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# Variations in Mill Levies

Commission on Property Taxation

January 19, 2024

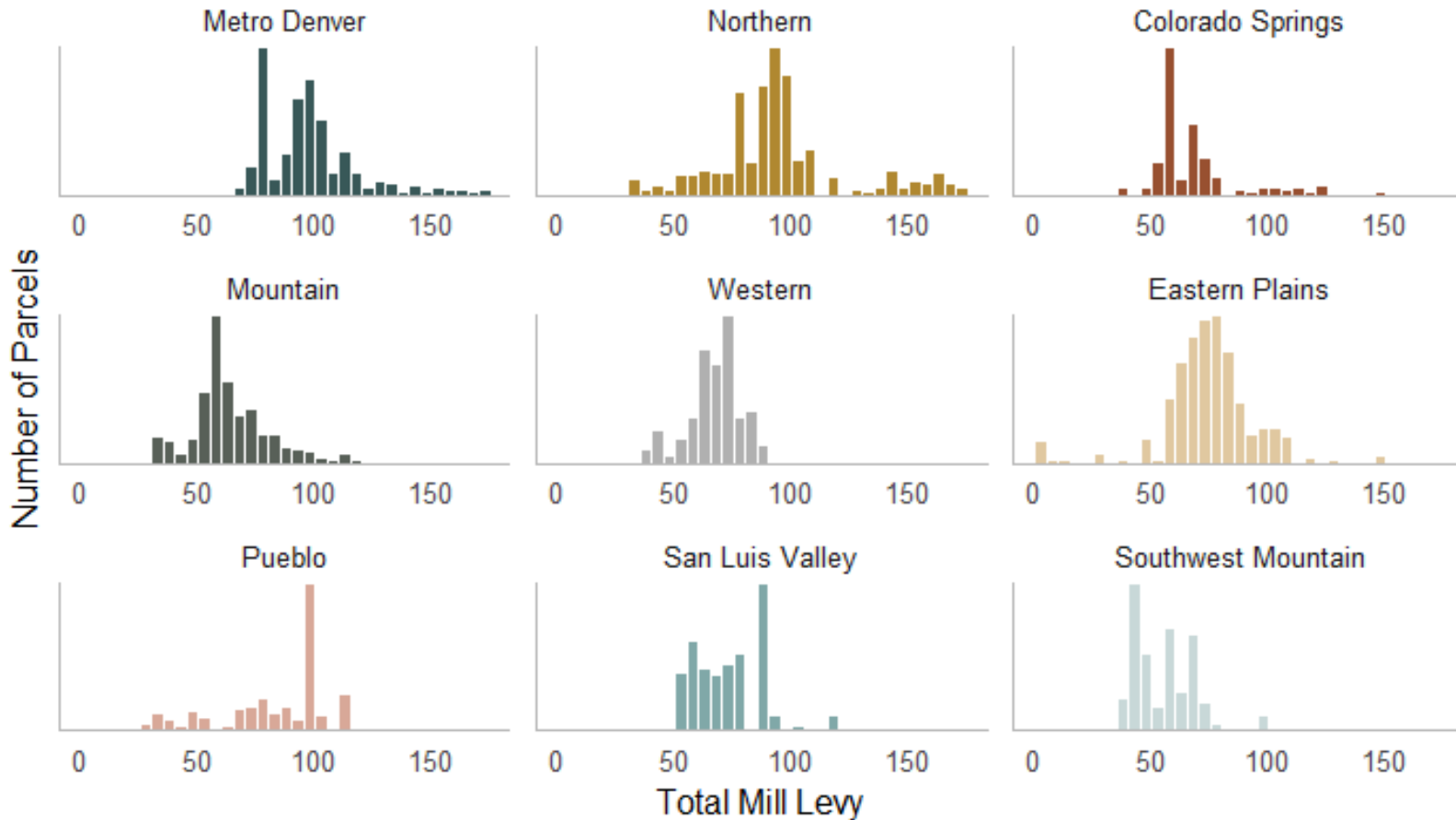
Greg Sobetski

Chief Economist, Legislative Council Staff



# Mill levies vary across the state

## Distribution of Mills by Parcel



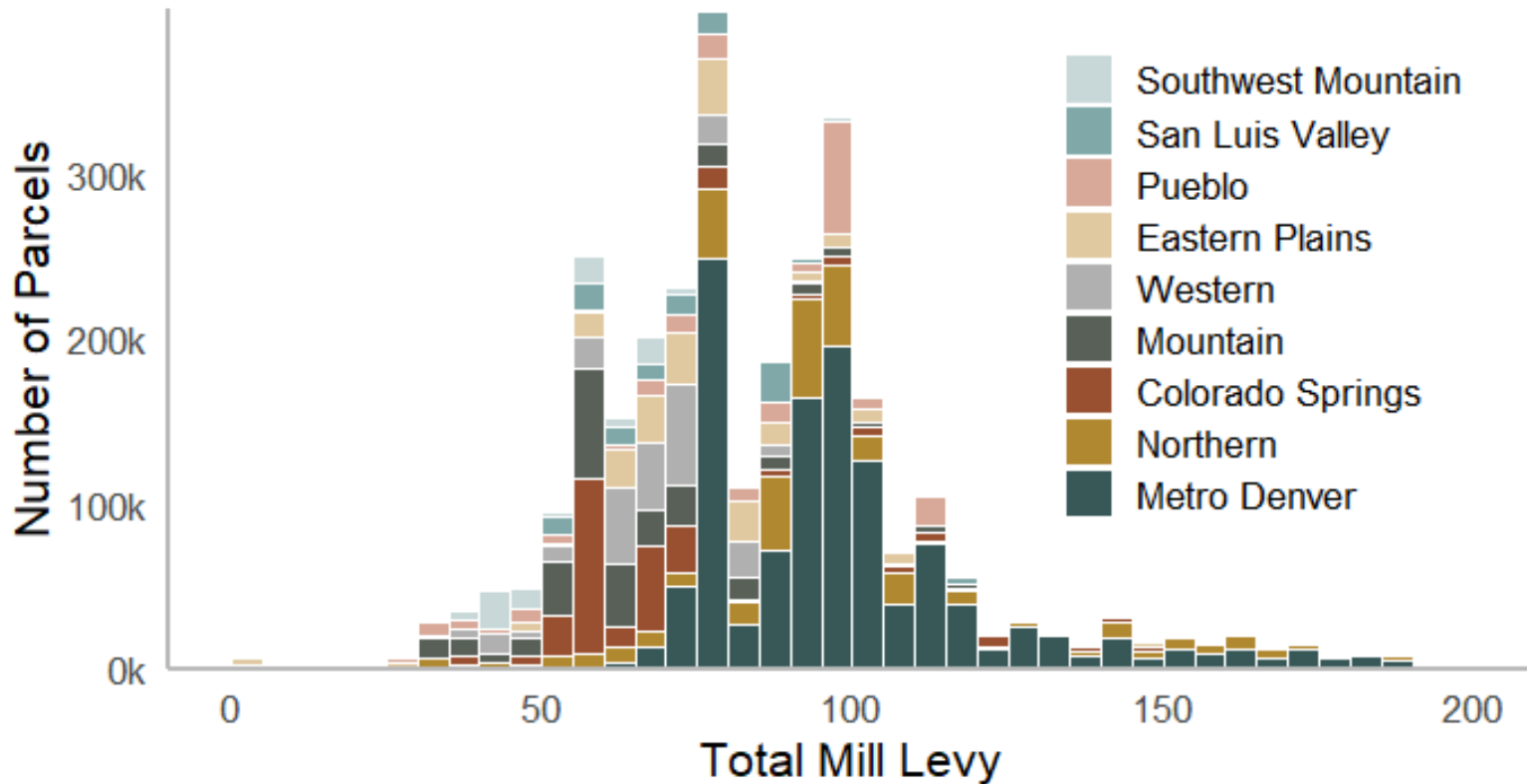
Source: County assessors data for property tax year 2022, aggregated