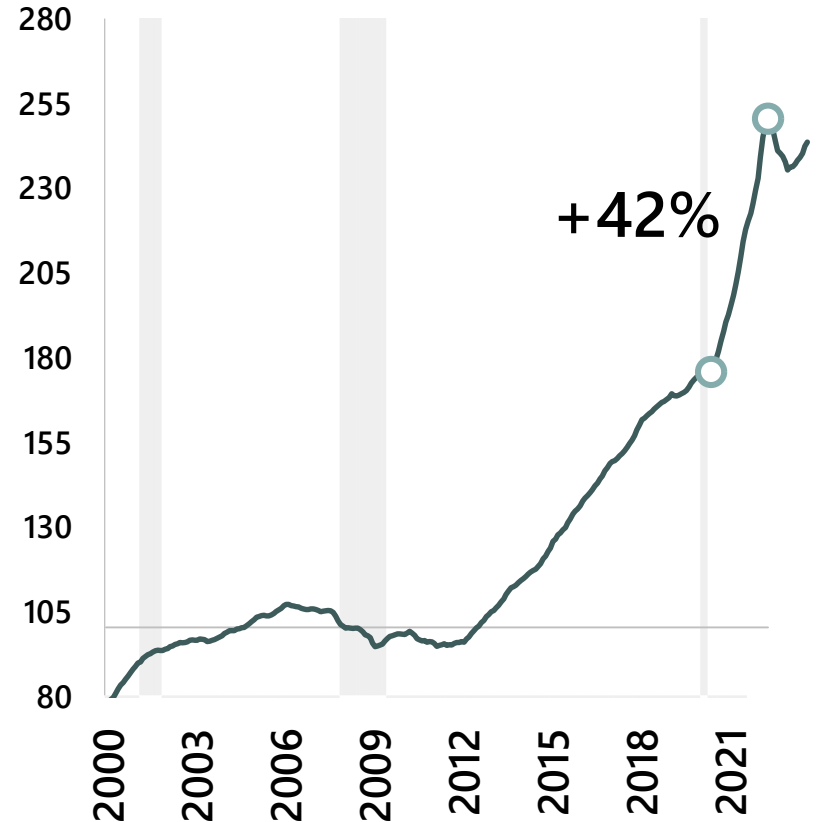
**June 30, 2022**, market conditions used for tax years **2023** (tax paid in 2024) and **2024** (tax paid in 2025)

