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Commercial Property Tax Impact on Commercial Property Owners and the Colorado Economy:

*7,520 fewer jobs, a \$177M reduction in
GDP, and a \$223 decrease in household
income*

About the Author

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About Common Sense Institute

Common Sense Institute is a non-partisan research organization dedicated to the protection and promotion of Colorado's economy. CSI is at the forefront of important discussions concerning the future of free enterprise and aims to have an impact on the issues that matter most to Coloradans. CSI's mission is to examine the fiscal impacts of policies, initiatives, and proposed laws so that Coloradans are educated and informed on issues impacting their lives. CSI employs rigorous research techniques and dynamic modeling to evaluate the potential impact of these measures on the economy and individual opportunity.

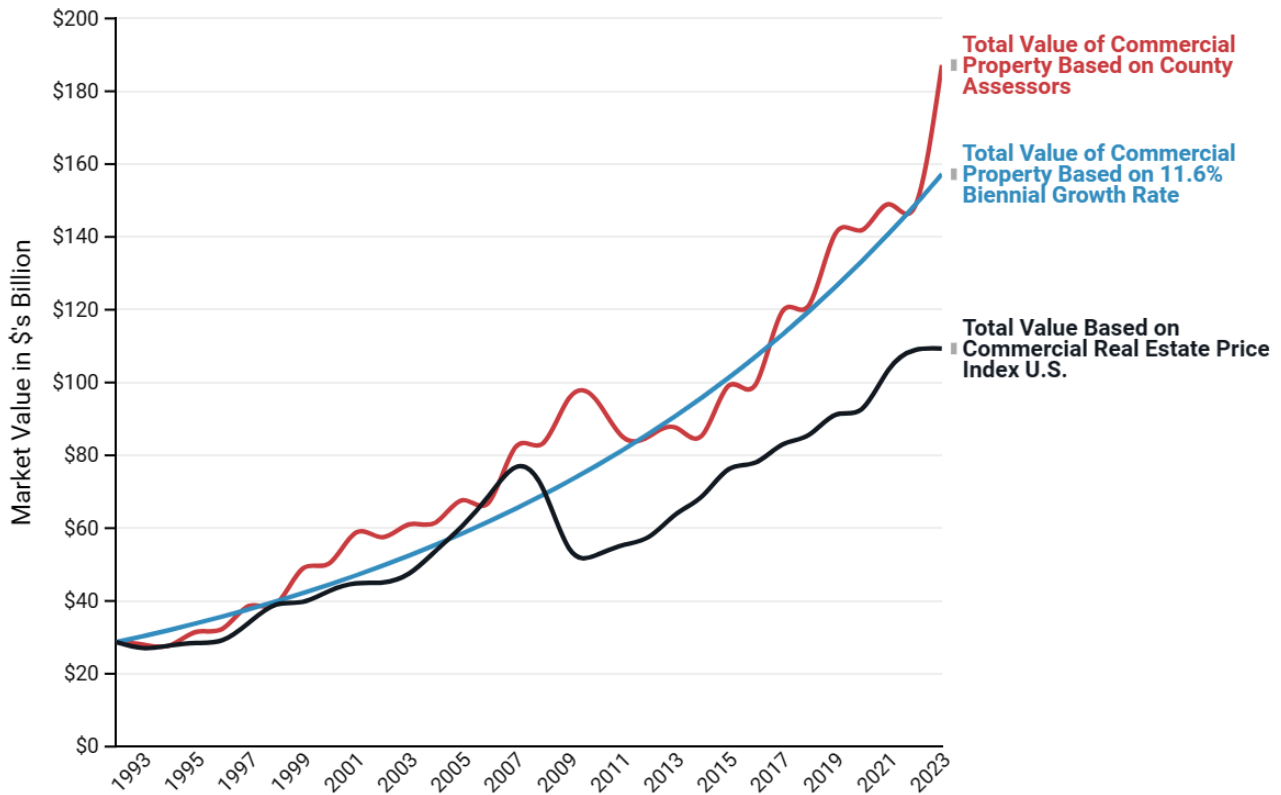
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CSI is committed to independent, in-depth research that examines the impacts of policies, initiatives, and proposed laws so that Coloradans are educated and informed on issues impacting their lives. CSI's commitment to institutional independence is rooted in the individual independence of our researchers, economists, and fellows. At the core of CSI's mission is a belief in the power of the free enterprise system. Our work explores ideas that protect and promote jobs and the economy, and the CSI team and fellows take part in this pursuit with academic freedom. Our team's work is informed by data-driven research and evidence. The views and opinions of fellows do not reflect the institutional views of CSI. CSI operates independently of any political party and does not take positions.

