Washington Department of Revenue, Property Tax Division

Property Tax Review

July 2004

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Special points of interest:

- **Quarterly Reminders (see pages 4-5)**
- **Upcoming Training (see page 8)**

A Tribute

By Peri Maxey, Assistant Director

This quarter I want to pay tribute to a man who devoted more than 30 years public service to the citizens of Walla Walla County, **Larry Shelley**. Sadly Larry recently lost his battle with cancer.

Larry began his career in the Walla Walla County Assessor's office in 1972 when he was hired to appraise residential properties before moving on to appraise farm property. In 1977, he was appointed as the assessor when Mike Cherry stepped down from this post. In 1978, Larry ran for the position – he was elected and has remained assessor ever since. He must have been a formidable opponent because he never had competition after the first two elections.

Larry was known for being a fair person who always wanted to do the right thing. He was well respected throughout the community and the assessment profession. He helped to build some of the programs we have in place today. Before we began using IAAO courses for appraisal education, Larry worked with the Department of Revenue to develop and teach appraisal courses. Larry had earned the respect of his staff just as he respected them. He had tremendous confidence in their ability.

Being an assessor is not an easy task, but Larry stuck with it for more than 30 years. We will all miss him as a friend and colleague.

I worked with Larry on several issues that came up over the years. I enjoyed our conversations and knew each issue would be challenging.

Larry was strong in his conviction that programs needed to be run fairly – he didn't always agree with the law or rule and stood up for what he believed. He was always willing to listen to other perspectives. As I asked people around the Department for their thoughts, I heard similar things — Larry was fair and very respectful to people; he was passionate about the work; he was a real gentleman. Being an assessor is not an easy task, but Larry stuck with it for more than 30 years. We will all miss him as a friend and colleague.♦

What is That?

By Shawn Kyes, County Review Program Manager

(Part 1 of an ongoing series regarding New Construction and "Improvements to Property")

Installing a new roof requires a building permit in most jurisdictions and is considered new construction.

The new shingle roof on the house down the street. The old "Smith" farmland which is being developed into a residential subdivision. Living in a growing and changing community, we can all identify with these types of common occurrences. However, each one of these everyday events can provide a unique set of challenges in the realm of administrating property tax.

To understand why a seemingly mundane event could prove complex, let's first examine the provisions of the laws and corresponding rules that apply to new construction. Chapter 36.21 RCW and chapter 458-12 WAC provide in part:

- The assessor is authorized to place **any** property that is increased in **value** due to construction or alteration for which a building permit was issued, or should have been issued, under the Washington State building codes chapters 19.27 (State Building Code), 19.27A (Energy-Related Building Standards), or 19.28 RCW (Electricians and Electrical Installations) or other laws providing for building permits...

- The assessed valuation of the property shall be considered as of July 31st each year regardless of its percent completed…

- Upon receipt of a copy of a building permit, the county assessor shall, within 12 months of the date of issue of such permit, proceed to make a physical appraisal of the building or buildings covered by the permit.

The assessed valuation of the property shall be considered as of July 31st each year regardless of its percent completed...

The County Assessor shall make a physical appraisal within 12 months of the issuance of a building permit.

In essence, the defining criteria of what qualifies as new construction is determined if a building permit was, or should have been, issued.

Now let's go back to our two examples —a new roof and a new subdivision. In regard to the new roof, most jurisdictions require a permit when installing a new roof. However, some jurisdictions don't require a permit when re-roofing with a covering of similar load and re-sheeting is not conducted. Of course, whether or not the assessed value is increased by re-roofing would also determine if the re-roofing qualified as new construction.

The defining criteria of what qualifies as new construction is determined if a building permit was or should have been issued.

Now let's turn to the subdivision example. Installation of utilities will in most cases require some type of electrical and/or plumbing permit that would be subject to the provisions of the Uniform Building Code. Platting, grading, ditching, roads, curbs/sidewalks, and installation of swales typically do not require a "building" permit per se. However, these other improvements would in almost all cases enhance the value of an unimproved parcel. Considering all property is taxable, unless specifically exempt, how does the assessor begin to list and assess these types of new property?