# 2023 Valuations: The Perfect Storm

FHFA All Transactions Price Index  
Colorado, Indexed to 2012



Case-Shiller Home Price Index  
Denver, Indexed to 2012

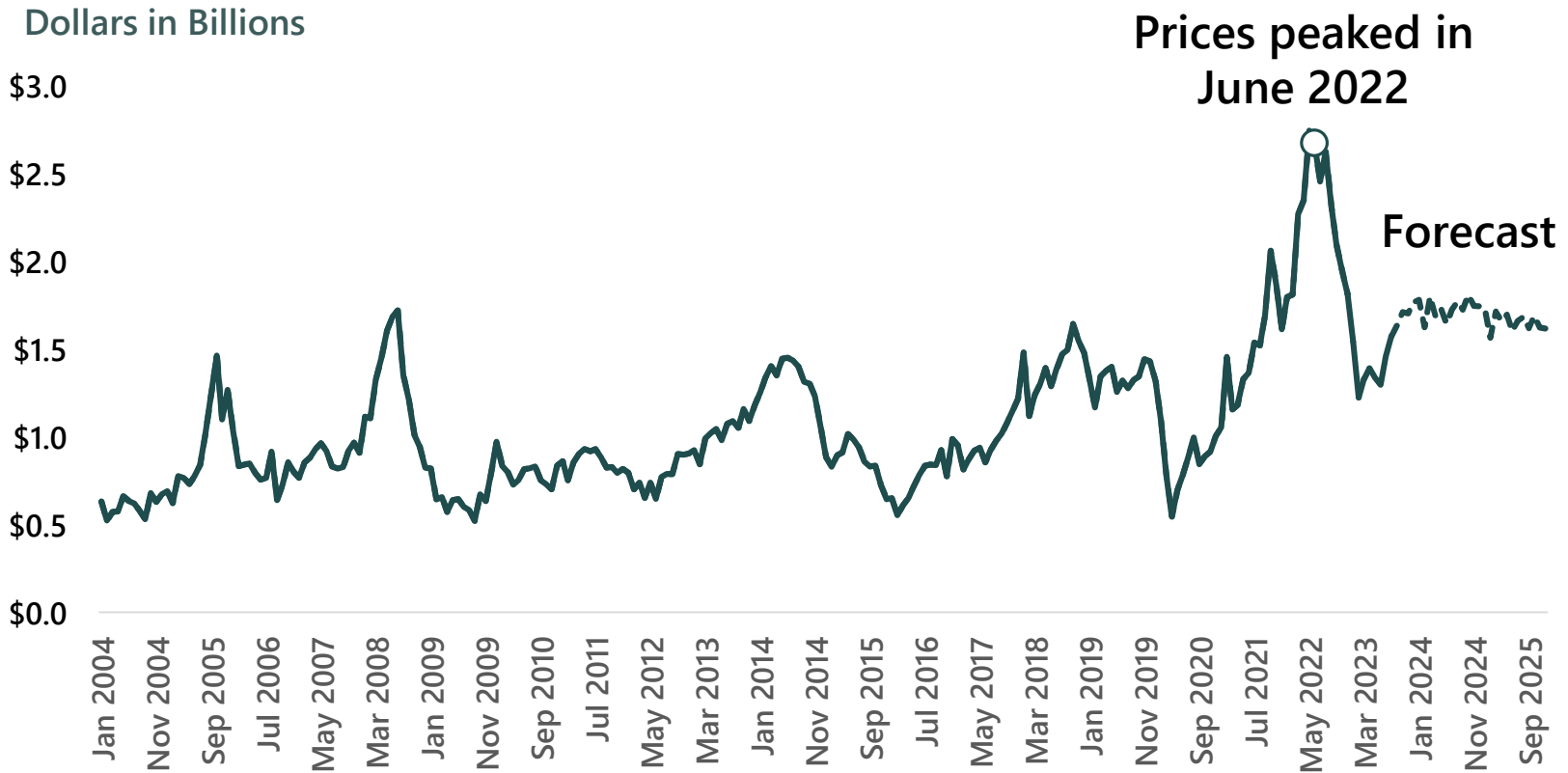


Source: U.S. Federal Housing Finance Authority.  
Quarterly data. Seasonally adjusted.

Source: S&P Dow Jones Indices LLC.  
Monthly data. Seasonally adjusted.

