

## **Property Assessments and Taxation in 2017:**

### **Real Estate Values Continue to Rise**

By

Christopher M. Woodruff, Weld County Assessor

Colorado's property tax system was established in the State Constitution primarily as a way to fund local government services. The property tax is an *ad valorem* tax, which means *of the value* in Latin. The lien for the tax attaches to the property itself, not the owner of the property. Having the correct ownership is desirable but not required to the property tax system. Having the property uniquely and properly identified and listed is required.

The process is spread across several units of government, which provides checks and balances in the system. The Assessor discovers, lists, and values all property within the county boundaries. The mill levies or tax rates are determined and certified by the Boards of Directors or Trustees of each of the individual taxing authorities. These include schools, cities and towns, Weld County and all the various special districts. The Treasurer collects and distributes the tax dollars based on the Tax Roll delivered by the Assessor.

So how does the Assessor value all the property?

Weld County, along with the other 63 counties in the state reappraised every property in 2017. This system of biennial appraisals for real estate started back in the 1980's as a way to improve the quality and fairness of assessments throughout the state. For us, here in the Weld Assessor's Office, it meant that we appraised and mailed notices for over 130,000 real estate parcels.

State law is very specific and detailed as to how we get the appraisals done. It specifies the information, the appraisal methods and the date of appraisal we can use. State law even sets up a system whereby an independent auditor, hired by the Legislature, pulls all of our appraisal records and checks to make sure that the values fall within the required standards. (By the way, our preliminary internal results show that our values matched the marketplace on June 30, 2016, the official date of appraisal).

Does that mean that our appraisals are always correct? No. That is why there is protest period in May. During this time, property owners can protest their valuation, either in person, by appointment, by mail, fax or e-mail or online appeal. This year we expect 5000 property owners will do just that. That number of protests usually represents less than 5 percent of the total parcels in the county. Each of those property owners who protests will receive a written Notice of Determination for their protest in late June of 2017.

So why do people protest? The simple answer is that they believe their values are too high, which results in too much tax. Overall, Weld County saw an increase of between 25 and 35 percent in residential market value for this reappraisal. That means that the 13,000 or so sales which occurred between the last appraisal date of June 30, 2014 and June 30, 2016 showed significant increases in property values.

Much of the increase came from the fact that the Great Recession and its impact on real estate values here is over. At the same time, the reduction in the number of foreclosure re-sales removed a significant drag on market value. Take that along with the economic boom brought on by oil and gas development and a shortage of housing supply and you have all the ingredients for increased property values. Northern Colorado has been mentioned several times in the national press as one of the places in the US where property values are increasing at the highest rates.

The good news is that this represents a major increase of wealth in the real estate asset class held by private property owners. It is a positive change from what we experienced during the Great Recession when millions of dollars of wealth disappeared, leaving many property owners owing more than their property was worth.

Some properties increased more because of additions or improvements to the property. Some increased more because we discovered something about the physical characteristics of the property that was not correct in our database, for example, a finished basement or correction in square footage. And some increased more because we did not have the correct information on the parcel, or we made an error in appraisal judgement. Protest allows us to go back and take another look, the goal of which is to get the value right.

We saw increases in market values also for vacant development land, commercial and industrial properties and agricultural buildings, although not as much as residential during the same time period. We also reappraised agricultural production land using the updated data for the agricultural productivity formulas required by law. All real estate values were adjusted in 2017 to reflect the market conditions on June 30, 2016.

So how is the appraised value used to calculate taxes? Colorado is a fractional assessment state. That means that only a portion of the actual appraised value of the property is taxable. There are primarily three assessment rates used in Colorado: 7.2% for residential property, 87.5% for oil and gas production, and 29% for everything else. These rates are specified in the State Constitution and statutes. The difference in the assessment rates came about after the voters approved the Gallagher amendment in 1982, which provided for a set assessment rate for all property except residential. Residential assessment rates have dropped since 1982 from 21% to the 7.2% we use today.

The drop in the residential assessment rate for 2017 will help to mitigate some of the increases in residential property values when we get to taxes. For past 12 years, residential property has been assessed at 7.96%. The drop to 7.2% in 2017 shaves off almost 10% of the appraised value increase. There may also be downward adjustments in the mill levies in December which will also impact the taxes due.

The true property taxes themselves are not calculated until the mill levies are set in December. Each district sets their own levies independently. The levies are multiplied by the assessed value of the property to get the taxes due.

We provide an estimate of the taxes on the Notice of Value as an estimated possible change in the taxes for the property. The estimate uses last year's mill levies, so it may not turn out in the end. We will not have the actual taxes due until we finish the tax roll in late December 2017. The taxes that are based on the 2017 values are not due and payable until 2018. We have several months yet to make sure our appraised value is correct.

Property taxes collected on Weld County property are used by Weld County taxing districts like the schools, the county, and fire districts.

So where does that leave us for this reappraisal? We were very pleased with the results. Our internal audit results showed that we valued properties very near the market. Our appraisal models took changes in the market into account, and we were able to get the majority of properties very near the market level of value. We were also able to add nearly 3000 new buildings to the tax base. Our database of property information continues to improve, which sets the stage for better values in the future.

The new market data that will be used in the next reappraisal in 2019 reappraisal is occurring now. Changes in sales prices and value markers are already flowing into this office. We will collect, verify and analyze this information during the next two years, so we can do this all over again in May 2019.

For additional information, please call Chris Woodruff, Weld County Assessor at 970 – 400- 3697.