

Law & Accounting

What to know as property tax assessment season arrives

Every two years, property owners receive new notices of valuation for their real and personal property from Colorado county assessors. The notices of valuation for the 2025-2026 cycle arrived May 1. While residential property owners may dislike the seemingly ever-present increase in their homes' assessment, the marginal, but often meaningful, tax savings from those appeals does not justify hiring experts or legal counsel.

In contrast, because the commercial property tax assessment rate is much higher than the residential rate, commercial property owners have much more to gain (or lose). Now is the time for commercial property owners to prepare to review their assessment notices and decide whether it makes business sense to appeal those determinations. This is especially true given that many counties have in recent years become more aggressive in valuing commercial property as budgets have gotten tighter and counties see the prospect of increasing and collecting property taxes as an untapped revenue source.

Commercial property is valued based on consideration of three different approaches – the market approach, the cost approach and the income approach – to arrive at the “actual value” of the property. While Colorado law requires



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that all three approaches be considered, county assessors (as well as owners challenging the assessments) may weigh them differently based on what they believe most accurately captures a property's value. The market approach, which is also termed the sales comparison approach, requires analyzing the sale prices of recently sold comparable properties in the area, adjusting for size, location, amenities and other factors. The cost approach estimates a property's value by assessing the cost of replacing or replicating the property, and often considers the costs of construction, land value and appreciation. The income approach, which is used for income-generating properties such as commercial buildings, estimates value by capitalizing a property's annual net operating income based on a capitalization rate that reflects market considerations and risk. Commercial properties are usually assessed primarily based on the income and sales comparison approaches. The assessed value is then multi-



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plied by the commercial assessment rate, which is 27% for 2025, to arrive at the property's assessed value. The assessed value is subsequently multiplied by the tax rates of relevant taxing authorities to reach the amount of property taxes owed.

Although notices of valuation were sent May 1, Colorado law clarifies that the assessments are not based on that date but rather an earlier period in time. County assessors are required by law to limit consideration of information, such as a property's financials, to the relevant “base period.” For the 2025 tax year, the relevant base period is Jan. 1, 2023, to June 30, 2024. While some information *before* the base period could be legally relevant if there is insufficient data available from the base period, data and information *after* June 30, 2024, including market conditions, cannot be considered in assessing the property's value. This means that more recent economic events, such as the effect of the Trump administration's tariffs, are irrel-

evant and not a basis for appealing an assessment.

Appealing a notice of valuation involves a multistep administrative process, and commercial property owners may want to consider hiring tax agents and/or lawyers to assist. Protests of the notices of valuation must be postmarked on or before June 8. However, because June 8 falls on a Sunday this year, the deadline is actually June 9. If a protest is filed, the county assessor must make a decision and mail a Notice of Determination by the last regular working day in June, unless the county elects to extend the mailing date to Aug. 15. Property owners still dissatisfied may appeal to the county board of equalization by July 15 and then present evidence at a hearing. To expedite the process, some commercial property owners seek and receive administrative denials.

Finally, property owners still dissatisfied with the county board's decision may submit to binding arbitration (a less preferred path) or appeal to either the Board of Assessment Appeals or the appropriate Colorado district court (the more preferred path) within 30 days of the date the decision was made. These appeals involve a discovery process, including the exchange of documents and information and

potentially the taking of depositions, and a trial or hearing. Owners usually hire both lawyers and appraisers to assist at this stage. Indeed, these trials and hearings often turn into a “battle of the experts,” where both the owner's lawyers and the county's lawyers elicit testimony and cross-examine expert appraisers.

There are many reasons why commercial property owners could decide to appeal their notices of valuation. Examples include one or more of the following:

- Large spikes in assessed property values;
- Inclusion of revenue from service contracts;
- Inclusion of revenue derived from property that is separate from the property being assessed;
- Artificially high capitalization rate used;
- Failure to consider relevant sales of comparable properties during the base period; and
- Inadequate consideration of relevant market conditions, such as lingering effects from COVID-19, during the base period.

The decision to appeal a property's notice or determination should not be taken lightly. ▲

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