# 2023 Valuations: The Perfect Storm

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



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

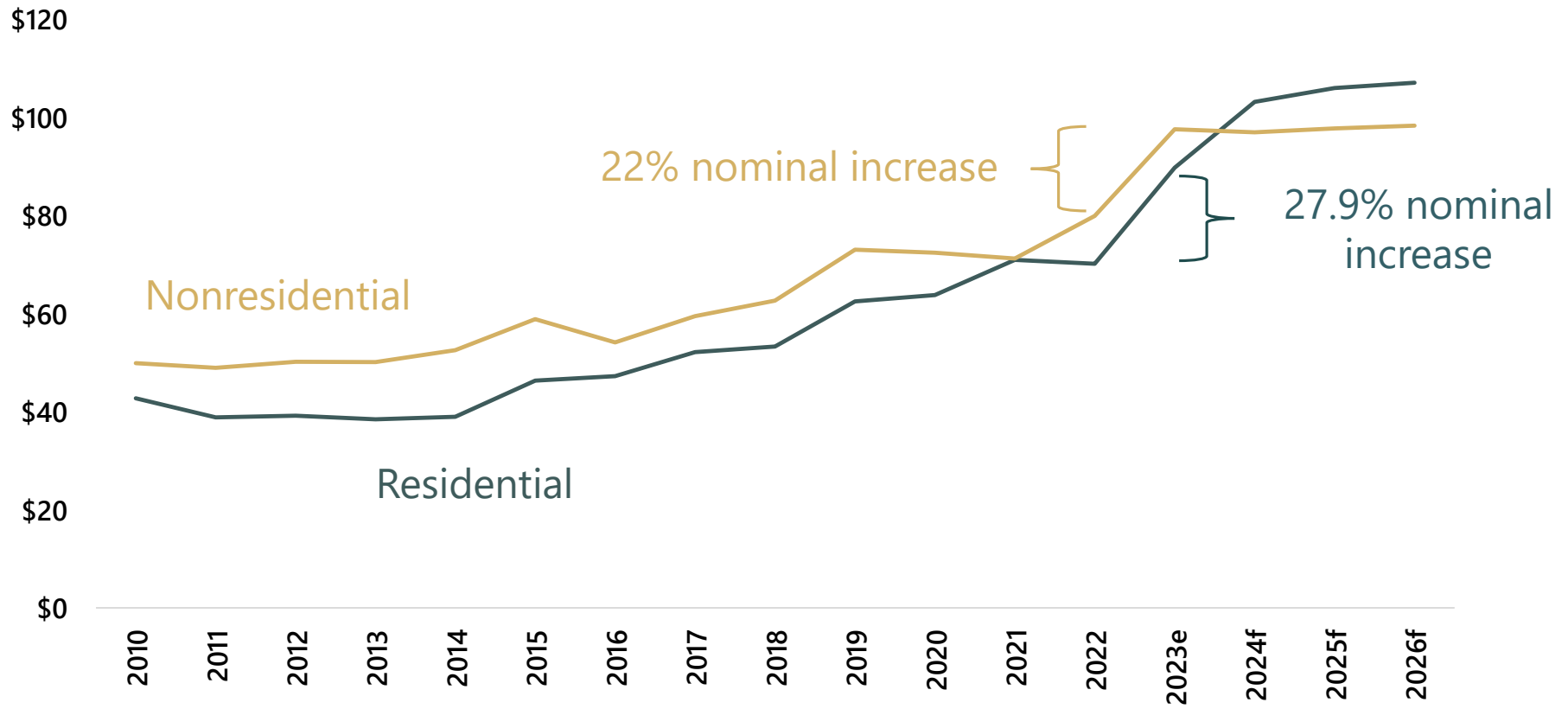
- 43.3% growth in **actual values...**
- ...but 27.9% growth in **assessed values**