The answer lies in what is identified as "improvements to property" (see RCW 84.55.010). In recognition that these types of improvements place an additional demand for public services, the law specifically provides that these improvements are added to a taxing district's levy base outside the levy limit calculation. In the context of levies, "Improvement" is further defined under WAC 458-19-005(10) as "any valuable change in or addition to real property, including the subdivision or segregation of parcels of real property or the merger of parcels of real property."

The Department has advised in Levy Training and the reporting of Abstract of Assessed Values that intrinsic valuable physical and/or legal change to property that falls outside the scope of new construction can be included in the calculation of improvements to property.

The following are some key items to keep in mind when referring to new construction and "improvements to property":

- New construction shall be assessed at its true and fair value as of July 31st.

- Improvements to property are something different than new

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What is That?

(Continued from page 2)

construction and are to be assessed as of January 1st.

- Both new construction and improvements to property are subject to the one hundred percent of market value standard, which may not necessarily be equivalent to their cost.
- When increases to value occur under both new construction and improvements to property, a valuation notice and opportunity for appeal are provided to the taxpayer.

One of the Department's goals is to promote fairness, consistency, and uniformity in the development and application of tax law and policy. As part of our continued effort to provide clear and consistent guidance on issues of property taxation, the Property Tax Division has recently formed a workgroup to study issues of new construction and improvements to property. We hope to provide stakeholders with timely and accurate information and welcome your feedback.♦

One of the Department's goals is to promote fairness, consistency, and uniformity in the development and application of tax law and policy.

Making Sense of Levies: Benefit Assessments

By Fletcher Barkdull, Levy Auditor

Many things in this world don't make sense (i.e., levies). Some things aren't supposed to make sense (i.e., levies). For some odd reason I enjoy trying to make sense of those things that don't make sense and of things that aren't supposed to make sense (I guess that's why I work with levies). Sarcasm aside, many of you have recently asked us to make sense of special types of levies—benefit assessments. Instead of discussing each type of benefit assessment (as there is not sufficient room), this article is intended to provide information that is generally applicable to most benefit assessments.

What are benefit assessments?

A benefit assessment is a charge or a fee derived from benefits received by property. The funds generated by these assessments are used to support the construction of local improvements or to provide services specific to property.

What are benefit assessments based on?

One common misconception is that benefit assessments are levied based on the value of property. Unless otherwise allowed by statute, benefit assessments should not be based on the value of property. Benefit assessments are based on the benefits received by property and are typically levied as a rate per acre, parcel of land, tract, lot, block, or some other delineation of contiguous property. The applicable method of assessment for a particular type of benefit assessment depends on the method(s) authorized by statute.

Do benefit assessments have to be uniform?

The Washington State Constitution requires all taxes on real estate to be uniform within a taxing district. However, most, if not all, benefit assessments are not considered "taxes". RCW 84.04.100 defines "taxes" as "burdens upon property in proportion to the value thereof, for the purpose of raising revenue for public purposes." Since most benefit assessments are based on benefits received instead of value, they would not be considered "taxes". Therefore, they are not subject to the uniformity requirement.

How is an assessment determined for each property?

Generally, a district authorized to levy an assessment for a service, such as mosquito control, first determines the amount of money needed to operate the district. Then the district classifies each property in proportion to the benefits derived from the operations of the district (if benefits vary throughout the district) and apportions the amount of money needed according to said classifications. Essentially, those receiving a greater benefit pay a higher assessment rate than those receiving a lesser benefit. For example, a mosquito district organized to control mosquitoes from a mosquito

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"The Washington State Constitution requires all taxes on real estate to be uniform within a taxing district."

A benefit assessment is a charge or a fee derived from benefits received by property.

This Quarter's Reminders

July 1

Appeals to be filed to the County Board of Equalization by July 1 or within 30 days of the date of notification. County legislative authority may extend the deadline from 30 days up to 60 days by adoption of local ordinance/rule. (RCW 84.40.038)

July 15

County Boards of Equalization meet in open session. Minimum session, three days; maximum session, four weeks. Under certain conditions may meet earlier if authorized by county commissioners. (RCW 84.48.010) Budget being prepared by county officials and local taxing districts. (RCW 36.40.010)

August 1

Determinations on applications for property tax exemptions shall be completd by the Department of Revenue. (RCW 84.36.830)

August 9 (Second Monday)

Last day for county officials to file estimated budgets with county auditor for the ensuing fiscal year. (RCW 36.40.010 and .030)

August 20

Final values of state assessed properties to be issued.

