



June 2005

Volume 6, Issue 2

Inside this issue:

2005 Legislative Session 2-6

Proposed Changes to Valuation Guidelines 6-7

Sales Study Audit Program 8

County Ratio Reviews 9

In the Spotlight — New Assessors 10

2004 Utility Company Valuations 11

Personal Property Assessment Issues 12

Special points of interest:

- Quarterly Reminders (see pages 8-9)
Upcoming Training (see page 10)

A Time for Change

By Peri Maxey, Assistant Director

A lot of exciting changes are going on in state government as we transform into a union represented work force and the provisions of our personnel and payroll systems are being dramatically overhauled. At the same time, we have a new Director at the Department of Revenue, Cindi Yates, to lead us through these changes and help us prepare for the future. Following Governor Gregoire's direction, we are implementing a new program known as GMAP – Government Management Accountability and Performance. This program is designed to improve government services, make informed budget and operational decisions, tell our story, and build trust in government. It is modeled after New York City's "Comstat" program that brings top leadership together to view Division accomplishments based on data. It's built on the premise of communicating performance results and having the ability to make real time decisions based on current statistical data. The City of Baltimore applied this model across multiple departments and has been recognized for this successful application – they call their plan "CitiStat."

Cindi comes to the Department with a lot of government management experience. She most recently was Executive Director for the Joint Legislative Audit and Review Committee. Previous to that she was Deputy Secretary of the Office of Administrative Services at the Washington State Department of Corrections where they used a form of GMAP known as "Doc Watch" to plan and measure their success. Beginning in 1991, she spent three years as a fiscal analyst for the Washington State Senate Ways and Means Committee. Cindi

performance measures to pull together our story about what we do. You will see more about our statistics as our GMAP program evolves. We are facing the challenge of a shrinking budget and a reduction in mid-level management positions. We continue to look for efficiencies and concentrate our efforts on our most important responsibilities so that programs will experience very little impact. The GMAP efforts will help us focus on the most important efforts.

By the time this newsletter is published, we will have met with assessors at their Annual June Conference for discussion on several important topics, such as improvements to our valuation schedules, Tribal fee land exemption, and the placement of new construction on the assessment rolls. We have a stakeholder group that is meeting with us to talk about the exemption for nonprofit schools and colleges and the many ways these entities use their property and how the exemption might be affected. We recently spent the better part of a day providing training on property tax programs to the members of the Board of

We continue to look for efficiencies and concentrate our efforts on our most important responsibilities...

is not new to the Department of Revenue. She began her public service career in 1987 as a Research Analyst in our Tax Policy and Administration Division and later served as our Budget Officer.

In Property Tax, we are busy looking at our programs, strategic business plan, and our

(Continued on page 2)

A Time for Change

(Continued from page 1)

Tax Appeals and tax referees. We are also developing a survey to send to assessors to gauge their satisfaction level with our services and products. We have plans to conduct more surveys of our customers in our effort for continuous improvement.

Last but not least, I am very pleased to announce the relocation of policy counsel Jim Winterstein into the Property Tax Division. He was most recently located within our Interpretation and Technical Advice Section. The consolidation of Jim's position into our program will better enable us to respond directly to legal and

policy issues in Property Tax administration. Jim has extensive background in Property Tax law and many of you know him and have worked with him in the past. ♦

2005 Legislative Session — Property Tax Bills That Passed

By David Saavedra, Program Coordinator

The following is a summary of the legislative bills that passed during the 2005 Legislative Session.

House Bills

HB 1019

Extends the existing senior citizen and disabled persons' property tax exemption to veterans with a 100% service-connected disability. Veterans meeting the income and ownership requirements, are exempt from payment of all excess property taxes and possibly a portion of the regular property taxes on his or her residence. This bill becomes effective for taxes levied for collection in 2006 and thereafter.

The original version of this bill also amended the definition of "disposable income" to allow any service-connected disability income to be excluded from the calculation of disposable income; however this feature was not included in the bill that finally passed the Legislature.

HB 1048

Changes the date of certifying budgets to county legislative authority for all taxing districts other than cities with a population of 300,000 or more, from November 15 to November 30. This bill becomes effective on July 24, 2005.