by Wildrose Appraisal and East-West Econometrics, with LCS calculations.



# High mill areas are mostly in Metro Denver and Northern Colorado

## Distribution of Mills by Parcel

3.045 million parcels; median of 81 mills



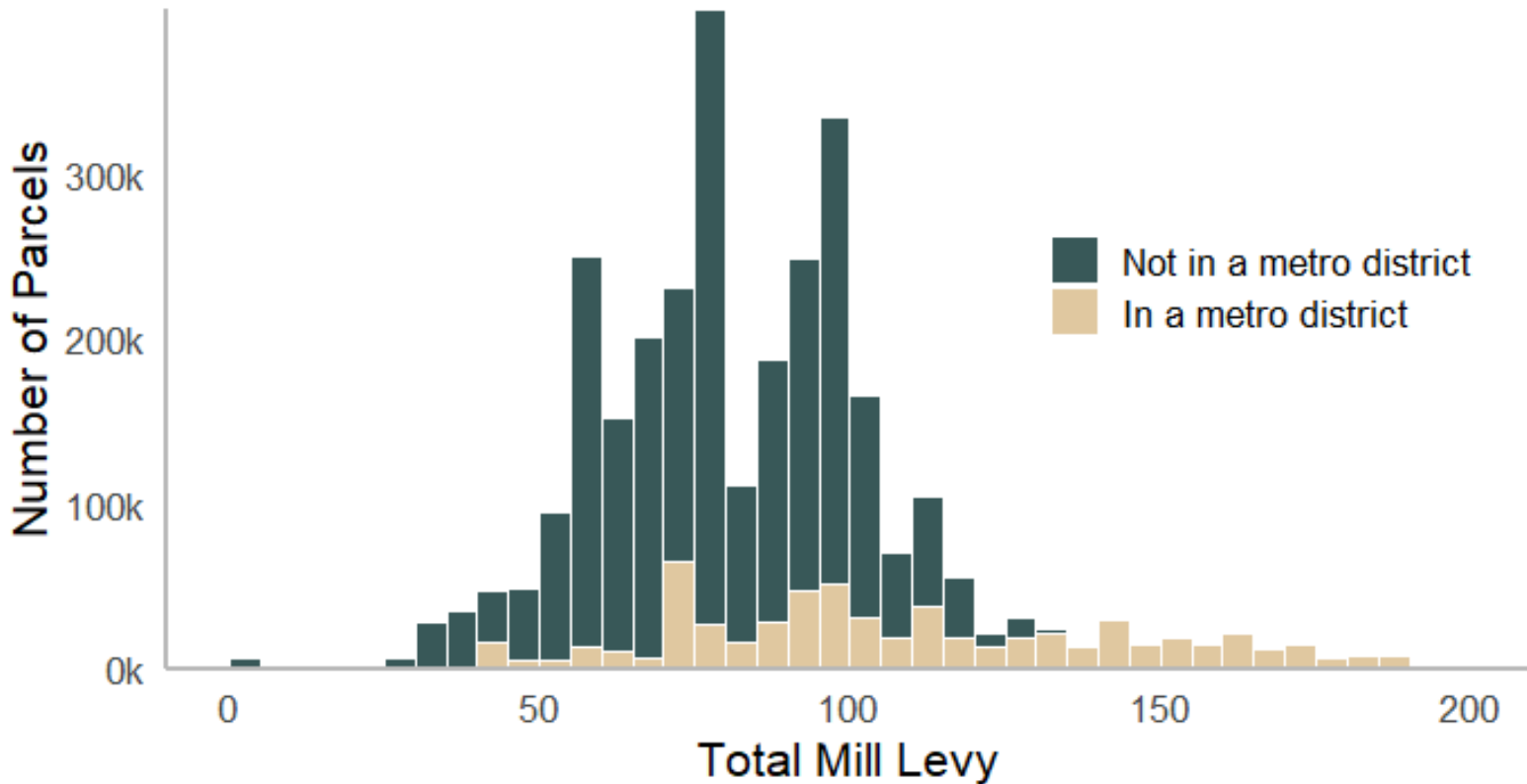
Source: County assessors data for property tax year 2022, aggregated by Wildrose Appraisal and East-West Econometrics, with LCS calculations.



