

## Why did the 2021 residential property taxes increase so much?

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In mid-January 2022, approximately 21,800 Montrose County property owners will receive their 2021 property tax statements, which are payable in 2022. For most, the tax amount owed for their residential property will be about 20% higher than it was last year. There are several reasons for this noticeable tax increase and this article attempts to break down and explain the reasons.

First, a review of the basic property tax calculation formula will help citizens to better understand why taxes have increased. In Colorado, the statewide mathematical formula for calculating property taxes is as follows:

Market Value X Assessment Rate = Assessed Value X Mill Levy = Property Tax

The market value is established every two years by the County Assessor's Office. Values are based on actual sales transactions of property within the county. For tax year 2021, sales that occurred between 1-1-2019 and 6-30-2020 were used to establish the 2021 tax year valuations. These higher 2021 values represented local market appreciation between the prior appraisal date of 6-30-2018 and the current 6-30-2020 appraisal date. For most residential properties, the average market value increased about 15% to 20% over this two-year period.

The statewide residential assessment rate for tax year 2021 was 7.15%. This simply means that you are only taxed on 7.15% of your overall residential market value. For example, if your home is valued at \$300,000, your assessed value is \$21,450. Historically, the Gallagher Amendment to the Colorado Constitution adjusted this statewide residential rate downward as the overall residential valuation within the state increased. In prior years, these large statewide increases in residential market valuation were offset by a reduction in the residential assessment rate. For instance, in 2017 when the local market values increased 15%, the statewide residential assessment rate was reduced by 10% due to Gallagher. This reduction in the assessment rate mitigated what would have been a healthy 15% property tax increase for that year. However, in November 2020, Colorado voters approved the passage of Amendment B. This amendment removed Gallagher from the Colorado Constitution which ultimately resulted in no downward reduction to the statewide residential assessment rate for tax year 2021. Basically, this created a situation where any increase in market values proportionally increased the assessed valuations by the same amount. Meaning, everyone's residential market value and assessed value both increased about 15% to 20%.

The last component of property taxes is the mill levy. Mill levies are established by the individual taxing entities that provide services within a specific geographic area of the county. Mills are simply multipliers or rates used to determine revenue based on a taxing entities total assessed value. If your property is located in downtown Montrose, you pay taxes to the following entities (*County, Montrose Schools, Montrose Fire, Montrose Library, Recreation District, etc...*) the summation of all of these taxing entities mills creates your total mill levy. In this example, a downtown Montrose property would have a total of 68.937 mills. In other words, you pay \$68.937 for each \$1,000 of assessed value. In the prior example, a home with a market value of \$300,000 and a corresponding assessed value of \$21,450 with a total levy of 68.937 mills would pay \$1,478.70 in property taxes.



This leads to the question, if the residential assessed values increased by 15% to 20%, why did taxes increase on average closer to 20% for 2021, payable 2022? It was because some of the larger taxing entities increased their mill levies for 2021. As an example, Montrose School District's mill levy increased 2.5%, Montrose County's mill levy increased 3.9%, and the Montrose Recreation District's mill levy increased 11.1%. To further elaborate on this example, the total assessed value for the Montrose Recreation District increased 12.45%, plus they also increased their mill levy by 11.1%. The net result will be an additional 24.9% in tax revenue for tax year 2021, collected in 2022.

In summary, property taxes increased this year primarily due to the 15% to 20% increase in market values between 2018 and 2020. The residential assessment rate remained at 7.15% and was not reduced by way of the Gallagher Amendment due to the passage of Amendment B in November 2020. Lastly, the majority of mill levies remain unchanged or increased. As a result of these three factors, there was approximately a 20% tax increase for most residential and vacant land property owners. Overall, 2021 tax increases for commercial and industrial properties were closer to 10% due to the fact their market values did not appreciate as much over the two-year assessment period.

However, residential properties in certain areas may see closer to a 40% tax increase for 2021. These properties are mostly located in western Montrose County in the Nucla/Naturita area. They experienced relatively higher market appreciation for 2021, plus their voters approved a 3.48 mill school bond and the Nucla-Naturita Fire District increased its mill levy by 9.1%.

What should you expect in the future regarding property taxes? The future is always uncertain, yet we do know a few things. Tax year 2022 is a non-reappraisal year, also referred to as an intervening year. Most properties are not re-assessed in the second year of the two-year statewide reappraisal cycle. As a result, 2022 tax year bills which are payable in 2023 should be relatively flat. It will not be until the 2023 reappraisal when Montrose County will see a tremendous increase in residential market values. These values will be based on the drastically higher priced sales that occurred in all of 2021 and the first half of 2022. The result could be residential properties increasing another 25% to 35% in value for tax years 2023/2024.

Regarding future assessment rates, there will be a slight reduction in the residential assessment rate for tax year 2022 and 2023 due to the passage of Senate Bill 21-293. This law allows for a temporary two-year reduction in the residential assessment rate from 7.15% to 6.95%. This reduction will only slightly lower the residential assessed values for tax year 2022. Accordingly, it will only offset a small portion of the tremendous market valuation increases projected for 2023. Changes in future mill levies are undeterminable at this time.

Unless market values decline, the legislature reduces assessment rates, or taxing entities reduce their mill levies, most can expect future increases in their residential property taxes for tax year 2023.

If you have further questions please contact the Montrose Assessor's Office at (970) 249-3753, email us at [assessor@montrosecounty.net](mailto:assessor@montrosecounty.net), or visit us in-person at 320 South 1<sup>st</sup> Street-Courthouse, Lower Level Monday through Thursday 8:30am -4:30pm.

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