Understanding Real Estate Property Taxes & Why They Vary So Much

REAL ESTATE TODAY

By JIM SMITH, Realtor®

We all know that property taxes vary from state to state, but they also can vary greatly here in Jefferson County. While property taxes are equitable, in that they are based on actual valuation as determined by the county assessor's computer system, there is great variation in mill levies depending on which taxing authorities serve each address.

Many of my clients are surprised when I tell them that property taxes are consistently lower in incorporated cities. That's because cities' infrastructure is mostly in place. All that builders have to pay (beside permits) are the tap fees to connect new homes to existing water and sewer lines.

However, when developers acquire open land — usually in an unincorporated area —- and want to put homes on it, they must build the streets, curbs, sewer lines, detention ponds, etc. and factor that cost into the price of the homes they build. That is, unless they create a new taxing jurisdiction — called a "metropolitan district" — and let the buyers of those homes pay for those infrastructure items through higher property taxes.

The developers of such subdivisions apply to the city — or county, if in an unincorporated area — to create these new taxing jurisdictions, then issue bonds which are repaid with interest from the property taxes collected. My understanding is that these districts cannot disburse funds for the infrastructure work until after it is completed, so the builder is still paying to create the infrastructure initially. The difference is that, once the infrastructure is in, the tax district reimburses the developer for the full cost of that work from the proceeds of their bond issue.

Thus, when you buy a home in one of those new subdivisions, you are paying for the home itself at closing, but you'll also be paying — through your property taxes — for the cost of building the infrastructure serving that home over the next 30 years.

What does that payment, in taxes, amount to? Let's say you buy a home worth $500,000 -- and the assessor doesn't increase its value for 30 years. The typical district mill levy is 50 mills. The owner(s) of your house will pay about $60,000 before the mill levy goes away.

The Vauxmont Metropolitan District, which funded the infrastructure for Candelas, has a 70-mill tax levy to pay off its bonds, bringing the total mill levy for a Candelas home to roughly 170 mills. The owner of a $500,000 home in Candelas is paying about $6,800 per year in property taxes. The owner of a home with the same value in older sections of Arvada pays only $4,000 in property tax. In other words, the Candelas homeowner is paying $2,800 per year for infrastructure on his or her home — for 30 years.

A decreasing number of builders are still doing it the "old fashioned" way — including the cost of infrastructure in the price of their homes instead of saddling buyers with 30 years of bond payments. For example, in Westwoods Mesa, KB Home paid for the infrastructure, so their buyers pay only Arvada's basic 101-mill property tax levy.

Homeowners throughout Golden have a mill levy of 89.05. If you bought a $500,000 home in Golden's newest subdivision, Canyon View, your tax bill is about $3,550 per year. That's because the price your paid for your home included the cost of the infrastructure.

You might reasonably ask whether buyers pay less for homes in Candelas since builders don't have to factor infrastructure costs into the pricing of their homes. You won't like the answer. The answer is that builders know the typical buyer sees only the prices of new homes and doesn't realize that their property tax bill could be 50 to 70 percent higher where a metropolitan tax district was created. Little wonder that more and more builders are creating these tax districts when they build a new subdivision.

The mill levy for these districts pays for more than just principal and interest, too. Of Leyden Rock's 46.25 mill levy, 6.25 mills is for "administrative" costs of running the district. Is that reasonable for doing little more than receiving a yearly check from the County treasurer and paying bond holders? I'd like to know who's getting that money, wouldn't you?

There are currently 50 metropolitan tax districts in Jeffco with mill levies of 30 mills or more. You can find the entire list of Jeffco's metropolitan districts and their mill levies at www.JimSmithBlog.com.

How Are Property Taxes Calculated?

In Colorado, each county assessor is required to calculate, based on comparable sales, what your home might have sold for on June 30th of each even numbered year and base the following two calendar years of property tax on that valuation.

A mill levy is created for each jurisdiction serving each address. Jurisdictions include school districts, incorporated cities, etc. In unincorporated areas and some newer incorporated cities (e.g., Lakewood), there may be separate levies for law enforcement, fire protection, water districts, and parks and recreation districts.

The mill levy is not applied toward the full valuation but toward an "assessed value" which is currently 7.96% of the full valuation. Thus, a levy of 100 mills on a house with a $100,000 valuation, would be applied to an assessed value of $7,960. Multiply the mill levy by 7.96 and your tax bill is $796.00.

Affordable Condo in Lakewood's Paramount Heights

This main-floor condo at 10125 W. 25th Ave. #41, is in a great Lakewood location, a short walk from Crown Hill Park and within walking distance of shopping & public transportation. It faces a courtyard with mature trees and has a covered patio area which is fenced with a garden area. It's a fully updated 2-bed, 1-bath condo with brand new double-pane windows, new carpet with Scotchguard and Microban, new appliances including dishwasher and microwave oven, and new Corian countertops with a double kitchen sink. It has been freshly painted, has a new tub and shower surround, new fan and light fixtures, and lots of natural light. This one is totally move-in ready. There is one reserved covered parking space and a designated storage cabinet in a separate storage room. There's also an on-site coin-operated laundry and clubhouse. This is an excellent opportunity in a wonderful complex showing pride of ownership! You'll like the convenient location close to Denver or the foothills, near the Wheat Ridge Recreation Center and other wonderful amenities! Lutheran Medical Center is also nearby. Buyer gets free use of our moving truck and free moving boxes.

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