August 31 (On or before)

County assessors shall be informed by the Department of Revenue of properties determined to be exempt from the property tax. (RCW

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Making Sense of Levies: Benefit Assessments

(Continued from page 3)

infested swamp will likely provide a greater benefit to properties located adjacent to the swamp than those properties three miles away. Thus, the owners of property located adjacent to the swamp would pay a higher assessment rate than the owners of property located three miles away.

A district authorized to levy an assessment for the construction of a local improvement, such as a road improvement district, levies the assessment on properties that directly benefit from the improvement. An assessment for a local improvement is typically a function of the costs associated with the construction of the improvement and the value of the benefit received by each property. The amount an individual property owner pays for an assessment for a local improvement cannot exceed the value of the benefits received from the improvement.

As previously mentioned, this is only a general overview benefit assessments. If you have questions about the contents of this article or about a specific type of benefit assessment you may contact me at (360) 570-5891 or Harold Smith at (360) 570-5864.♦

Staff Changes at the Department of Revenue

By Kathy Beith, Technical Programs Manager

Over the last few months, several of our employees have taken on different duties. Here's a summary of the changes, the duties for each of these individuals, and how you can contact them:

Harold Smith is now the Property Tax Specialist in the areas of levies, boards of equalization, and collection issues. Harold has been with the Property Tax Division for approximately 6 years. Most recently, he was the Specialist involved with property tax exemptions. Harold's telephone number is (360) 570-5864 and his e-mail address is Harolds@dor.wa.gov.

Mike Braaten has taken over Harold's duties as Property Tax Specialist in the area of exemptions. Mike has been an auditor in the nonprofit exemption section for the last 7 years, giving him a wealth of experience and knowledge in the exemption arena. If you have questions or need assistance with an exemption issue, Mike can be reached at (360) 570-5870 or Michaelb@dor.wa.gov.

Patty Concepcion is our new Education Coordinator, taking the place of **Linda Cox**, who retired on June 30. Patty has provided the Property Tax Division with office support for the past 3 years. Her new duties will include processing accreditation renewal applications and coordinating courses sponsored by the Department of Revenue and the Washington State Association of County Assessors. Patty's phone number is (360) 570-5866 and her e-mail address is Pattyc@dor.wa.gov.♦

PROPERTY IN MOTION

Personal Property Assessment Issues

By Neal R. Cook, MAI, Personal Property Specialist

The focus of this column is personal property valuation and administration issues. If you have topics or questions that you would like included in a future issue, please let me know. Contact me via e-mail at NealC@dor.wa.gov or by phone at (360) 570-5881.

Mobile and Manufactured Homes — The Problem of Overvaluation

Mobile and manufactured homes (MH) seem to be one of the most difficult types of property to assess and administer. There is often a great deal of confusion about whether they are real or personal property. If a mobile home is being moved, the Department of Licensing requires a title, and the mobile home is considered personal property. For property tax administration, nearly all MHs are real property. It doesn't matter if the land is owned, rented, or leased by the owner of the MH either. This means that even MHs in mobile home parks (MHP) are real property; however, when on leased or rented land, the collection of taxes is the same as with personal property. If a MH located in a MHP sold today, the county treasurer could collect the remainder of the 2004 taxes and, in advance, all the 2005 taxes. Advance tax could also be collected if a mobile was sold with the intention of moving by the owner of the land. Overvaluation of a MH can cause many problems with the collection process, even when there is not a transfer of ownership.

Most questions received by the Department of Revenue's Property Tax Division regarding MHs are over the concern of the collection of taxes. A recurring theme brought to our attention is there are many MHs on the tax rolls which, in the caller's opinion, are overvalued. One valid point to support this position is that an older MH can decline in value quickly and might even cost money to be removed from a site. When assessors only inspect and value property once every four years or only inspect property once every six years, a fully depreciated MH can "sneak-up" on the assessor's office. When this happens, the MH's assessed value can become significantly greater than its market value. Because MH values are often quite low, the resulting taxes are not high enough to get the attention of the owner or the assessor. It is often too much trouble for the owner to go through the appeal process for a $5,000 assessment. Another reason for overvaluation of an older MH is the lack of adequate market data.