Colorado Commercial Property Values

The estimated average increase in total commercial property value in 2023 is 26% based on a survey of initial value from county assessors. County increases vary between a low of 0% and a high of 62%. Commercial property valuations by county are provided in the table at the end of this document. This increase would represent the largest annual increase in both value and property taxes for commercial properties in the state annual report records going back to 1993. As shown in the following graph, the total value of Colorado commercial property is estimated to be \$187B in 2023 using county assessors' estimated increases. If total commercial property values grew at the long-run biennial rate of 11.6%, the 2023 total value would be \$157B.

Total Value of Colorado Commercial Property



CSI Estimates

In the graph above, the black line shows the total value of commercial property in Colorado if it had grown based on the commercial real estate price index for the U.S. The change in value from 2022 to 2023 differs dramatically from the total value based on both the county assessors estimates and the long-run biennial growth rate. It highlights that the change in commercial property values in Colorado is abnormal in all aspects.

The difference in total value in 2023 of commercial property between the county assessors and the long-run biennial total value of commercial property is \$30 billion. While rents are largely dictated by the market, commercial landlords typically pass on changes in property taxes to tenants. However, with historically high vacancy rates, it is harder to recover costs increases

through increased rents. They will either bear a larger portion of the increased property values, or the remaining tenants will. Regardless of who pays the increased property taxes, they eventually result in higher prices for goods and services as businesses attempt to maintain profit margins, impacting consumers and economic growth.

Small businesses can expect to be severely affected by these increased commercial property taxes, with a recent NFIB survey showing that 63% of small business owners consider property taxes to be very/moderately burdensome.ⁱ

Estimated Commercial Property Tax Increases

Using the current mill levy for each county and the estimated value of commercial property, the estimated tax revenue from commercial property was \$4.7 billion based on county assessors' total commercial property value, and \$3.9 billion based on the estimated total property value using historical biennial growth rates. The difference between the two estimates is \$776 million.

Estimated Increase in Property Tax Revenue			
Commercial Property	Actual 2023 Growth Rate of 26%	Long Term Compound Annual Growth Rate = 11.6%	Difference
2022 Assessed Value (Actual From State Report)	\$43,082,912,380	N/A	N/A
2022 Total Value Estimated	\$148,561,766,828	N/A	N/A
2023 Total Value Estimated	\$187,191,114,878	\$156,881,225,770	\$30,309,889,108
2023 Assessed Value Estimated	\$52,226,321,051	\$43,769,861,990	\$8,456,459,061
2023 Tax Revenue Actual Mills – Estimated	\$4,721,779,258	\$3,945,871,414	\$775,907,844

Economic Impact of Historically Abnormal Commercial Property Tax Increase on the Colorado Economy

Considering the \$776 million difference in commercial property tax revenue to be 'abnormal' in comparison to historical changes in commercial property tax revenue in Colorado and the U.S., it can be expected to have an impact on the Colorado economy when vacancy rates are historically high and rents that are typically tied to the consumer price index vary drastically from increases in commercial property valuations.

Using REMI, a dynamic general equilibrium model of the Colorado economy, CSI estimates the impact of the \$776M abnormal commercial property tax increase on employment, GDP, and personal income per household. The results are shown in the following table. Higher commercial property taxes result in 7,520 jobs lost, a \$177 million reduction in GDP, and a \$223 decrease in personal income.

Economic Impact of Abnormal Commercial Property Tax Increases on Colorado Economy	
Category	Abnormal Property Tax Increase = \$775,907,844
Change in Employment	-7,520
Change in GDP	-\$177M
Change in Personal Income	-\$533M
Change in Personal Income per Household	-\$223

