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Property Tax

Property tax relief? Task force considers legislative options

In November, Colorado Gov. Jared Polis reconvened the Colorado Legislature to look at ways to soften the blow from large increases in 2023 commercial and residential assessments throughout the state, from the Eastern Plains to Southern Colorado, to the Western Slope and back to the Front Range. There was a need for special legislation as the voters of Colorado soundly rejected the governor's proposed property tax reduction efforts in the form of Proposition HH.

During the special session, legislators approved changes to the residential reduction in value for assessment purposes, the residential assessment ratio for 2023 only, and created a Property Tax Task Force that is meeting through March. It is thought that the task force will present its recommendations to the Legislature in April, charting a path for 2024 and years subsequent. There was nothing changed in terms of commercial property values.

What do these changes, or lack of changes, mean in terms of the bottom line of property taxes paid? We are finding out as the tax bills are currently being issued. As part of the bill that was passed during the special session,



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of the levies.

As you might imagine, the changes from the 2022 mill levies to the 2023 mill levies are all over the board. In Denver County, the base mill levy decreased 2.6%. However, the mill levy percentage decrease will be lower if your property is located in a metropolitan improvement district. Looking at numbers from the Front Range (including El Paso County, and Larimer and Weld counties), the changes range from a decrease of over 20% in some Adams County locations to an increase in mill levy of about 2.5% in Adams and Douglas counties.

Other than some of the changes in Adams and El Paso counties, these decreases (or increases) were less than expected by most, as even the governor had dis-

taxing jurisdictions were given an extra month to set their budgets and 2023 mill levies. With tax bills just being mailed out in early February, we are getting our first glimpse

cussed publicly that the local taxing jurisdictions should consider the significant increases in value that counties had seen when weighing the setting of their budgets. However, it appears that many of the taxing jurisdictions decided that generating this revenue for their budgetary needs was necessary, rather than using fiscal restraint.

What's going to happen going forward? In the short term, this means that taxes will be increasing significantly, considering the large assessment increases that were seen in the spring/summer of 2023 and the relatively modest reductions in the mill levy. The percentage increases will vary across the state of Colorado, but real estate tax bills will be significantly higher in 2024 than they were in 2023.

In the long term, there are significant issues facing the Colorado Legislature and Colorado voters. Currently, there is a Property Tax Task Force that is meeting every two weeks for four hours at a time trying to identify a path forward in terms of property tax policy. This group is comprised of members of the Colorado Legislature, the state property tax administrator, representatives of

the assessors, and representatives of business organizations. This group of individuals is looking at everything from tweaking the current system to a complete overhaul of the current system, up to and including the school funding formula, and any solution that offers a path forward to meet all the demands of public needs while trying to keep Colorado as affordable as possible.

The task force, established during the special session in November, is meeting through the middle of March, however, it can go longer if needed. The task force will be offering recommended legislation that will go to the House and the Senate to potentially become law. We'll have to pay attention to see what may get introduced and voted on by our senators and representatives.

If our political leaders are unable to find a solution that is palatable for their constituents, there will be at least two initiatives on the November 2024 election ballot. Initiative 50, sponsored by Advance Colorado Institute, proposes to cap annual property taxes at 4% whenever revenues are expected to grow more than 4%. Supporters believe that this would offer a simple

statewide solution and that it is similar to the TABOR Amendment, although solely related to property taxes. It would amend the Colorado Constitution.

The other initiative currently up for consideration by Colorado voters is Initiative 97, sponsored by Colorado Concern and represented by Brownstein Hyatt Farber Schreck LLP. This initiative, which would amend the Colorado Constitution, would reset 2023 and 2024 values back to the 2021 assessments and function similarly to California's Proposition 13, limiting the increase in actual value of unsold properties to the lesser of 2.5% or inflation. Properties that sell would increase in value to the purchase price and properties that are under construction or completed substantial improvements would have their values adjusted to market value. There would be no cap on the mill levy, so it's uncertain what the impact on revenue or taxes paid would be.

Stay tuned, this is going to be a wild ride. ▲

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