

# Property Tax

## Owners: 2023 Colorado assessment revaluation update

Colorado property owners and assessor's offices in the 64 Colorado counties are working their way through the large number of valuation appeals resulting from the 2023 statewide property revaluation.

Real estate owners received 2023 Notices of Valuation in early May. These NOV's, by statute, have a valuation date of June 30, 2022, which is generally regarded as being very close to the historical high-water mark for real estate values for many classes of property in most Colorado counties. The 2023 assessments generally reflected these higher values, with single-family residence values seeing median increases between 33% and 47% (over the 2021 assessments) across a nine-county extended Denver metro area. Commercial assessments rose between 17% and 42%, depending on the county. Multifamily property valuations went up 20% to 45%.

The problem, other than owners not being happy with increased assessments under most circumstances, is that



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local and national real estate markets changed markedly for the worse over the course of 2022, as the Federal Reserve increased the federal funds rate from 0.25% in first-quarter 2022 to its present level of 5.25%. This came about in a series of rate hikes aimed at curbing inflation across the U.S., consequently raising the cost of money to a level unacceptable to many buyers and investors.

These increases have had the effect of depressing local and national real estate markets, in turn negatively affecting the number of market transactions, and leaving many owners and investors with assets that are potentially worth less in July 2023 than June 30, 2022, the date of valuation for 2023 and 2024 assessments. Simply stated: As the cost of money has increased, asset values have gone down, and the pool of available

real estate buyers has dwindled.

Across Colorado, owners responded to this situation by filing assessment appeals seeking relief. The 2023 appeal deadline was June 8. Without getting too far into the actual numbers, over 100,000 real estate tax appeals were filed across the Denver metro area in 2023. The number of appeals in most counties this year is well above typical averages in revaluation years. (If a property owner did not file an appeal, there is a second opportunity to do so as of Jan. 2, 2024.)

To briefly review, Colorado assessor's offices revalue real estate every two years, in odd-numbered years. This construct began in 1987 and has continued forward to the present. New assessments are issued in May of the odd-numbered year, for real estate taxes payable the following year. Therefore, 2023 and 2024 constitute one assessment cycle for real estate taxes that will be paid in 2024 and 2025, respectively. The next revaluation cycle will begin May 2025 and be for 2025 and 2026, payable in 2026 and 2027.

Each revaluation year, the assessor's offices move their data gathering period forward by two years. For 2023 and 2024 commercial assessments, market transactions, income and expense data, as well as construction cost information, were gathered for the January 2021 through June 30, 2022, timeframe. For 2025 and 2026 assessments, the data window will be from Jan. 1, 2023, to June 30, 2024.

It is precisely because of the Jan. 1, 2021, to June 30, 2022, data gathering window for 2023 and 2024 assessments that Colorado property owners and assessors find themselves in their current dilemma. Valuations issued in May 2023 may reflect higher values than properties are currently worth, putting owners and assessors in unusually difficult circumstances.

This same set of rules may serve to benefit Colorado property owners at some point in the hopefully not-too-distant future, at a time when market values are on the rebound, and the data gathering period for assessments reflects a time when the

markets were not so great. This has occurred a handful of times over the last 35 years. That's something for owners to look forward to.

For now, there's a large 2023 appeal docket for property owners and assessor's office appraisers to work through over the course of the next 12-18 months. How do we accomplish that?

Successful real estate valuation appeals are usually based on a cooperative and constructive dialogue and exchange of information between the property owner (or representative) and the county assessor's office. While that seems obvious in any negotiating situation, it's important to keep in mind. Assessors' office appraisers are following the laws. Property owners are responsible for giving the assessor information providing a reasonable basis upon which the property value can be reduced. Working together toward a common goal of finding a fair value will always be the best way to go. ▲

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