## 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%

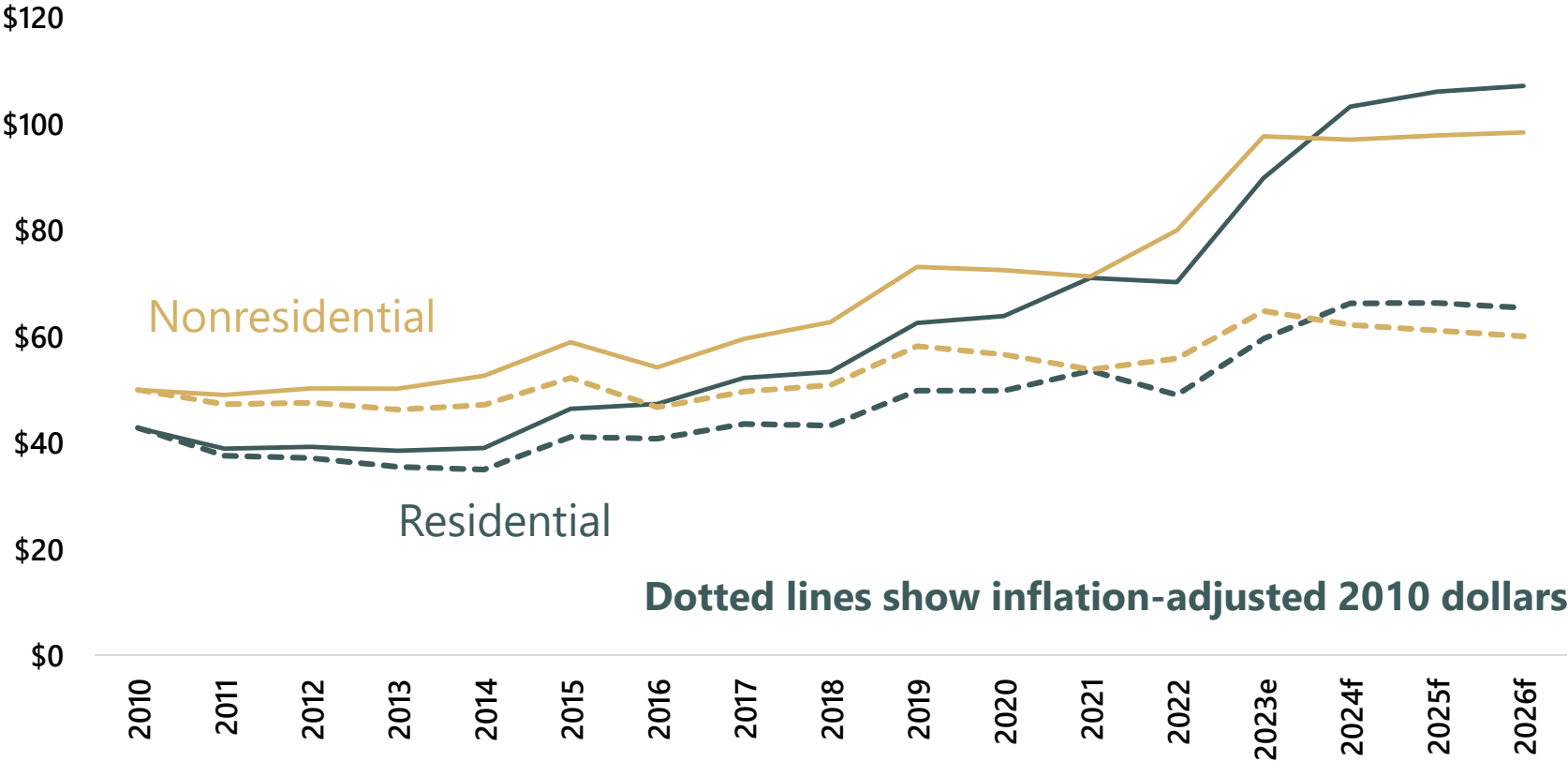
Residential and nonresidential nominal and real assessed valuation  
Dollars in Billions



