

UNDERSTANDING PROPERTY TAXES IN COLORADO



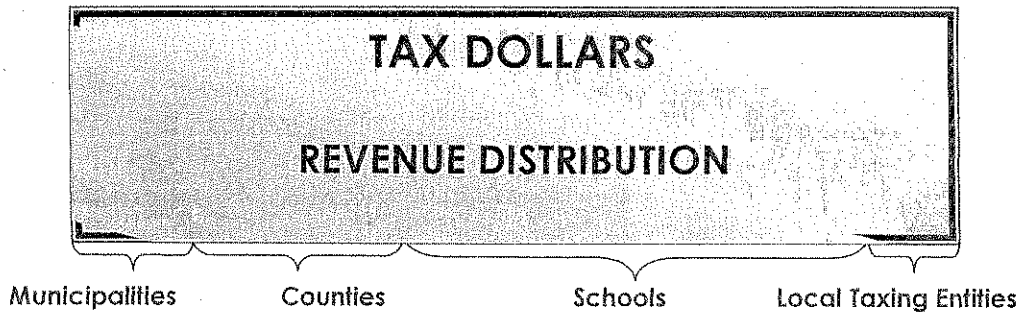
This brochure was created to provide general information on the Colorado property tax system. For more specific information on any one of these topics, please visit our website at www.dola.state.co.us/propertytax.

GENERAL INFORMATION

INTRODUCTION

The assessment process is the basis for generating property tax revenues that pay for schools, roads, fire protection, police protection, and other local services. All of the revenue generated by property taxes stays within your county. Property taxes DO NOT support any state services.

This is how property tax dollars are generally distributed:



THE ASSESSOR

The county assessor is responsible for valuing all property in the county as directed by state laws. The assessor's goal is equalization of property values to ensure that the tax burden is distributed fairly and equitably among property owners.

THE TAXPAYER

As the property owner and taxpayer, you have specific rights and responsibilities in the assessment process. You have the *right* to examine the assessor's property records and to participate in the budget hearings held by school boards, cities and towns, and special districts that levy taxes on your property. You also have the right to protest your property's value if you disagree with the assessor's valuation. Additionally, you have the *responsibility* to provide accurate information to the assessor about property you own.

NOTICE OF VALUATION

The assessor is required to send you a real property Notice of Valuation by May 1 of each year. The notice describes the property you own, gives the actual or market value for both the prior and current years, and describes the process to present your objections to the assessor. When you receive a Notice of Valuation, study it carefully! The value shown on the notice affects the amount of taxes you must pay next January. The deadlines for appeal are statutory. If you feel the value the assessor placed on your property is incorrect, you may want to discuss the value with the assessor.

You have the right to examine the records on land and buildings, as they are public information.

BUDGET PROCESS

BUDGET HEARINGS

Each year county commissioners, city councils, school boards, and special districts hold public budget hearings to determine the dollars needed for the next year's operations. The hearings are usually held in September or October. You can check your local newspaper for the hearing dates.

The assessor reports the total assessed value to each taxing entity so an appropriate mill levy can be set.

By attending budget hearings, taxpayers may participate in the budget process and become informed about the quality and cost of services provided in their area. It is important to note that both the state and federal governments require that certain programs be provided.

LIMITATIONS ON REVENUES

Colorado law limits yearly revenue increases to the more restrictive of the following:

- Local growth and Inflation – Local growth is determined by either a percentage change in student enrollment for school districts or a net percentage change in real property values of newly constructed and destroyed properties for all other districts.

Inflation is defined as the percentage change in the United States Bureau of Labor Statistics Consumer Price Index for Denver-Boulder-Greeley.

- Revenues – 5.5 percent increase of prior year's revenue (certain exclusions from the limit apply).

Note: Voters can approve increases above the current revenue limitation.

CALCULATION OF MILL LEVY

Each taxing entity determines the revenue needed to operate the entity during the coming fiscal year. The required revenue is then divided by the total assessed value to determine the mill levy or tax rate for that entity.

EXAMPLE: Calculating the mill levy:

The assessor has determined that the total assessed value for the county is \$100,000,000.

The county commissioners determine the required property tax revenues to be \$1,398,000.

$$\frac{\$1,398,000}{\$100,000,000} = 1.3980\% \quad \text{or} \quad 13.98 \text{ mills}$$

All properties within the county are assessed a county levy and a school district levy. Cities and/or special districts levy against those properties within their boundaries. All levies applicable to your property are added together to calculate the total property taxes due.

