

Colorado's taxable home values could skyrocket in 2023

A state economic forecast predicts a statewide increase of up to 20%, but what that means for homeowners is complicated

[Daniel Ducassi](#)

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Construction crews continue their work on the first phase of The Aurora Highlands development on Aug. 4, 2021, in Aurora, Colorado. (Kathryn Scott, Special to The Colorado Sun)

The taxable value of Colorado homes is expected to rise dramatically in 2023, according to the [most recent forecast](#) by the General Assembly's economists – and not just in the white hot Front Range and mountain resort real estate markets. As families flee high housing prices in those areas, they're pushing up prices on Denver's fringes and in smaller metro areas. "Rapid increases in home prices" are expected all over the state, "including some rural areas that don't usually have that kind of appreciation," Greg Sobetski, deputy chief economist for the nonpartisan Legislative Council Staff, told state lawmakers who sit on the Joint Budget Committee last month. He also said legislative economists have noticed sizable value increases for vacant land in mountain communities, which are classified as nonresidential property, but are appreciating similarly to residential property. Increasing home values on the market affect assessed property values and are a critical source of tax revenue for local governments. Sobetski was updating the influential state committee on current assessed property values and predictions for the future because they can have a big impact on state spending, especially in education. Local property tax revenue is the first source of funding for local school districts, and key to determining how much

state aid is provided to each district. Districts receive state funding to make up the difference between the state's per pupil funding requirements and the local share of funding. As local governments collect more property tax revenue to spend on schools, the state's education spending obligations decrease, leaving lawmakers with a choice about how much state cash they want to pony up. If the local share of K-12 education spending increases, state lawmakers could maintain the level of spending in previous years – boosting K-12 spending overall – or reduce the state contribution to use elsewhere. And because there are so many factors that determine how much an individual taxpayer will owe, and how much revenue local governments actually collect, it's hard to say what the increased values will mean for the average homeowner or the state budget. Local assessors reevaluate property values for tax purposes every other year. This year's reassessment, which looked at property value increases between June 30, 2018, and June 30, 2020, resulted in an 11.3% increase in residential assessed values. (Nonresidential property values decreased by 1.6%.) Taxable property values for homes are expected to decrease 1% in 2022, but then jump 19.5% when they are reassessed in 2023, to nearly \$84 billion from \$70.3 billion. Eighty three school districts are expected to see total taxable property values increase by more than 15%, with 43 of those districts seeing growth greater than 15%. Most of those districts are along the Front Range and in mountain communities. Slower growth is expected for many school districts in southern parts of the state, like the San Luis Valley and the Southwest mountains around Durango. The forecast increase is “consistent with home price increases during the pandemic in Colorado and nationally, owing to supply constraints, increasing costs for building materials and labor, low interest rates, and elevated household savings,” according to the report from nonpartisan staff for the Colorado Legislative Council. The report notes that increasing housing costs, especially in the metro Denver area, are causing families with school-aged children to move to the fringes, smaller metropolitan areas elsewhere in Colorado, or out of the state altogether. It's affecting the mountain region as well, where high housing costs have spurred families to save money by moving into more affordable places outside of resort communities. It's a domino effect that pushes up housing prices in places that were previously more affordable. The Legislative Council Staff report explained that the slight decrease forecast for next year's home values, and an expected 5.3% increase in 2024, are the result of changes to how home values are assessed under Senate Bill 293. That measure, which passed last legislative session, [temporarily reduces](#) property assessment rates for the 2022 and 2023 tax years.

Here are some other takeaways from the report:

- The Colorado Springs area is likely to see continued appreciation in home prices as buyers look outside of the Denver area for more affordable houses.
- The Denver metro area is also likely to see assessed values of homes pick back up after a slight dip in 2022, with faster appreciation in northern, eastern and southern suburbs and fringes.
- Home prices are expected to rise in Eastern Plains towns on the fringes of Front Range metro areas.
- The Legislative Council Staff also see strong home price appreciation on the horizon in Larimer and Weld counties, and noted a recent acceleration in new residential construction there.
- Over on the Western Slope, legislative [economists expect strong home price appreciation across the region, especially in Montrose,](#) Ouray and San Miguel counties.