HB 1158

This is the WACO County Treasurer's bill which makes several administrative

changes. The major changes within this bill include;

Section 1 allows the official submission of documents to governmental entities through private delivery services and creates related procedural regulations. The shipping date stamped or affixed to the envelope or document is to be used in determining the timeliness of the document.

Section 3 amends statutory provisions regarding the determination of abandoned property. States that the Uniform Unclaimed Property Act does not apply to excess proceeds held by governmental entities obtained from foreclosures for

Several property tax related bills passed during the 2005 Legislative Session.

delinquent property taxes, assessments, or other liens.

Section 4 eliminates funds derived from "excess proceeds from property tax and irrigation district foreclosures" from the list of funds that may be retained by a public entity pending a formal claim being made by the owner.

Section 5 amends RCW 82.02.020 that deals with voluntary deposits by individuals or developers due to impacts by development, subdivision, classification, or reclassification of land. If the money is not spent within 5 years

of collection it is to be returned with interest. Rate of interest is the same as rate of interest given when property taxes are refunded under RCW 84.69.100. Interest is to be calculated from the original date the deposit was received by the county.

Section 6 links the recordation of boundary line adjustments with the presentation of proof that the requisite taxes have been paid.

Section 7, prohibits the assessment of interest or penalties for unpaid property taxes owed on the personal residences of active duty military personnel on duty overseas and which have accrued during a period of armed conflict for all taxes levied for collection in 2005 and thereafter.

Section 8 states that redemption rights shall be controlled by RCW 84.64.060 after a certificate of delinquency or judgment has been issued. RCW 84.56.310, is amended by removing a "judgment" from right of redemption and states that any person with an interest in real property may pay the delinquent taxes at any time before a certificate of delinquency is filed.

Section 9 relieves the county treasurer of responsibility for the payment of refunds for erroneous tax payments made by third parties.

Except for Section 7 which takes effect for taxes levied for collection in 2005 and thereafter, the remainder of the bill took

(Continued on page 3)

2005 Legislative Session — Property Tax Bills That Passed

(Continued from page 2)

effect immediately upon signing, which was May 17, 2005.

HB 1189

Establishes veterans' assistance programs funded by a veterans' assistance fund to benefit indigent veterans and their families and to establish a veterans' advisory board to allow the veterans' community to advise the county legislative authority on appropriate and needed assistance programs for indigent vets and their families. The fund is funded through a levy of not less than 1 & 1/8th cents and not greater than 27 cents. This levy was already in place prior to passage of the bill. However, the bill changes the authorized use of the funds raised through the levy. This bill becomes effective on July 24, 2005.

HB 1299

Repeals some outdated tax preferences including one property tax provision which (RCW 84.56.450) pertained to any failure as a result of a possible "Year 2000 failure."

HB 1303

Amends RCW 35.61.290 to facilitate the transfer of real or personal property interests from counties, cities, and park districts to metropolitan park districts, with or without consideration. Property transfers could include any lands, facilities, equipment, other interests in real or personal property, interests under contracts, leases, or similar agreements and the debt associated with these interests. The bill also authorizes metropolitan park districts to assume existing voter-approved indebtedness in certain instances.

HB 1401

This is a property tax exemption for nightclubs with newly installed sprinkler systems. This bill requires the building code council to adopt rules that would require all nightclubs to have an automatic sprinkler system by 12/1/05. The

property tax exemption will be codified within the property tax exemption statutes in chapter 84.36 RCW. The amount of exemption is calculated by subtracting the increase in assessed value attributable to the installation of the sprinkler system. The Department of Revenue will produce forms for nightclub owners to make application on and the exemption will last for 10 years. This bill goes into effect on July 24, 2005.

HB 1502

This is another WACO bill that amends the destroyed property tax statute. This bill grants property tax relief if, on or before December 31 in any calendar year, real or personal property is destroyed in whole or in part or is located in an area declared a disaster area by either the Governor or the county legislative authority and has been reduced in value more than 20 percent as a result of a natural disaster. This bill basically reinstates the abatement which expired on December 31, 2004, for taxes payable in the year in which the destruction occurs, and it makes it clear that property damaged or destroyed voluntarily doesn't qualify for the abatement of tax. Since the bill does not have a specified effective date other than the defaulted date of 90 days after signing, any qualifying property owner whose property is destroyed may claim the abatement any time in 2005 and thereafter. The Department of Revenue will be updating and distributing a new destroyed property form to reflect these changes to the law. Requests have also been received that the Department of Revenue provide administrative rules, which are tentatively scheduled for draft later this year.