# Parcels with the highest levies are in metro districts

## Distribution of Mills by Parcel

3.045 million parcels; median of 81 mills



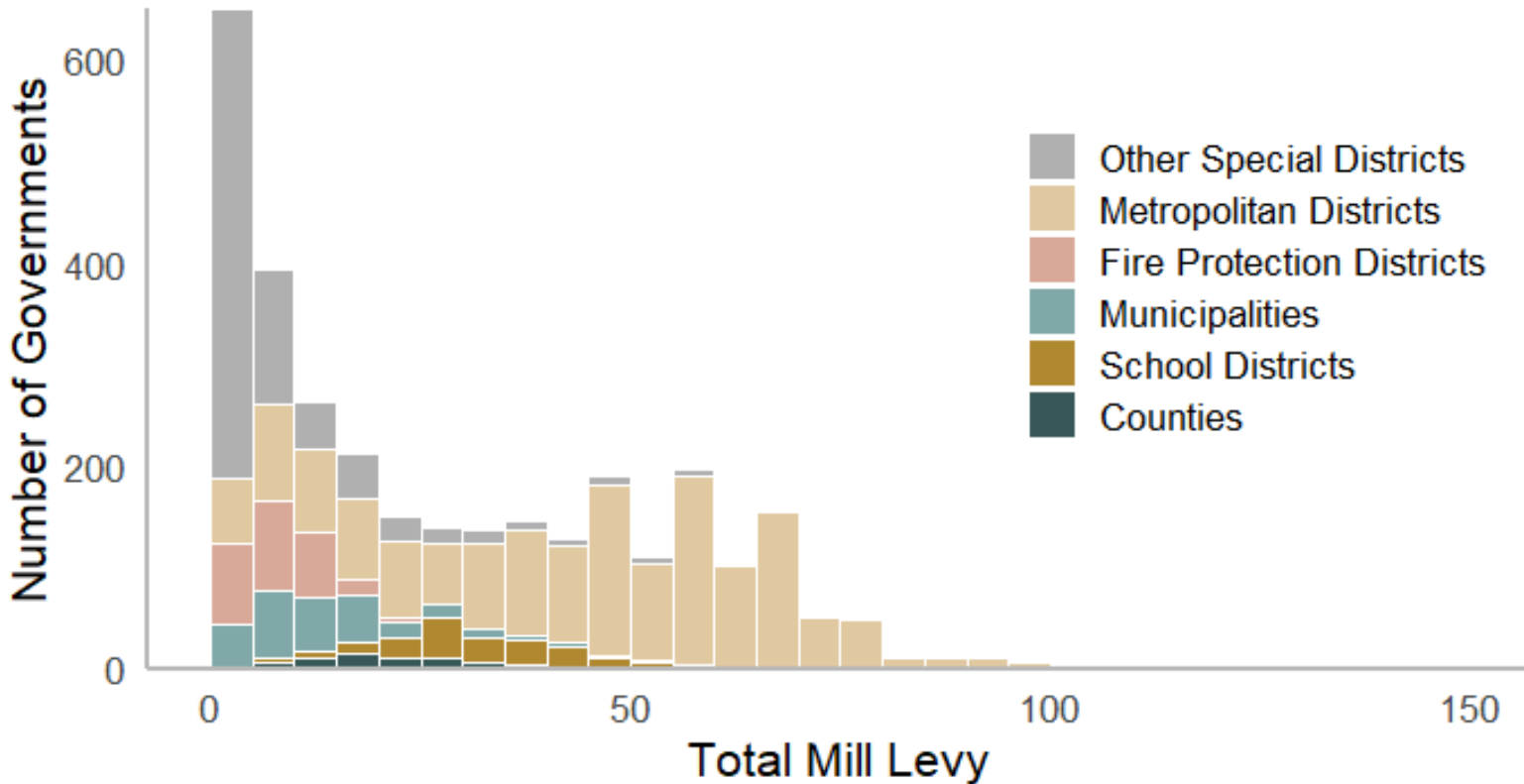
Source: County assessors data for property tax year 2022, aggregated by Wildrose Appraisal and East-West Econometrics, with LCS calculations.