Source: Legislative Council Staff. e=estimate, f=forecast

# Adjusting for inflation, the increase in values is less severe over the last 12 years

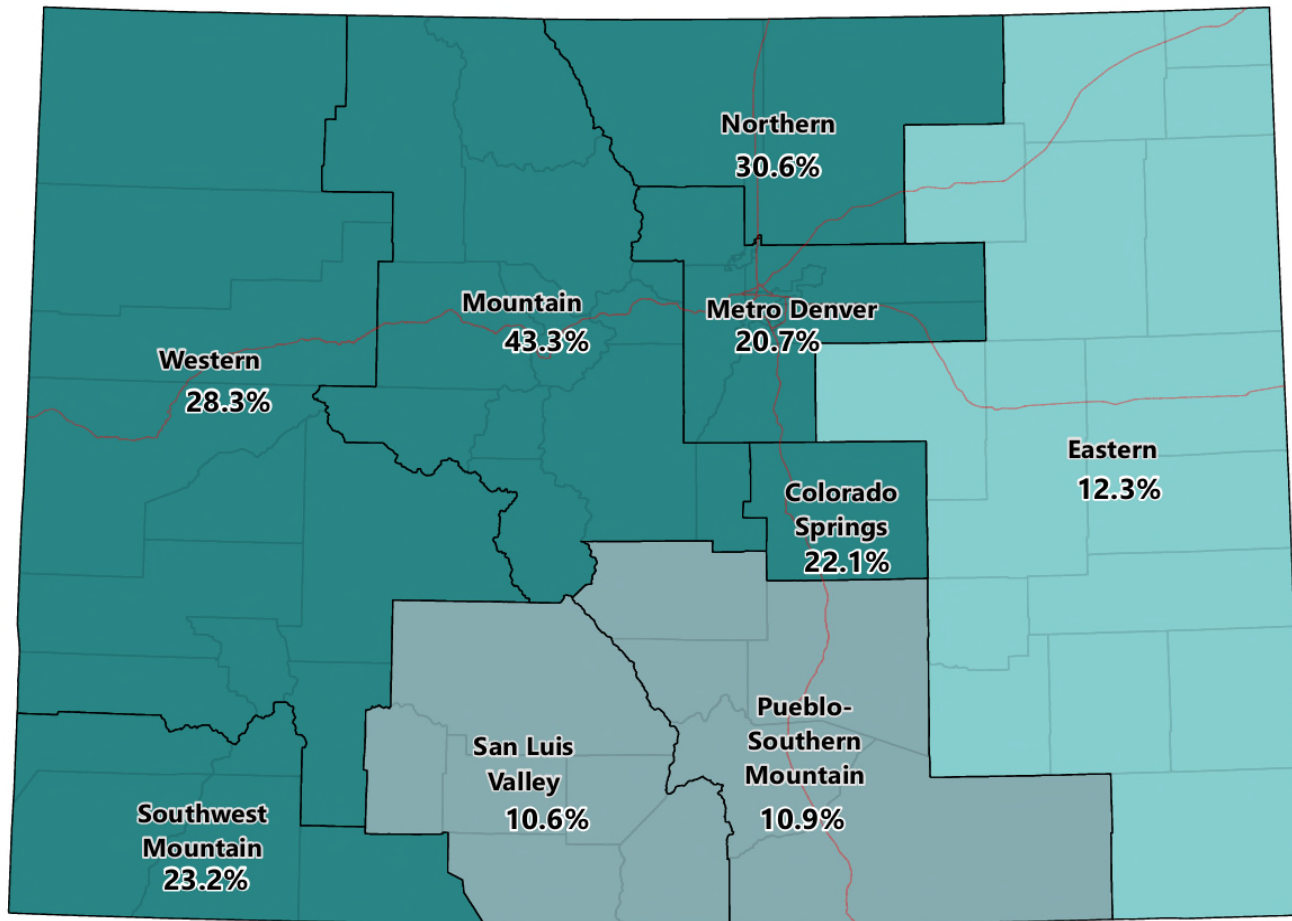
Residential and nonresidential nominal and real assessed valuation  
Dollars in Billions



