

Assessment Process Overview

The assessment process involves setting standards for fair and equitable values, discovering and listing information about properties and determining property values. It also involves analyzing the values to ensure they meet the standards of fair assessment and certifying the assessment roll to the appropriate taxing authorities. To ensure equalization, the assessor must determine residential property values by using only appropriate market information. Values for most other properties are determined from relevant cost, market and income data.

Information Collection

The first step in the assessment process is to gather information on ownership, location, use, sales, building measurements, construction costs, rental income and other pertinent information. Primary sources for this information are real property deeds and declarations, subdivision maps, building permits and local building contractors. Other primary sources are declarations filed by owners of taxable personal property and appraisers who conduct on-site inspections to gather land and building characteristics. This information is stored by the assessor, updated and maintained for current and future use in the assessment process.

Appraisal - Estimating Value

An estimate of value is accomplished by an appraisal. The assessor is required to equitably value all property in the county according to the current Colorado statutes. Real property is reappraised by the assessor's office every odd numbered year. The value determined by the assessor for the year of reappraisal is generally used for the intervening year also. The actual value of real property is based on its value as of the appraisal date, which is June 30th of the year prior to the reappraisal year. However, the property is valued in the condition that it was in on January 1st of the current year. The three approaches for appraising property are the market approach, the cost approach and the income approach. To appraise property using these methods, the assessor and his staff must review information gathered on individual properties, know what similar properties are selling for and how much it would cost for replacement. Other factors that influence value may be location, availability of services and rental rates. All of the information used must be from the two year period preceding the appraisal date.

Market Approach

The market approach is the most direct method of appraisal. Market value is the most probable price expressed in terms of money that a property would bring if exposed for sale in the open market in an arm's length transaction between a willing seller and willing buyer, both of whom are knowledgeable concerning all the uses to which it is adapted and for which it is capable of being used.

Cost Approach

The cost approach estimates the material and labor costs to replace a building with a similar one. If the building is not new, the appraiser must consider its age and how much it has depreciated over time.

Income Approach

The income approach may be considered for income producing properties such as stores, office buildings and warehouses. This method considers the landlord's income and operating expenses and the financial return most people would expect from a given type of investment property. It should be noted that the Colorado Constitution expressly forbids assessors to use the cost or income approach to value residential property, even if the property is income producing.

Uniformity and Assessment Level Requirements

After properties have been appraised, the values are analyzed to ensure accurate and equitable assessments. Colorado law requires all assessors to value property at a specific level and within certain uniformity standards. This provides equity in distribution of state school funding, local tax burden and assessments that cross county lines. To ensure proper levels and uniformity standards are being followed by the assessor, an independent auditor, contracted by the Legislative Council, conducts an annual study of all property in each county. Findings of the annual study are reported to the State Board of Equalization each year.