# Metro district mills vary widely, while other district mills fall within narrower bands

## Distribution of Mills by Local Government

3137 governments; median of 21.8 mills



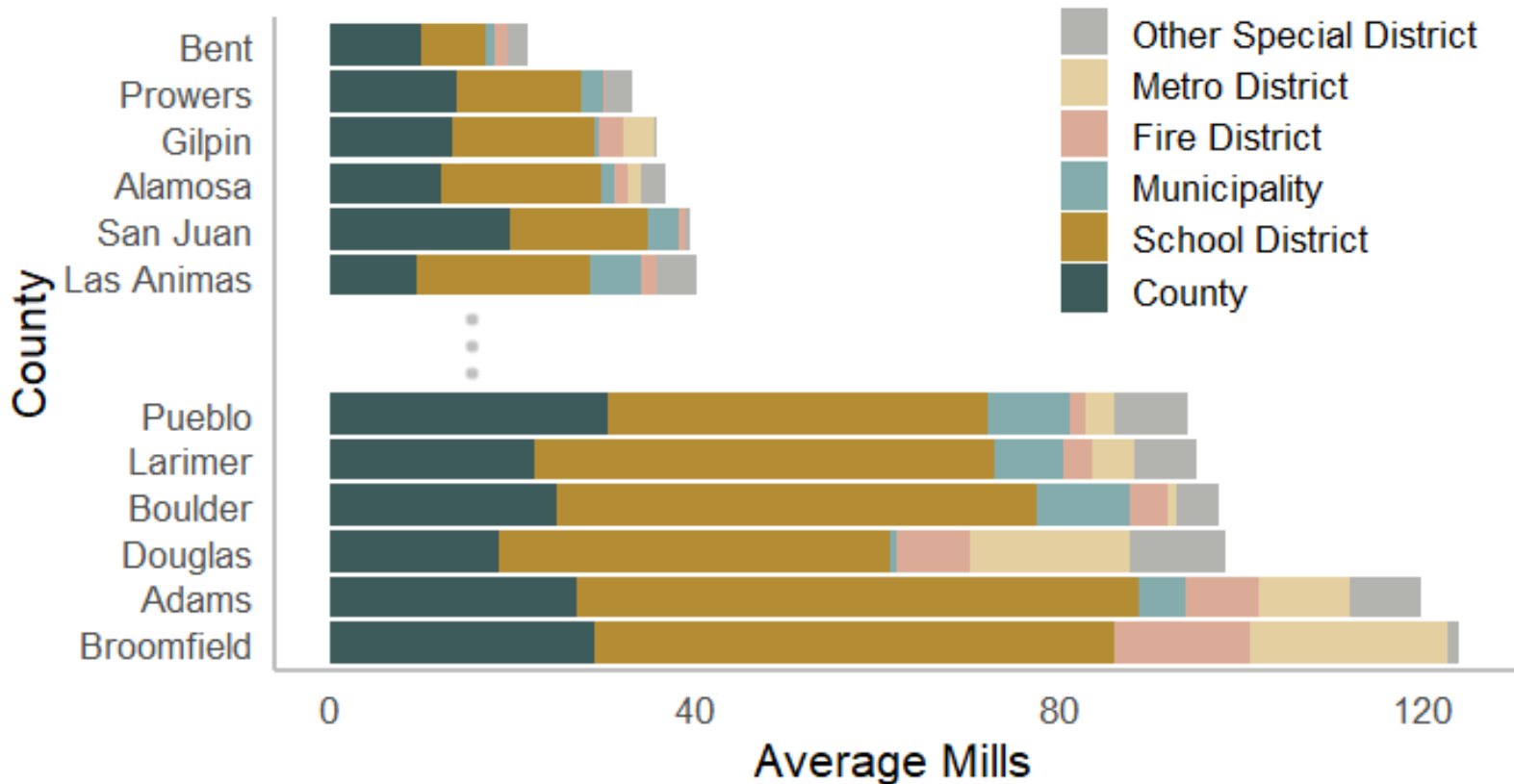
Source: County assessors data for property tax year 2022, aggregated by Wildrose Appraisal and East-West Econometrics, with LCS calculations.



# All district types are responsible for the variation in mill levies

## Average Mills by County

for the highest and lowest tax counties



Source: County assessors data for property tax year 2022, aggregated by Wildrose Appraisal and East-West Econometrics, with LCS calculations.