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

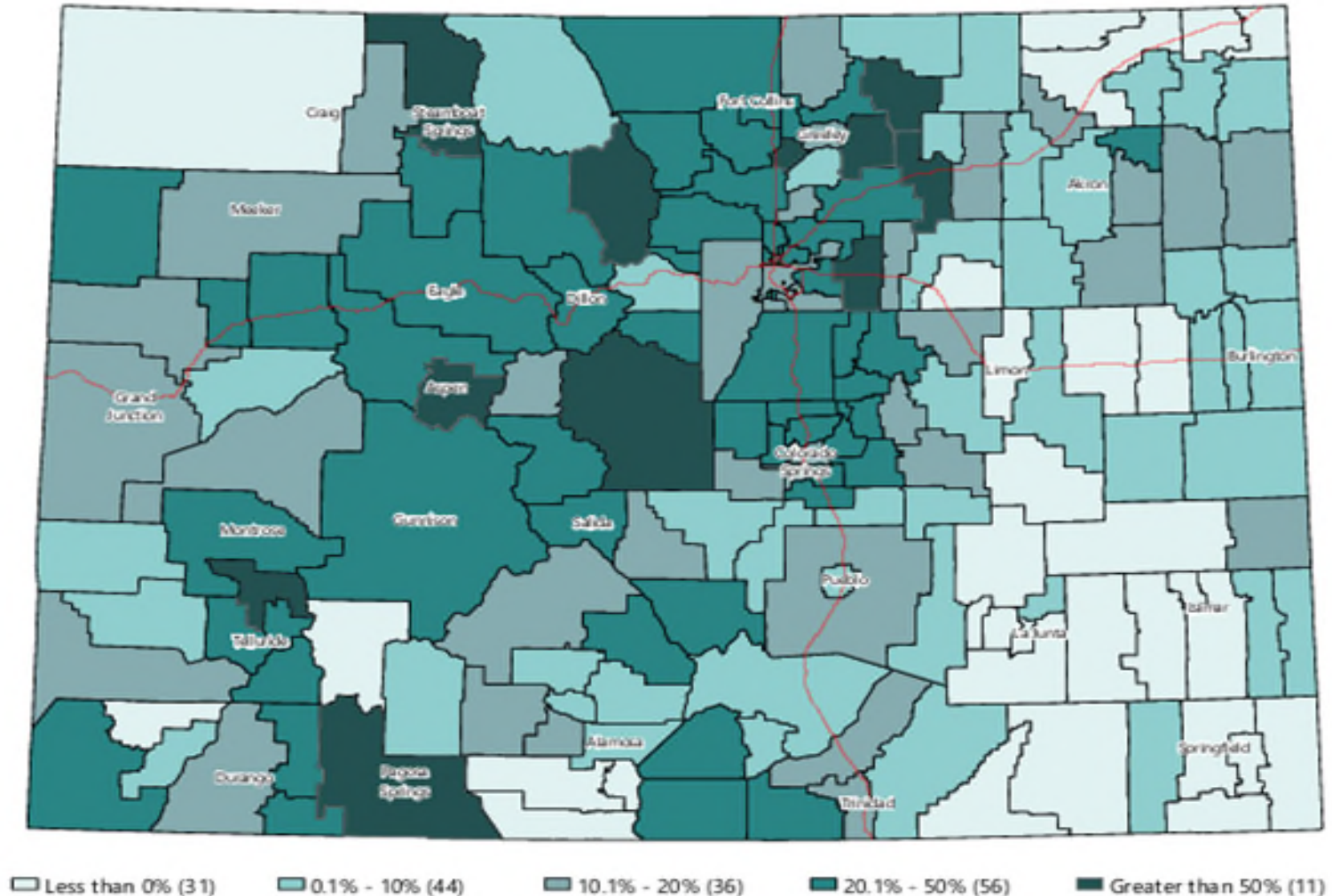
# 2023 Reassessment Year: 24.8% growth

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