At the point when a property is sold or the owner stops paying the taxes, the problem of administration by the treasurer gets very difficult, especially if property has to be distrained. It doesn't make sense to distrain and sell a MH that would only sell for $500 when it is assessed for $5,000 because the amount of tax owed substantially exceeds its market value. In this example, it would cost the treasurer just to dispose of it. In addition to being very time consuming and costly to administer these situations, taxing districts may lose money when assessed values are significantly greater and nonpayment of taxes occurs.

How can this problem be resolved? The only way to resolve this is to be aware of the problems and make certain policies and procedures address this need. It may be hard to justify assigning staff time to the valuation of these properties, but the consequences make it essential. Within the next 12 months, the Property Tax Division will offer training for both assessors and treasurers focusing on valuation and administration of MHs. In this article, we have addressed only one issue. If you have other issues you want addressed in training, please let us know. ♦

This Quarter's Reminders

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84.36.835) New construction is placed on current assessment roll up to August 31 at the assessed valuation as of July 31 of that year. (RCW 36.21.070 through 36.21.090)

September & October (During the months of)

The Department of Revenue shall equalize taxes to be collected for state purposes. (RCW 84.48.080)

September 1 (Prior to first Monday in September)

The Department of Revenue shall annually determine the indicated ratio for each county. (RCW 84.48.075)

September 7 (On or before first Tuesday)

Last day for county auditors to submit preliminary budgets to Boards of County Commissioners. (RCW 36.40.050)

September 15

County assessors shall furnish the Forest Tax Division of the Department of Revenue the composite property tax rate on designated forest land in the county.

September (During the month of)

Assessors' certification of assessed valuations to taxing districts. (RCW 84.48.130) Department of Revenue certifies its assessments of public utility operating properties to county assessors after final ratios have been certified. (RCW 84.12.370) ♦

A World of Acronyms

By Steve Yergeau, Utility Valuation Program Manager

WSATA 2004

We all know that communication is an important and critical function of every effective and successful organization. Sure, there are many forms and levels of communication in any organization from internal communication such as staff meetings, e-mails, letters, small talk at the water cooler, press releases, strategic business plans, organizational charts, and don't forget gossip (to name a few), to external communication such as newsletters (like the one you're reading), internet sites, conferences, and associations like the FTA, WSATA, and WSATR.

So what is the FTA, WSATA, and WSATR? We'll start with the FTA. The **Federation of Tax Administrators (FTA)** is an organization of tax collection agencies. The purpose of the FTA is to improve the quality of state tax administration through services such as research and information exchange, training, and governmental and interstate coordination. The FTA by-laws indicate that its purpose in part is to "strive for equalization of the tax burden and for simplicity and uniformity in administration." All 50 state taxing agencies, including the Washington State Department of Revenue, are active members of the FTA.

The FTA is divided into four regional associations: West, Midwest, Northeast, and Southeast. The **Western States Association of Tax Administrators (WSATA)**, is the western regional association of the FTA.

For more information on the FTA, their web site is http://www.taxadmin.org/.

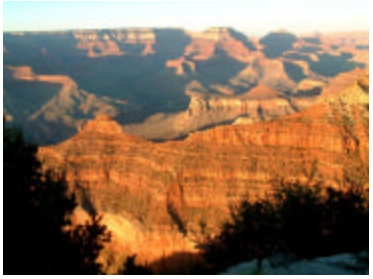
William N. Rice, Director of the Washington State Department of Revenue, is the 2004 President of WSATA. The western region holds an annual conference to address both national and regional state tax issues. The 2004 WSATA Annual Conference is being held in Seattle on September 26-29. For more information, see the internet site http://www.wsata2004.com.

Now that I've given a plug for the WSATA fall conference, you may still be asking, how does this relate to property tax? Most state agencies are responsible for the valuation of interstate utility companies. Because these valuations are complex and interstate, WSATA formed a subcommittee called the **Committee on Centrally Assessed Properties (WSATA-CCAP)** to address topics surrounding the valuation, allocation, and apportionment of interstate utility companies as well as an educational function, to name a few. This group also holds an annual conference every October to discuss current issues in the interstate utility valuation arena. Additionally, they have established an annual interstate utility valuation school held every January at Utah State University, in Logan, Utah. For more information on WSATA-CCAP, see their web site at http://www.wsata.org/.