2023 Commercial Property Valuations by County				
	2022 Estimated Total Value	% Increase	2023 From County Assessors Data on Total Value Increases	2023 Total Value Using 30-Year CAGR = 11.6%
Adams	\$13,357,339,345	43%	\$19,095,652,327	\$14,105,350,348
Alamosa	\$200,777,545	4%	\$208,748,413	\$212,021,087
Arapahoe	\$17,822,897,693	22%	\$21,743,935,186	\$18,820,979,964
Archuleta	\$199,810,690	14%	\$227,784,186	\$211,000,088
Baca	\$24,981,400	15%	\$28,728,610	\$26,380,358
Bent	\$71,298,069	0%	\$71,298,069	\$75,290,761
Boulder	\$9,837,955,914	41%	\$13,871,517,838	\$10,388,881,445
Broomfield	\$2,595,495,517	12%	\$2,906,954,979	\$2,740,843,266
Chaffee	\$501,627,793	21%	\$606,969,630	\$529,718,950
Cheyenne	\$19,937,014	15%	\$22,977,408	\$21,053,487
Clear Creek	\$146,172,034	13%	\$164,589,711	\$154,357,668
Conejos	\$29,200,324	26%	\$36,929,650	\$30,835,542
Costilla	\$25,687,986	4%	\$26,715,506	\$27,126,513
Crowley	\$103,547,914	0%	\$103,547,914	\$109,346,597
Custer	\$33,640,724	30%	\$43,732,941	\$35,524,605
Delta	\$220,480,793	15%	\$253,552,912	\$232,827,718
Denver	\$40,324,111,672	17%	\$47,179,210,657	\$42,582,261,926
Dolores	\$13,862,703	57%	\$21,778,307	\$14,639,015
Douglas	\$7,651,850,345	19%	\$9,105,701,910	\$8,080,353,964
Eagle	\$2,893,894,103	40%	\$4,051,451,745	\$3,055,952,173
El Paso	\$10,955,484,414	25%	\$13,694,355,517	\$11,568,991,541
Elbert	\$101,734,241	35%	\$137,341,226	\$107,431,359
Fremont	\$346,852,172	20%	\$416,222,607	\$366,275,894
Garfield	\$1,276,983,483	30%	\$1,660,078,528	\$1,348,494,558
Gilpin	\$1,018,867,345	22%	\$1,247,093,630	\$1,075,923,916
Grand	\$418,583,931	45%	\$606,946,700	\$442,024,631
Gunnison	\$506,714,448	7%	\$542,184,460	\$535,090,457
Hinsdale	\$32,019,069	14%	\$36,501,739	\$33,812,137
Huerfano	\$73,625,766	32%	\$97,186,010	\$77,748,808
Jackson	\$35,064,583	1%	\$35,415,229	\$37,028,199
Jefferson	\$11,535,755,976	20%	\$13,842,907,171	\$12,181,758,311
Kiowa	\$16,718,586	1%	\$16,904,163	\$17,654,827
Kit Carson	\$145,925,614	31%	\$191,162,554	\$154,097,448
La Plata	\$1,454,635,759	20%	\$1,745,562,910	\$1,536,095,361
Lake	\$52,911,507	55%	\$81,748,278	\$55,874,551
Larimer	\$7,178,306,628	41%	\$10,121,412,345	\$7,580,291,799
Las Animas	\$139,400,172	2%	\$142,188,176	\$147,206,582
Lincoln	\$67,119,138	18%	\$79,200,583	\$70,877,810
Logan	\$174,569,172	20%	\$209,483,007	\$184,345,046
Mesa	\$2,049,898,586	42%	\$2,910,855,992	\$2,164,692,907
Mineral	\$45,385,190	15%	\$52,192,968	\$47,926,760
Moffat	\$138,909,721	9%	\$151,689,415	\$146,688,665
Montezuma	\$237,256,724	25%	\$296,570,905	\$250,543,101
Montrose	\$633,552,103	32%	\$836,288,777	\$669,031,021
Morgan	\$353,880,241	31%	\$463,583,116	\$373,697,535
Otero	\$102,699,228	9%	\$111,428,662	\$108,450,384
Ouray	\$123,796,862	56%	\$193,123,105	\$130,729,486
Park	\$127,916,693	23%	\$157,337,533	\$135,080,028
Phillips	\$70,743,103	3%	\$73,148,369	\$74,704,717
Pitkin	\$2,949,522,724	27%	\$3,745,893,860	\$3,114,695,997
Prowers	\$95,537,207	26%	\$120,567,955	\$100,887,290
Pueblo	\$1,192,068,417	28%	\$1,519,887,232	\$1,258,824,249
Rio Blanco	\$72,327,793	12%	\$81,007,128	\$76,378,150
Rio Grande	\$191,866,721	19%	\$228,321,398	\$202,611,257
Routt	\$1,032,507,207	43%	\$1,472,355,277	\$1,090,327,610
Saguache	\$49,145,590	35%	\$66,346,546	\$51,897,743
San Juan	\$43,012,252	62%	\$69,679,848	\$45,420,938
San Miguel	\$523,696,276	47%	\$769,519,308	\$553,023,267
Sedgwick	\$18,972,755	5%	\$19,921,393	\$20,035,229
Summit	\$1,778,190,148	29%	\$2,285,685,617	\$1,877,768,797
Teller	\$310,849,931	32%	\$410,321,909	\$328,257,527
Washington	\$18,860,703	53%	\$28,856,876	\$19,916,903
Weld	\$4,668,466,379	35%	\$6,302,429,612	\$4,929,900,497
Yuma	\$126,862,690	17%	\$148,429,347	\$133,967,000
Grand Total:	\$148,561,766,828	26%	\$187,191,114,878	\$156,881,225,770

ⁱ <https://assets.nfib.com/nfibcom/NFIB-Tax-Survey-Full-Report.pdf>