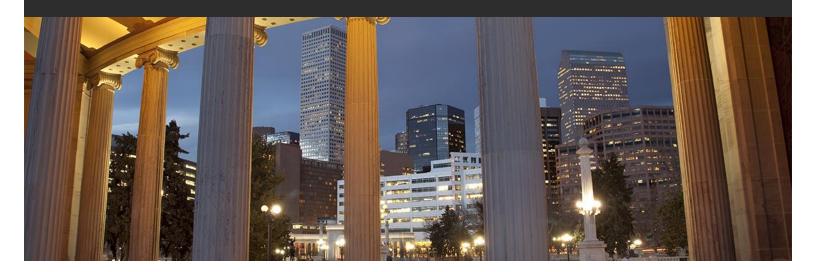


Alert | Real Estate



April 2021

When Colorado Commercial or Multifamily Property Owners Should Consider Protesting Their Property's Value

There are several situations where a property owner should consider filing a property tax protest.

1. Assessor's Value Is Higher Than Market Value

Assessors generally use three approaches to determine market value – market, income, and cost, as described in our March 2021 GT Alert, What Colorado Commercial Property Owners Should Know About Property Valuation Approaches. If the assessor's value is higher than the market value, Colorado property owners should consider filing a property tax protest.

2. Classification Is Incorrect

It is possible that an assessor uses an incorrect property classification. For instance, an assessor could classify a flex/warehouse space as office, or a residential nursing home as commercial; such incorrect classification could have significant effects on the property's value and resulting taxes. Commercial and multifamily property owners should check that a property's classification is correct.



3. Assessor Using Incorrect Data

Property owners should check that the information the assessor is using is correct, such as lot size, building square footage, and year built. Property owners, or their attorneys or tax agents, can also request additional information from the assessor to determine what numbers the assessor is using to estimate income, expenses, and vacancy. For instance, if a property was 50% vacant during the base period, but an assessor is estimating 5% vacancy, a property tax protest may be appropriate. Similarly, an assessor may use an estimated rent per square foot that is higher than what the property owner is charging its tenants.

4. Unusual Property Conditions

An irregularly shaped property may not be suitable for traditional development, and that should factor into its value. Similarly, lack of access or impaired access, and obsolete improvements and substantial deferred maintenance also affect a property's value. Additionally, any negative environmental conditions and casualties that have occurred on the property should be taken into consideration and shared with an assessor, because assessors are unable to visit every single property to see its actual condition. Owners should share these factors, as applicable, with the assessor when protesting the property.

5. Property Is Not Valued Uniformly

Colorado requires assessors to value property uniformly. A property tax protest based on the argument that the property is not valued uniformly is most common with vacant land. If a neighboring property is valued significantly lower per square foot, it might make sense to protest the subject property's valuation if there are no other factors that justify a larger per square foot value, such as zoning, location, and lot size.

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