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# Assessment Cycle Smoothing

Commission on Property Taxation

January 19, 2024

David Hansen

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# Real Property Valuation and the Assessment Cycle

- Every 2 years county assessors determine the actual value of real property (land and improvements)
  - Agricultural
  - Commercial
  - Industrial
  - Residential
  - Vacant
- These values are reflected in odd numbered property tax years





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# Real Property Valuation and the Assessment Cycle

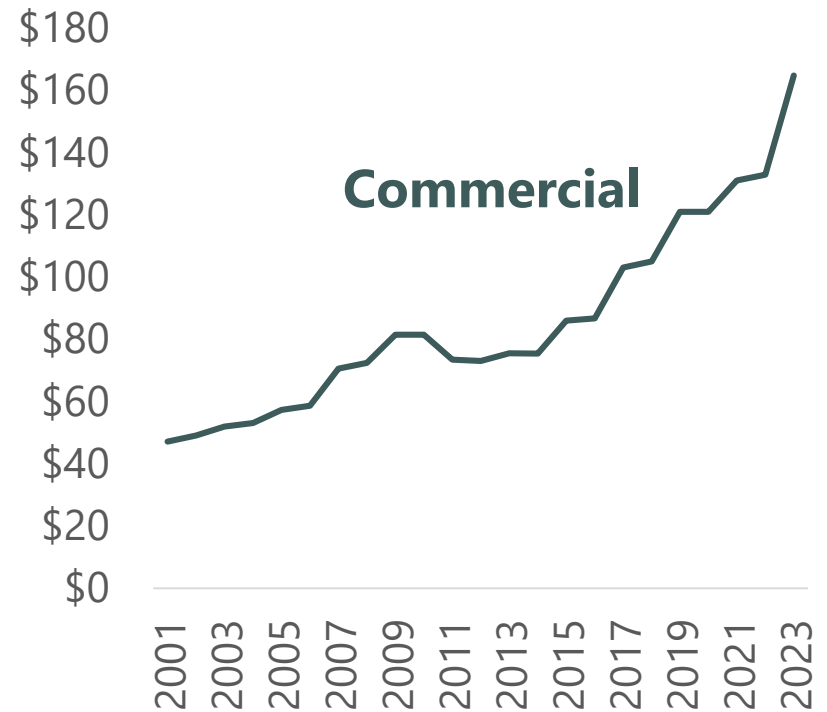
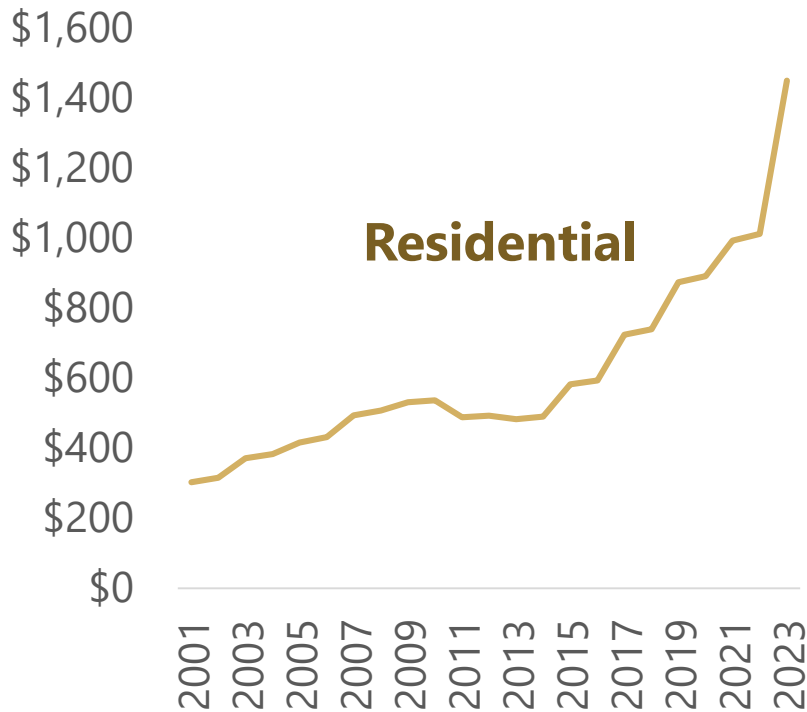
- In even numbered intervening years, value remains the same for most properties
- However, actual value can fluctuate depending on several factors such as new construction, reclassification, changes in taxable status, and appeals
- Actual value is the basis for determining assessed, or taxable value



# The 2-Year Cycle results in a stair-step pattern of value

## Actual value of residential and commercial real property

Dollars in Billions



Source: Legislative Council Staff.



# Smoothing Value Over the Assessment Cycle

- Value could be smoothed over the assessment cycle in a number of ways:

- 1) Base the value of a property in assessment years on the average of the current value and its value for the last assessment cycle

