

# Property valuations soar in robust real estate market during statutory reappraisal period 2020-2022

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- Apr 19, 2023 Updated Apr 20, 2023



A property under construction at The Bridges is one of many that is part of the burgeoning real estate market. Market data from July 1, 2020 to June 30, 2022, is the basis for the most recent property valuations, which are at historic highs. (Dennis Anderson/Montrose Daily Press)

The Western Slope's booming real estate market is hardly a secret. Property valuations applicable to tax years 2023 and 2024 may still come as sticker shock.

Current property valuation — one part of how property taxes are calculated — is based on sales data from July 1, 2020 through June 30, 2022. Intense real estate demand, with rising building

costs, low mortgage rates and an influx to western Colorado during that period all fed into the swelling valuation rates, the Western Colorado Assessors said, in releasing data Tuesday.

“It’s going to be a shock because we’ve never had an increase like this before,” Montrose County Assessor Brad Hughes said Tuesday, after sharing the Western Colorado Assessors’ news release about the valuation increases. “This is by far the highest increase I’ve seen in the 30 years I’ve been working in an assessor’s office.”

How big is the increase? In Montrose County, residential improved properties are seeing a 47% median change in valuation and the commercial/industrial improved category is seeing 32%, according to the numbers the Western Colorado Assessors released.

The median percent change in value is essentially a midpoint.

“We’re finding property that increased at that (point), some that increased more, and some that were less than the median point,” Hughes said.

Down the road, Ouray County showed a whopping 66% median change in value for the residential improved category and 47% for commercial/industrial improved.

Gunnison County came in with 53% and 16% increases in those categories, while San Miguel showed 58% and 28% increases. Delta County was at 45% for residential improved and 15% for commercial/industrial. In looking at these and the counties of Garfield, Mesa, Moffat and Rio Blanco, the figures as provided showed an overall median percent change in residential and commercial/industrial improved properties of 45 and 25, respectively.

Assessors’ offices are responsible for establishing valuations — not taxes.

As Hughes explained the process, assessors use actual market data from sales to build a mass appraisal valuation model that is used to set values on all categories of property. The market value is used along with the assessment rate to determine the assessed value, which together with applicable mill levies determines property tax.

By law, properties undergo reevaluation every two years. The new valuations are being used for tax years 2023 and 2024, for property taxes payable in 2024 and 2025, respectively.

Since the Gallagher Amendment was repealed from the Colorado constitution, the state legislature has set the assessment rate for residential and nonresidential property. (Gallagher used a formula under which the rate for most non-residential property was fixed, while residential assessment rates fluctuated.)

For tax year 2023, the legislature dropped the residential assessment rate from 7.15% to 6.765%, but exempted the first \$15,000 in actual value because of skyrocketing property costs. Assessment rates also were trimmed for residential/multi-family, renewable energy, agriculture, business personal property, other ag and oil and gas property classes.

The legislature decreased the commercial property, industrial and vacant land assessment rate from 29% to 27.9% for tax year 2023, exempting the first \$30,000 in actual value for improved commercial property.

These exemptions won't show up in the notices of valuation that are going out May 1. They will instead be applied to the 2023 tax bills being sent.

Mill levies, the third factor in property tax, are set by local governments that collect property tax and special taxing districts, such as fire, library and recreation districts.

“The only unknown at this point are the various mill levies for the taxing jurisdictions. Those budgets are set in fall and mill levies are finalized in December,” Hughes said. “The one component still missing are the final mill levies for 2023,” which are formalized at the end of the year.

Once notice is received, valuations can be appealed to the county board of equalization for only limited reasons and people will need solid backing to overcome the assessor's hard sales data that came from actual transactions. People would have to be able to establish their property was in fact overvalued, based on its unique conditions.

Hughes plans to release additional information soon and on Wednesday morning, provided Montrose Forum attendees with an overview.

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