EXAMPLE:	
County tax rate	1.3980%
City tax rate	0.8752%
School district tax rate	5.2116%
Water and sanitation tax rate	0.0693%
TOTAL TAX RATE	7.5541%
TOTAL MILL LEVY	75.541

CALCULATION OF PROPERTY TAXES

ASSESSED VALUE

Statute provides that the actual value of property is not the taxable value. Rather, the taxable value is a percentage of the actual value. The percentage is called an "assessment rate," and the resulting value is called the "assessed value." The assessment rate is 29 percent for all properties except residential and producing natural resource properties.

The residential assessment rate is established by the legislature every odd-numbered year in order to maintain the tax burden balance between residential properties and all other properties. It is currently 7.96 percent for assessment years 2003 and 2004.

Your property taxes are calculated by multiplying the mill levy or tax rate by the assessed or taxable value of your property.

EXAMPLE:

The actual value of Mr. Jones' home is \$200,000. The Notice of Valuation shows the current residential assessment rate is 7.96 percent.

$$\begin{array}{rclcl} \text{Actual Value} & \times & \text{Assessment Percentage} & = & \text{Assessed Value} \\ \$ 200,000 & \times & 7.96\% & = & \$ 15,920 \end{array}$$

To determine the amount of property taxes, multiply the assessed value times the decimal equivalent of the total mill levy. Using the above examples, Mr. Jones' taxes would be calculated as follows:

$$\begin{array}{rclcl} \text{Assessed Value} & \times & \text{Mill Levy} & = & \text{Taxes} \\ \$ 15,920 & \times & .075541 & = & \$ 1202.61 \end{array}$$

WHEN TO PAY PROPERTY TAXES

County treasurers mail the property tax bills as soon after January 1 as possible.

- ◆ If the tax amount is **\$25 or less**, it must be paid in one payment by April 30th.
- ◆ If the tax amount is **\$10 or less**, the county treasurer may add an administrative fee of \$5 to your bill.
- ◆ If the tax amount is **GREATER than \$25**, you can pay the taxes in a single payment by April 30 or in two **EQUAL** payments.
 1. The first half payment is due by the last day of February
 2. The second half payment is due by June 15.

If the tax bills are mailed after January 29, payment is due 30 days from the date the tax bills were mailed. If your payment is **LATE**, penalty interest is added to the tax amount.

Taxpayers receive their property tax bills after January 1.

TAX RELIEF FOR SENIOR CITIZENS OR DISABLED RESIDENTS

Senior citizens 65 years of age or older may qualify for a property tax/rent rebate, heat/fuel rebate, property tax deferral, or the senior exemption. Disabled residents may qualify for a property tax/rent rebate or a heat/fuel rebate.

For further information on these tax relief programs, see the "REBATES AND DEFERRALS FOR THE ELDERLY OR DISABLED" and the "SENIOR PROPERTY TAX EXEMPTION" brochures. You may obtain a copy from your local assessor or access the information on the Colorado Division of Property Taxation website at www.dola.state.co.us/propertytax.

APPRAISAL PROCESS

The assessor revalues real property every odd numbered year. Generally, the value remains in effect the following year.

The assessor is required to equitably value all property in the county according to the state Constitution and statutes. Once the actual values are established, the values are analyzed to ensure that they meet the standards for fair and equitable valuations.

INFORMATION COLLECTION

The first step in the process is to gather information on location, use, topography of land, zoning, building measurements, construction type, construction costs, rental income, condition, and property sales. Primary sources are maps, on-site inspections, building permits, local building contractors, real property deeds, and questionnaires completed by property owners. The information is stored, updated, and maintained for current and future use.

APPRAISAL – ESTIMATING VALUE

There are three methods for appraising property – the cost, market, and income approaches to value. Assessors use the information described above to determine the actual value using one or more of these methods.

COST APPROACH

The cost approach estimates the material and labor costs to replace a building with one that is similar. If the building is not new, the appraisal must consider the building's age and how much it has depreciated over time.

MARKET APPROACH

Arm's length market sales of similar properties are analyzed, compared, and adjusted to arrive at a value for the subject property. The sales must have occurred during the eighteen-month period prior to and including the appraisal date of June 30. If a sufficient number of sales are not available during the eighteen-month period, the assessor may go back in six-month intervals up to a maximum of five years to collect the required number of sales needed to set values.

INCOME APPROACH

The income approach is used for income-producing properties such as shopping centers, office buildings, and warehouses. This method considers the landlord's income from rents, operating expenses, and the financial return most people would expect from a given type of investment property.