Value in 2023 assessment cycle = average of 2023 value and 2021 value

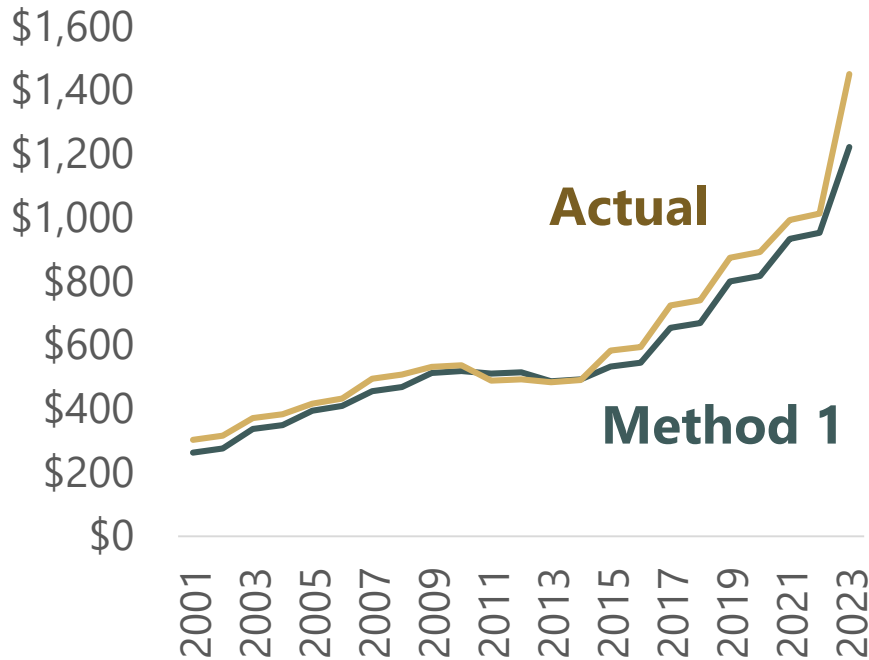


# Method 1: Value equal to average over last two cycles

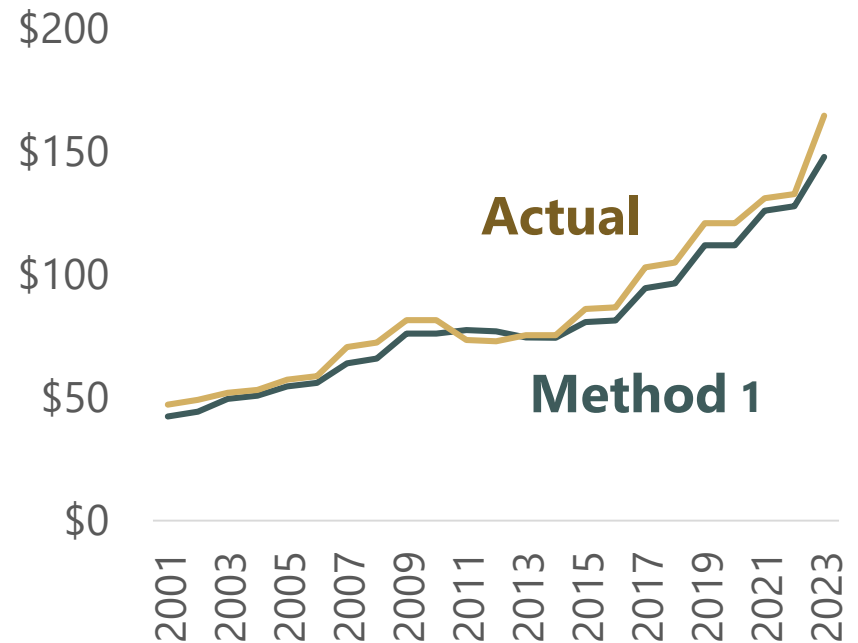
## Value of residential and commercial real property

Dollars in Billions

### Residential



### Commercial



Source: Legislative Council Staff. Method 1 calculated as the average valuation for the current and prior assessment year in each odd numbered year. Even numbered years add actual intervening year changes.



# Smoothing Value Over the Assessment Cycle

- Value could be smoothed over the assessment cycle in a number of ways:
  - 2) Base the value of property in assessment years on the average of the current value and its value for the last assessment cycle, then set value equal to the current value in intervening years