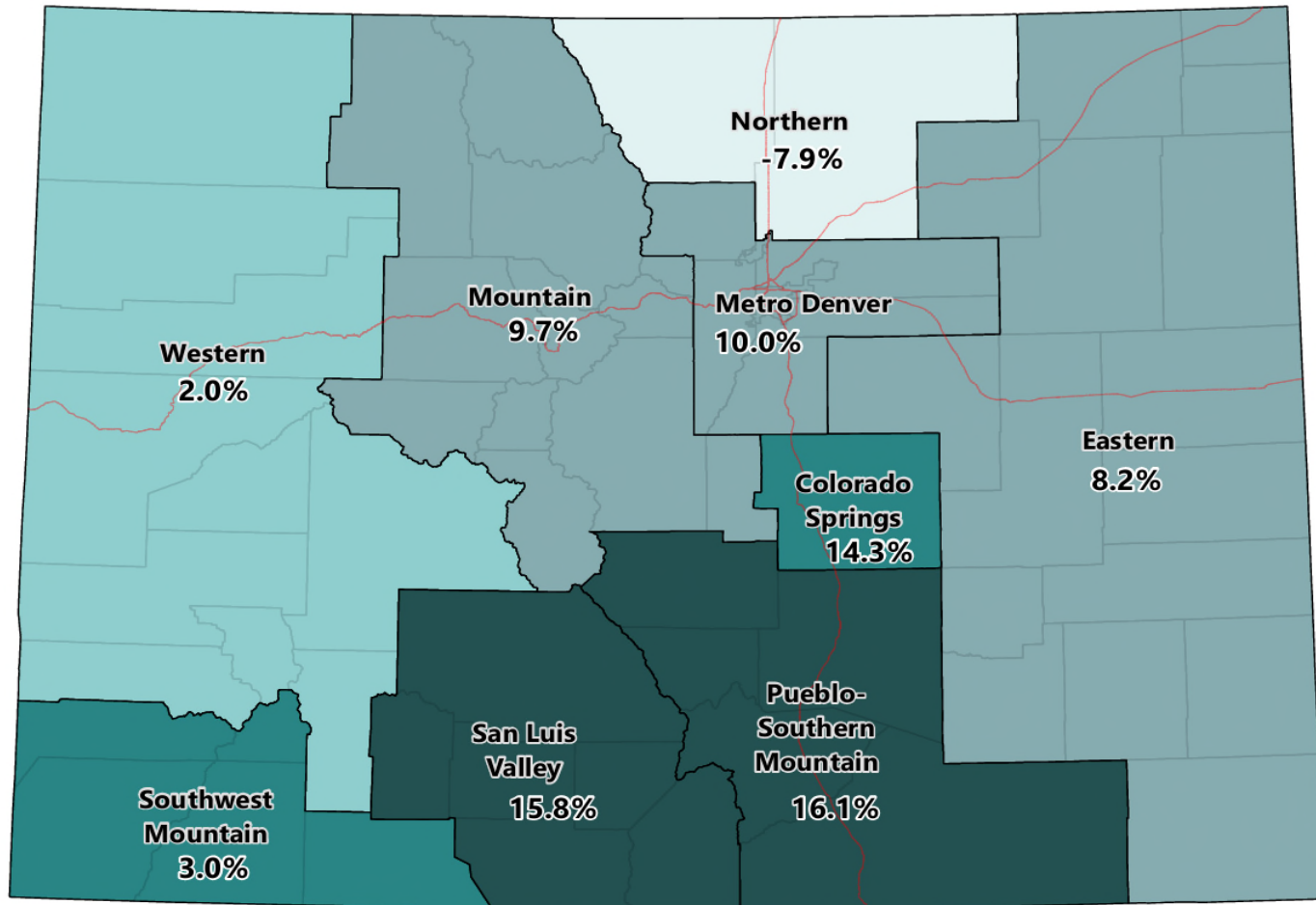
- 1.2% growth in **actual values...**
- ...but 15.0% growth in **assessed values**

## Nonresidential

- -2.3% decline in **actual values...**
- ...but -0.7% decline in **assessed values**