A parallel organization to WSATA, representing taxpayers, is known as **The Western States Association of Tax Representatives (WSATR)** which exists to "facilitate the exchange and dissemination of information, ideas and experiences in the field of state and local taxation," and "to promote and encourage just, fair, impartial and equitable taxation practices." WSATR's web site is http://www.wsatr.org.

The terms *equalization*, *simplicity*, *uniformity*, *fair*, *just*, and *impartial* are ideas important to all the groups I have named. For now, I hope I've increased your awareness of associations that are founded on state tax issues. So remember to add the acronyms FTA, WSATA, WSATA-CCAP, and WSATR to your vocabulary. ♦

WSATR



Federation of Tax Administrators

Calculating Interest and Penalties

By Harold Smith, Levy/Collections/Appeals Specialist

The proper procedure for calculating penalties and interest on property tax payments when the due date falls on a weekend or holiday is questioned.

The Department of Revenue has recently been asked to review how penalties and interest are determined when key filing dates for property tax payments occur on weekends or holidays.

Consider the following examples:

- **April 30 or October 31 falls on a Saturday, Sunday, or holiday OR**
- **The last day of any month falls on a Saturday, Sunday, or holiday**

In these examples, can the scheduled tax payment or delinquent tax payment be made (delivered or postmarked) on the next business day without interest and penalties being assessed by the treasurer?

The Department concludes the answer to both situations is yes and that this should be the policy followed by all treasurers when the calendar creates these situations.

RCW 1.12.070 clearly speaks on this issue and is cited here in pertinent part:

> *"Except as otherwise specifically provided by law hereafter:*
>
> *(1) Any report, claim, tax return, statement or other document required to be filed with, or any payment made to the state or to any political subdivision thereof, which is (a) transmitted through the United States mail, shall be deemed filed and received by the state or political subdivision on the date shown by the post office cancellation mark stamped upon the envelope or other appropriate wrapper containing it…*
>
> *(3) If the date for filing any report, claim, tax return, statement, remittance, or other document falls upon a Saturday, Sunday or legal holiday, the filing shall be considered timely if performed on the next business day."*

If the date for filing falls on a holiday or weekend, the filing shall be considered timely if performed on the next business day.

This statute applies to much more than property tax payments. In fact, the case law that refers to RCW 1.12.070 centers around the filing of documents, petitions, and claims—we could not find any that dealt directly with penalties and interest charged against late property tax payments.

In Hama Hama Co. v Shoreline Hearing Board, 85 Wn 2d 441, 453 (1975), the court made the following observation:

> *"The underlying purpose of RCW 1.12.070 is to prevent penalties from accruing to citizens who rely on the mails in filing documents that are required by law to be filed and which the government periodically expects to receive."*

Both the statute and the court's comments acknowledge that the law applies to "required filings."

Three other cases warrant mention in connection with this issue.

In Exxon Mobil Corp v. Department of Licensing, 118 Wn.App. 1034 (2003), Exxon filed its state excise return on the Monday following the statutory due date (Sunday). Department of Licensing (DOL) determined the payment to be late. Exxon appealed to the Court of Appeals which held that RCW 1.12.070 did not apply. However, the Court did so only because DOL had specifically adopted a rule that required this payment to be made on the last business day before the weekend. The court explained in detail that it was the weight given the more restrictive Departmental rule that made their decision. There is no such rule pertaining to property tax—we rely solely on the statute.

Several court cases refer to "required filings" of documents, petitions, and claims — none refer specifically to property taxes.

In Wilbur v. Labor and Industries, 38 Wn.App. 553, 559 (1984), it appeared the Court of Appeals disregarded RCW 1.12.070 when they decided against Wilbur's late filing of a claim for worker's compensation benefits. The Court noted RCW 1.12.070, but was required to leave it out of their review. Wilbur had failed to raise the statute as an issue in his original case—in effect waiving that argument in front of the Court of Appeals.