2023 PTY: Value = average of 2023 value and 2021 value

2024 PTY: Value = 2023 value

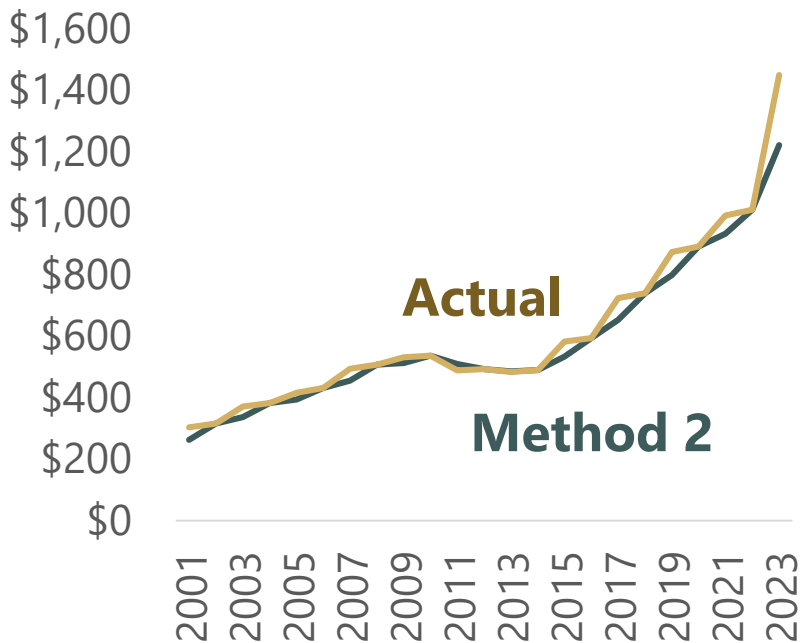


# Method 2: Odd year value equal to average over last 2 cycles, even year equals current cycle

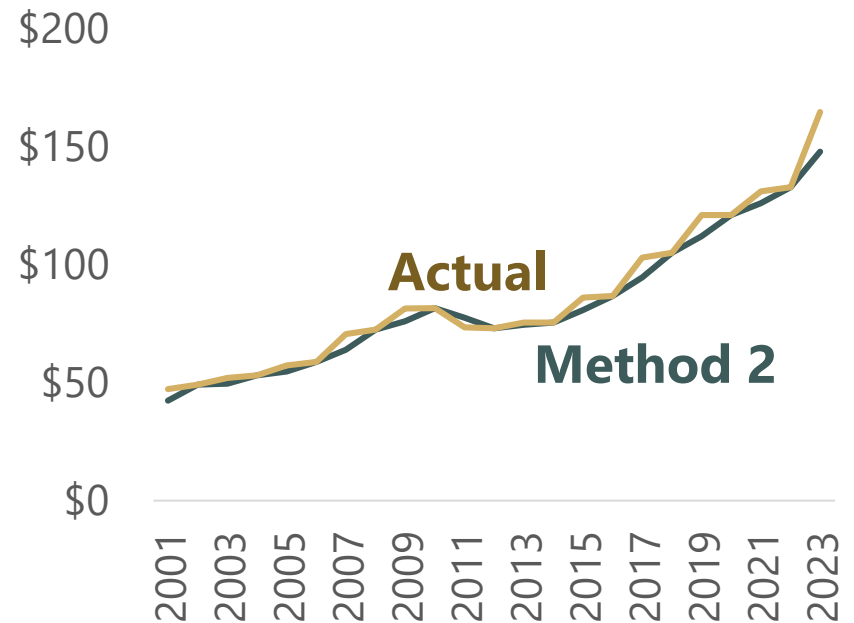
## Value of residential and commercial real property

Dollars in Billions

### Residential



### Commercial



Source: Legislative Council Staff. Method 2 calculated as the average valuation for the current and prior assessment year in each odd numbered year. Even numbered years equal actual intervening year values.



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# Policy considerations

- New construction and reclassified property
- Effect of appeals during assessment cycles
- Effect of stickiness, lags, and smoothing on tax revenue and budgets
- Effects during recession and expansion
- Implications of smoothing processes on each property class, including those that may be more volatile such as vacant and agricultural classes



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# Questions?

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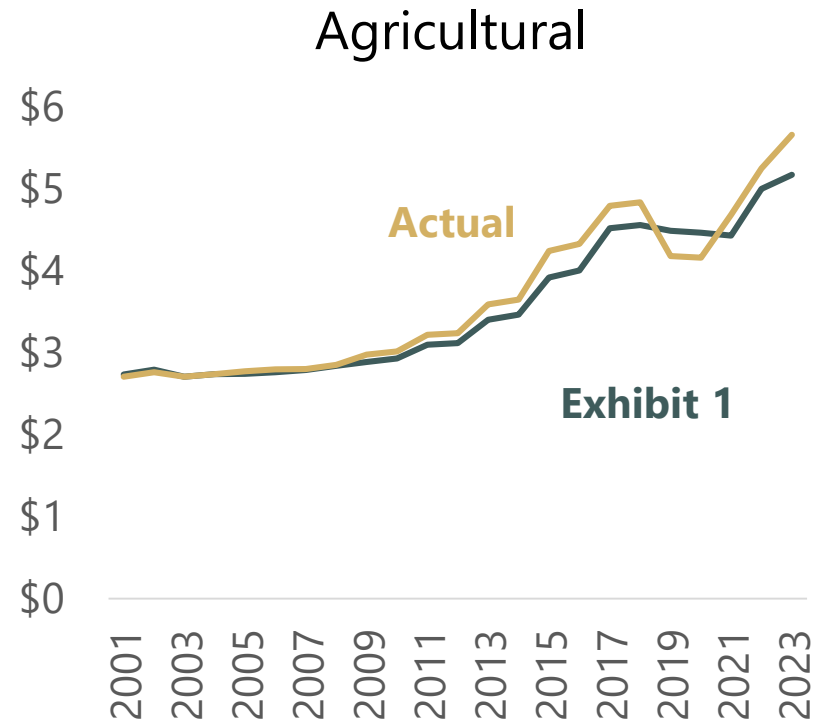
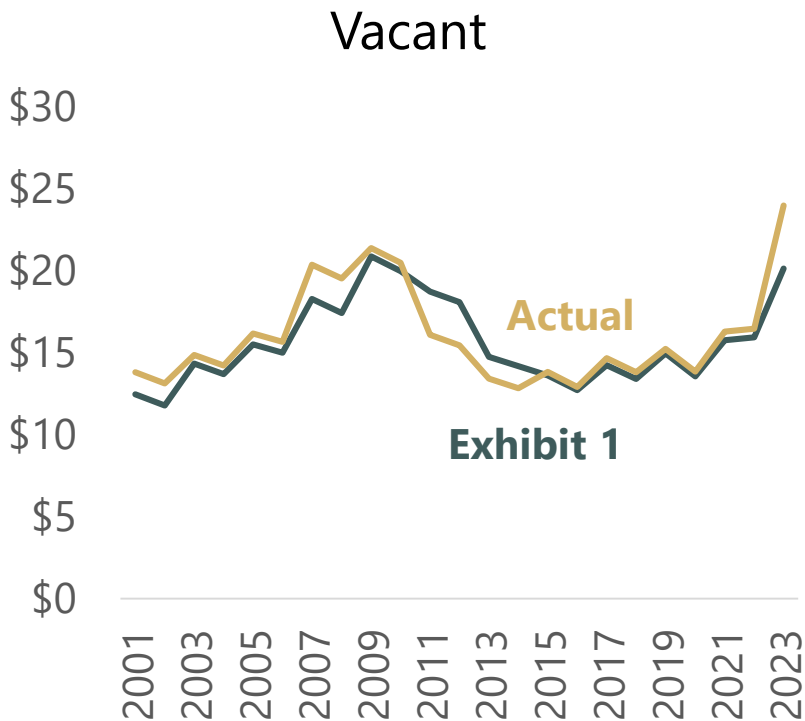
# Supplemental Slides