# 2024 Intervening Year: 6.9% growth

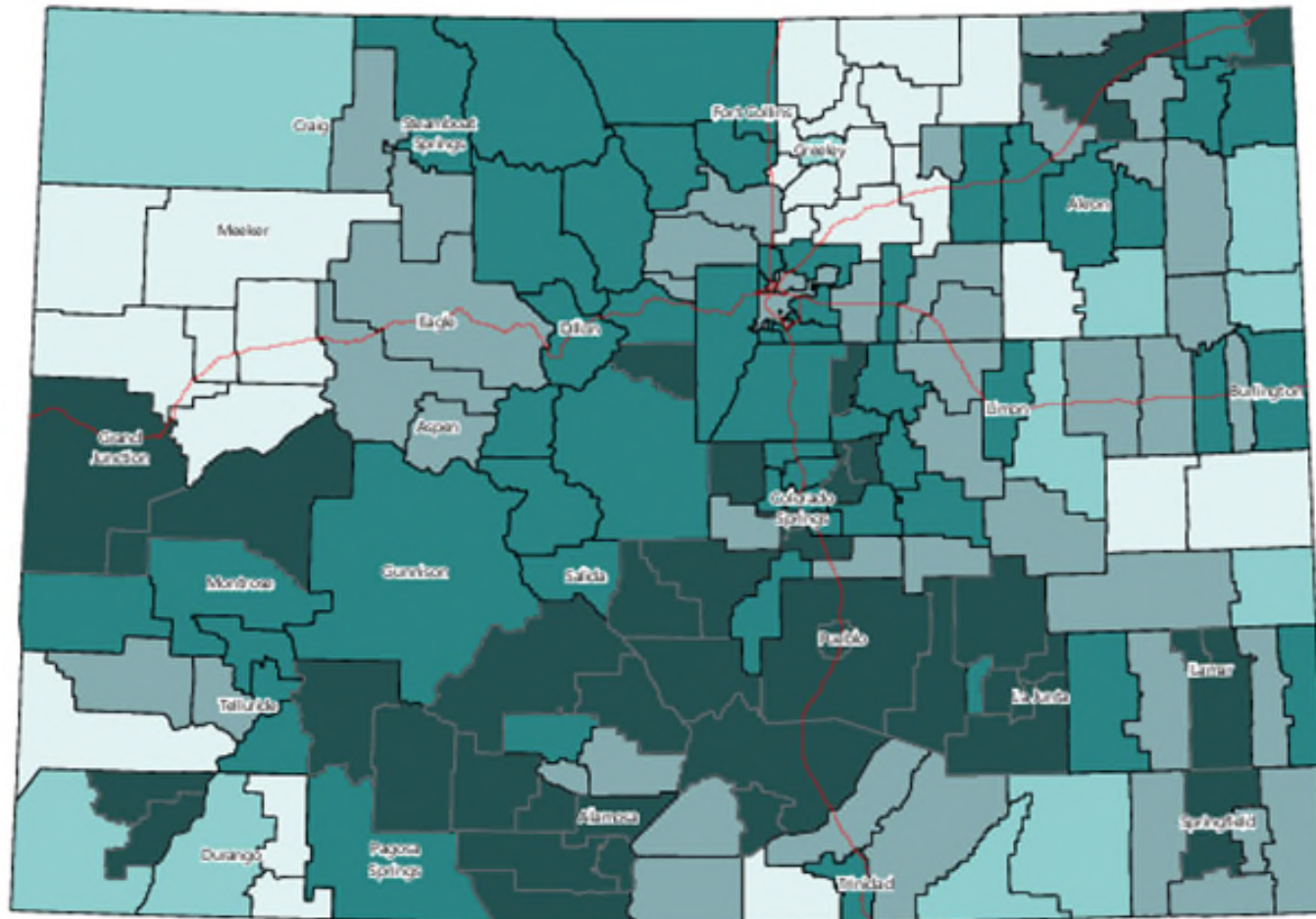
Fastest growth in lower value areas of the state that experienced a larger relative impact of 2023 legislative adjustments





# 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



Less than 0% (25) .01% - 5% (11) 5.1% - 10% (46) 10.1% - 15% (57) Greater than 15.1% (39)

# 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%

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# Questions?

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