Seattle Voters v. Erlandson, 9 Wn.App 409 (1973) involved the filing of a referendum petition challenging a city ordinance. The Court of Appeals found that RCW 1.12.070 simply did not

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2004 Upcoming Training

(State/County Personnel ONLY)

July
No training this month

August
No training this month

September 14-15
USPAP
Moses Lake — $100

September 16
USPAP Update
Moses Lake — $75

September 21-22
Basic Levy Training
Moses Lake — Free

September 23
Senior Levy Training
Moses Lake — Free

September 28-29
Basic Levy Training
Tumwater — Free

September 30
Senior Levy Training
Tumwater — Free

October 19
Depreciation Analysis
Tacoma — $50

October 21
Depreciation Analysis
Moses Lake — $50

October 25-29
IAAO Course 101
Tumwater — $300

October 25-29
Principles of Industrial Valuation
Tumwater — $250

For further information, contact Patty Concepcion, Education Coordinator, by phone at (360) 570-5866 or by e-mail at PattyC@dor.wa.gov.✦

Calculating Interest and Penalties

(Continued from page 7)

apply because the document was not required to be filed—it was a discretionary filing that was not anticipated by the state or any political subdivision thereof. Unlike the issue in Seattle Voters, property tax payments are mandatory, and RCW 1.12.070 is applicable.

The Department believes that uniformity between the counties is extremely important. We are certain that a taxpayer should expect the same treatment when property taxes are paid, no matter what county they are paid in. We see the statute's meaning to be clear: When required filings or payments are made (by delivery or postmark) on the business day following a weekend or holiday due date, no additional fees or penalties should be assessed.♦

Aerospace Industry B&O Tax Credit

By David Saavedra, Program Coordinator

Effective 2005, a Business & Occupation (B&O) tax credit is available for property taxes paid on qualifying property used in manufacturing commercial airplanes or component parts of commercial airplanes. This legislation passed during the 2003 Legislative Session. Details of the credit for property taxes paid can be found in RCW 82.04.4463. While assessors and treasurers are not directly involved in administering this credit, both offices will likely be involved in helping taxpayers and the Department implement the credit.

How Taxpayers Will Claim the Credit

The B&O credit will be claimed on the aerospace manufacturer's B&O tax return. The amount of credit is equal to property taxes paid on certain qualifying property. The credit may not be claimed until the property taxes have been paid. The taxpayer will determine what property is qualified property based on the statute and rule.

Sources of Information Used to Claim the Credit

The taxpayer must maintain documentation in their files to substantiate the B&O credit. The Department of Revenue may audit the taxpayer's B&O tax return and will look for documentation as to how the amount of property taxes eligible for the B&O credit were determined. This is where the assessor's and treasurer's offices will be of major help. Necessary documentation will include such things as valuation notices, new construction notices, parcel account numbers, legal descriptions, tax rates, tax statements, etc. The taxpayer should ask the county assessor to list and assess qualifying real and personal property on a separate property tax account to make it easier to track the valuation.

What Does "Used in Manufacturing Commercial Airplanes or Their Component Parts" Mean?

The property must be primarily used for manufacturing commercial airplanes or their component parts. It does not have to be exclusively used, but it must be used more than incidentally.

When May the Credit Be Claimed?

The first year the credit may be claimed is 2005. The legislation became effective December 1, 2003. Taxes paid on property constructed or purchased after that date are eligible for the credit. This property would first be valued in 2004 for taxes payable in 2005. Since the credit cannot be claimed until the property tax is paid, 2005 is the first year the credit may be claimed. The credit may be claimed through June 2024.

How is the Credit Calculated?

To determine the amount of credit, the taxpayer must:

- Determine the eligible property
- Determine the value of the eligible property
- Determine the tax rate

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Aerospace Industry B&O Tax Credit

(Continued from page 8)

- Multiply the tax rate by the value of the eligible property
- Claim the credit after the taxes have been paid.

What Property Qualifies for the Credit?

New Buildings and Land

Buildings constructed after 12/1/2003 and the land upon which the new building or buildings are built and used in manufacturing commercial airplanes or their component parts are qualified property.

New buildings could be built on a vacant parcel or they could be built on land where existing buildings are located. If the new building is on a vacant parcel and the parcel is a reasonable size to accommodate the building, the whole parcel (land and building) may qualify. If the building is built on a parcel where existing buildings reside, the taxpayer must split the value of the land between the qualified and non-qualified buildings to determine what portion of the property taxes on the land may be claimed as a credit.