CHANGES AFFECTING PROPERTY VALUES

A property's value may change over time due to physical changes. Some examples are:

- ◆ *Finishing new rooms in a basement or attic;*
- ◆ *Extensive remodeling and modernization;*
- ◆ *Demolishing or adding a garage, carport, storage shed, or other structures;*
- ◆ *Any change resulting in more square footage.*

Changes made to maintain your property's current value, such as painting your home, replacing the roof, or making other repairs, will not necessarily increase the value of your property. If these tasks were not performed, the condition of the home would deteriorate, adversely affecting the value.

ACCURACY AND UNIFORMITY REQUIREMENTS

After properties have been appraised, the values are analyzed to ensure accurate and equitable valuation.

Colorado law requires all assessors to value property at a specific level of value within certain uniformity standards. To ensure that proper levels and uniformity standards are being followed by the assessor, an independent auditor, contracted by the Legislature, conducts an annual study of property in each county. Findings of the annual study are reported to the State Board of Equalization each year.

APPEALS PROCESS

YOUR RIGHTS UNDER THE LAW!

If you disagree with the actual value placed on your property, you may present oral or written objections to the assessor. Appeals for real property must be postmarked or delivered to the assessor on or before June 1. Personal property appeals must be postmarked by June 30 or submitted in person to the assessor by July 5.

The assessor must make a decision on your appeal and mail a Notice of Determination to you by the last regular working day in June for real property and by July 10 for personal property.

Each year, Boulder, Denver, El Paso, and Jefferson counties may elect to alter their real property appeal period by expanding the assessor's time to answer appeals from the last regular working day in June to the last regular working day in August. The extension gives the assessors an additional 60 days to respond to taxpayers' appeals.

If you are dissatisfied with the assessor's decision, you can appeal to the county board of equalization (county commissioners) by July 15 for real property and by July 20 for personal property. The county board of equalization conducts hearings through August 5. The board must notify you in writing within five business days after its decision is made.

When the alternative appeal procedure is in place for Boulder, Denver, El Paso, and Jefferson counties, the county board of equalization hearings begin no later than September 1. Taxpayers must file real property appeals with the board by September 15, and decisions must be rendered no later than November 1.

If you are dissatisfied with the county board of equalization's decision, you can file an appeal with one of the following within thirty days of the decision:

- ◆ Board of Assessment Appeals
- ◆ District court
- ◆ Binding arbitration

If you have questions after receiving your property tax bill in January, you may call your county assessor.

ASSESSMENT CALENDAR

The county operates on a timetable established by law known as the assessment calendar. Some of the important dates are as follows:

JANUARY 1 Assessment Date

Properties within the county are valued on the basis of their status and use on this date. Buildings that are partially completed are valued on the percentage of completion as of this date.

JANUARY 1 (or as soon as possible thereafter)

Tax bills are sent out.

APRIL 15

Taxpayers who own taxable personal property must file a personal property declaration schedule by this date.

MAY 1

The assessor mails Notices of Valuation to real property owners along with an appeal form. The assessor also gives public notice to all taxpayers concerning their rights to appeal the value placed on their property.

MAY 2 – JUNE 1*

Real Property Protest Period

If you disagree with the value assigned by the assessor, you have the *right* to file an appeal to the assessor's office by June 1. The assessor must send the taxpayer a decision by the last working day in June.

** Refer to the APPEALS PROCESS for exceptions to the appeal period for Boulder, Denver, El Paso, and Jefferson counties.*

JUNE 15 – JULY 5

Personal Property Protest Period

If you disagree with the personal property value assigned by the assessor, you have the *right* to file an appeal with the county assessor's office not later than June 30 if mailed, and not later than July 5 in person. The assessor must mail the taxpayer a decision by July 10.

JULY

If you are not satisfied with the assessor's decision, you may file an appeal with the county board of equalization by July 15 for real property and by July 20 for personal property. The hearings begin on July 1. Further appeals may be made to the State Board of Assessment Appeals, District Court, or for binding arbitration.

AUGUST 25

The assessor certifies the current total assessed valuation to each taxing entity in the county.

DECEMBER 15

Municipalities, counties, and special districts establish mill levies.

DECEMBER 22

The county commissioners levy taxes.

Note: *If the date for filing any report, schedule, claim, tax return, statement, remittance or other document falls upon a Saturday, Sunday, or legal holiday, it shall be deemed to have been timely filed if filed on the next business day.*

Prepared by:

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