# Exhibit 1: Value equal to average over last 2 cycles

## Value of residential and commercial real property

Dollars in Billions



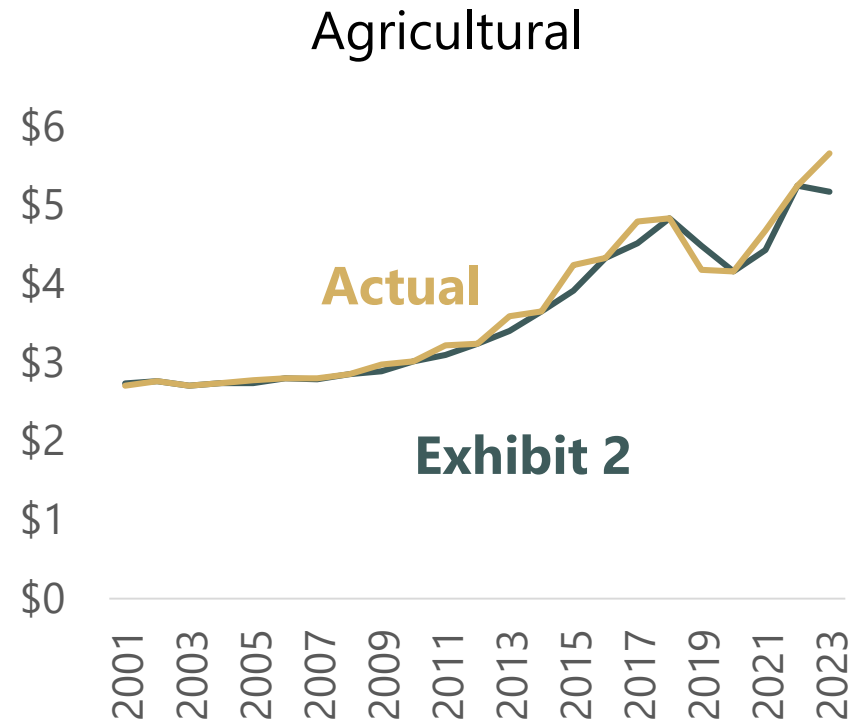
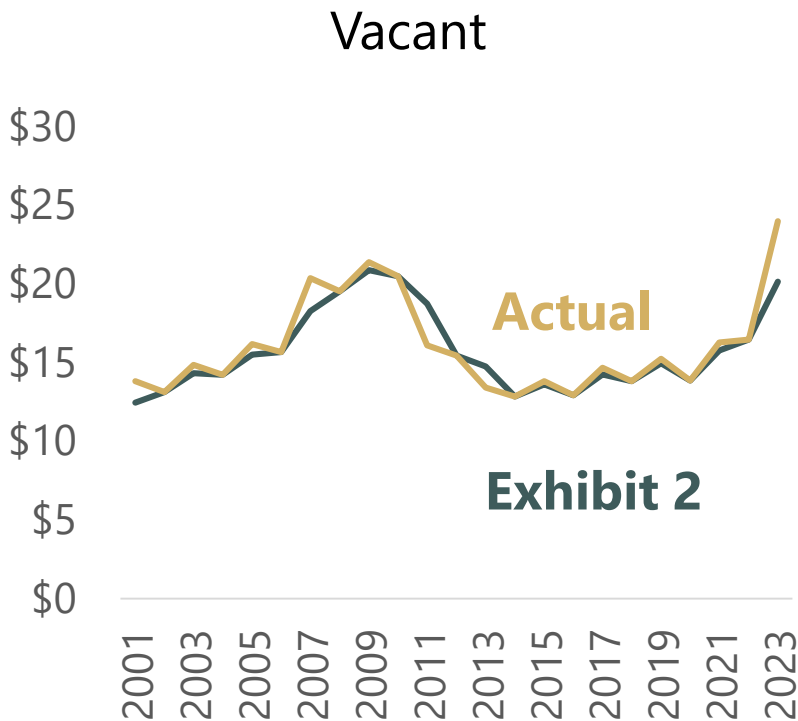
Source: Legislative Council Staff. Exhibit 1 calculated as the average valuation for the current and prior assessment year in each odd numbered year. Even numbered years add actual intervening year changes.



# Exhibit 2: Odd year value equal to average over last 2 cycles, even year equals current cycle

## Value of residential and commercial real property

Dollars in Billions



Source: Legislative Council Staff. Exhibit 2 calculated as the average valuation for the current and prior assessment year in each odd numbered year. Even numbered years equal actual intervening year values.