A B&O tax credit is available for property taxes paid on qualifying property used in manufacturing commercial airplanes or component parts of commercial airplanes.

Renovated or Expanded Buildings

Property taxes paid on the increased value of buildings that are renovated or expanded after 12/1/03 and used for manufacturing commercial airplanes or their component parts may be claimed as part of the B & O credit. Property taxes paid on land associated with the renovation or expansion does not qualify for the credit.

The increased value of the building multiplied by the levy rate (on following year's tax statement) will equal the taxes eligible for the credit when the property taxes are paid.

If construction occurs over more than a year, the task will be more complicated to track the increased value. An Excise Tax Advisory is currently being written that will include examples of how to claim the credit when multiple renovations or expansions exist.

"Anyone claiming the credit must submit an annual report to the Department of Revenue..."

Machinery and Equipment

The credit may be claimed for property taxes paid on qualified machinery and equipment (M&E) placed in service after December 1, 2003. The credit may be taken beginning in 2005 until June 2024. The M&E must be exempt from sales and use tax under RCW 82.08.02565 or 82.12.02565 (the M&E sales and use tax exemption) and must be used to manufacture commercial airplanes or their component parts.

To calculate the amount of credit to claim, it will be necessary to isolate the amount of property taxes paid on qualifying M&E from other M&E. The taxpayer should ask the county assessor to list and assess this property on a separate property tax account that will make it easier to track the valuation. The value of the qualifying M&E multiplied by the levy rate (in the following year) will equal the amount of tax eligible for the credit once the tax is paid.

Example:

Assessed Value of Qualified M & E		$250,000
Times Property Tax Levy Rate ($13.00 per Thousand)		X .013
Equals Amount of Credit to Claim	=	$ 3,250

Annual Reporting

In addition, anyone claiming the credit must submit an annual report to the Department of Revenue detailing employment, wages, and employer-provided health and retirement benefits per job at the manufacturing site.

Any questions about the credit for property taxes paid may be addressed to David Saavedra (360) 570-5861 or Neal Cook (360) 570-5881.♦

The first year the credit may be claimed is 2005.

Washington Department of Revenue, Property Tax Division

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The Property Tax Review is published quarterly by the Department of Revenue's Property Tax Division. Comments and suggestions for featured topics should be forwarded to our newsletter editor.

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Annexation/Boundary Change Rules	Harold Smith	(360) 570-5864	HaroldS@dor.wa.gov
Boards of Equalization	Harold Smith	(360) 570-5864	HaroldS@dor.wa.gov
County Review Program	Shawn Kyes	(360) 570-5862	ShawnK@dor.wa.gov
Current Use/Open Space Assessment	Velinda Brown	(360) 570-5865	VelindaB@dor.wa.gov
Designated Forest Land	Velinda Brown	(360) 570-5865	VelindaB@dor.wa.gov
Destroyed Property	Shawn Kyes	(360) 570-5862	ShawnK@dor.wa.gov
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Forest Tax General Information		1-800-548-8829	
Forms	Velinda Brown	(360) 570-5865	VelindaB@dor.wa.gov
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Nonprofit/Exempt Organizations	Michael Braaten	(360) 570-5870	MichaelB@dor.wa.gov
Personal Property	Neal Cook	(360) 570-5881	NealC@dor.wa.gov
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Ratio Study	Deb Mandeville	(360) 570-5863	DebM@dor.wa.gov
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Senior Citizens/Disabled Homeowners, Exemption/Deferral	Mary Skalicky	(360) 570-5867	MaryS@dor.wa.gov
Utilities			
❑ **Certification of Utility Values to Counties**	Ha Haynes	(360) 570-5879	HaH@dor.wa.gov
❑ **Code Area/Taxing District Boundary Changes & Maps**	Jane Ely	(360) 570-5894	JaneE@dor.wa.gov
❑ **Public Utility Assessment**	Steve Yergeau	(360) 570-5877	SteveY@dor.wa.gov
❑ **PUD Privilege Tax**	Chuck Boyce	(360) 570-5878	ChuckB@dor.wa.gov