



SIGNIFICANT TAX INCREASES EXPECTED IN 2023 FOR COLORADO COMMERCIAL PROPERTY OWNERS

2023 is a reappraisal year for Colorado's 64 counties, and all indications point to significant valuation hikes and property tax increases across a broad spectrum of property types. Added to this year's property tax uncertainty are additional peripheral factors that have the potential to add even more costs to Colorado owners' property tax bills. These include but are not limited to:

- Denver's mill levy increase. This new base mill levy is a 6.58% increase over 2021. Many property owners were anticipating and budgeting for a smaller increase of around 1.5%.
- Ongoing impact of pandemic-related challenges, including uncertainty of tenant growth/contraction plans based on newly adopted hybrid working schedules, especially in office buildings.
- Additional COVID-19 impacts on property values, which are being considered and evaluated by the Colorado Supreme Court. The court's ruling could send ripples through property values going back to 2020.
- County Assessor data collection timing. Colorado stops collecting valuation data and information the June prior to an assessment year. This has created an unusual "gap" where the impacts of COVID-19 and

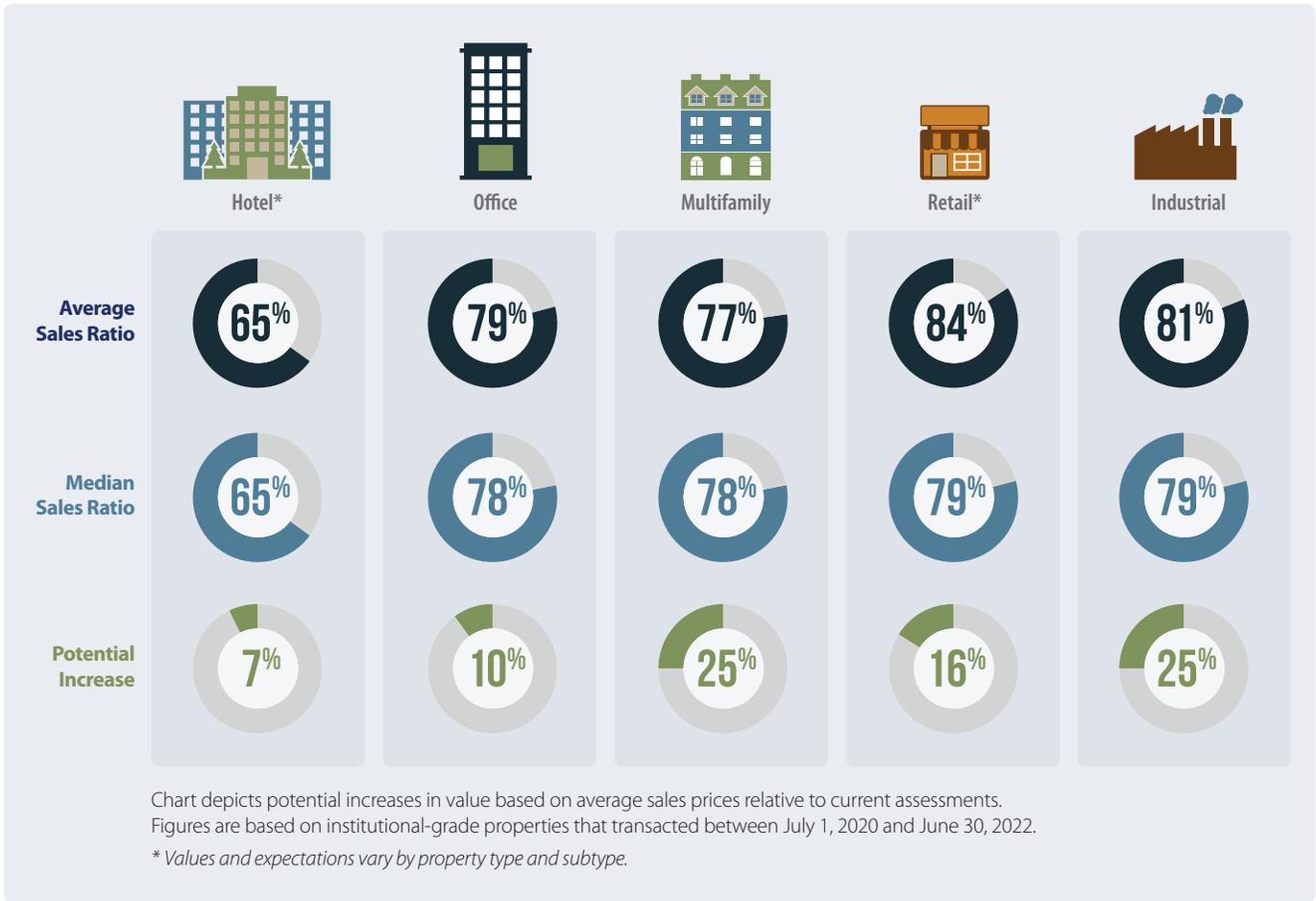
recent interest rate hikes weren't fully accounted for in the County Assessor's valuation models.

- Continued economic uncertainty around a potential economic recession.

The property tax experts at Ryan have conducted extensive research to calculate the potential value increases and sales ratios using transactions from the past two years. Our research considers property type and subtype with percentage sales ratio variables to deliver the most comprehensive report to our clients. The chart on page 2 gives property owners a general glance at what's coming, with the caveat that individual counties will be guided by their respective circumstances and data/fact patterns.

In addition, 2022 was the most active assessment legislation year in Colorado's recent history. Of particular note are SB 22-238 and HB 22-1416. SB 22-238 addresses assessment ratio changes for various classes of property for 2023 and 2024. HB 22-1416 makes changes to procedures for property tax assessment appeals and amendments to property tax materials and requires that certain information be included on notices of valuation.

It should also be noted that there have been a couple of bills introduced in the 2023 legislative session. The first is HB 23-1054, which caps the valuation increase in 2023 to a 5% limit but does



not address any cap on the mill levy or on additional spending. The title of this bill is rather vague and leaves the door open for amendments and other changes. There are groups working with the governor’s office to implement change in the property tax system, so there may be some good news coming. We’ll have to watch and see what is decided.

Individually, these unusual peripheral circumstances and market conditions would influence property values negatively and necessitate more thorough and thoughtful valuation review and analysis. Collectively, they represent potentially enormous negative pressures on net operating income (NOI), cap rates, and actual (versus assessed) property values. The potential gap between assessed value and actual values has rarely seen such impactful anomalies as 2023’s assessments and valuations will experience.

Property owners in Colorado will receive valuation notices for the 2023 reappraisal on or before May 1. Property owners who believe their 2023 assessments exceed fair-market value as of June 30, 2022, should consider filing an appeal. The appeal deadline for 2023 is June 8. Colorado also offers an abatement

opportunity, which is basically a reach back for taxes paid, versus a reduction upfront. This can be done for a period of two years going forward from the tax bill due date.

Property taxes are generally one of the highest expenses on the owner’s financial statement. Prudent and assertive management of this expense can yield significant NOI returns and increase the value of the asset accordingly. Paying appropriate property taxes is a necessary civic responsibility. Overpaying property taxes (or any tax) is bad business and decreases return on investment. The ultimate goal of the County Assessor and the property owner is to arrive at the fairest property value, and thus tax, based on the most accurate appraisal data and market conditions.

Award-Winning Tax Services

For additional information

1.855.RYAN.TAX

ryan.com

© 2023 Ryan, LLC