HB 1509

Governor's request legislation providing property tax assistance in the form of a grant to widows or widowers of honorably discharged veterans. This assistance is in addition to the exemption for seniors,

disabled persons, and 100% disabled veterans.

The claimant must be the widow or widower of an honorably discharged veteran who died because of a service-connected disability; was rated as 100% disabled by the Veterans Administration for 10 years prior to his or her death; was a former prisoner of war and rated as 100% disabled by the Veterans Administration for at least 1 year prior to his or her death; or died on active duty or in active duty training status while a member of the uniformed services, reserves, or national guard.

Participants must also be either disabled or at least 62 years old on December 31st of the assessment year, have a combined disposable income of \$40,000 or less, and must not have remarried. Participants must own and occupy the primary residence for which they are making the claim; however, they may retain the exemption while in a hospital, nursing home, boarding home, or adult family home and participants may rent their homes for purpose of paying hospital, nursing home, boarding home, or adult family home costs.

Assistance is an amount equal to regular and excess property taxes imposed on the difference between the assessed value of the residence eligible for exemption under the current senior citizen/disabled persons' exemption program and the value of the residence eligible for assistance under this program. Under this program, assistance is provided at three different levels, depending on the claimant's combined disposable income. For persons with a disposable income of \$30,000 or less, assistance is provided on the first \$100,000 of assessed value; for disposable income of \$30,000 to \$35,000, assistance is provided on the first \$75,000 of assessed value; or for disposable income of \$35,000 to \$40,000 assistance is provided on the first \$50,000 of assessed value.

Eligible persons are required to file a claim each year, with the Department of

(Continued on page 4)

2005 Legislative Session — Property Tax Bills That Passed

(Continued from page 3)

Revenue, no later than 30 days before the tax is due. Forms are to be provided by the Department of Revenue and may be obtained and submitted through the local assessor's office. Persons making application must include the documentation required to establish eligibility under this program in addition to the documentation required for the current exemption program.

Required documentation includes the deceased veteran's report of separation, or its equivalent, that must be under honorable conditions; a copy of the applicant's certificate of marriage to the deceased; a copy of the veteran's death certificate; and a letter from the Department of Veterans' Affairs certifying that the veteran's death meets the requirements of this act. The Department of Veterans' Affairs is to assist eligible widows or widowers in obtaining the supporting documentation and in preparing and submitting the application.

The Department of Revenue will determine eligibility each year and pay the appropriate grant amount to the claimant or the claimant's mortgage company or county treasurer. Any applicant aggrieved by a denial may petition the Board of Tax Appeals for review.

This bill becomes effective on July 24, 2005.

HB 1554

This is a current use bill that amends the definition of "farm and agricultural land" in RCW 84.34.020(2). Any parcel of land 5 to 20 acres in size classified as "farm and agricultural land" under chapter 84.34 RCW, must be devoted primarily to agricultural uses and produce a minimum amount of gross income from agricultural uses to obtain and retain classified status. The amended text defines "gross income from agricultural uses" to include the wholesale value of agricultural products donated to nonprofit food banks or feeding programs. This bill takes effect on July 24, 2005.

HB 1555

Amends RCW 17.28.255 regarding mosquito control districts and creates a new section in chapter 85.38 RCW related to diking and drainage districts and the value used when determining the amount of special benefit assessments. Every special district (diking, drainage, or flood control) or mosquito control district must use the assessed value applicable to forest land, farm and agricultural land, or open space land under chapter 84.33 or 84.34

RCW when the land has been designated as such and the assessed value is used as a component in determining the district's benefit assessment. This bill becomes effective on July 24, 2005.

HB 1631

Encourages counties to use conservation futures to preserve lands of public interest for future generations as one tool for salmon restoration purposes. The bill amends RCW 84.34.230 by allowing a portion of the county levy authorized under this statute to be used "for maintaining and operating any property acquired" under the terms of RCW 84.34.210 and 84.34.220. Up to 15% of the funds raised in the previous year may be used for the maintenance and operation of these properties. However, these monies cannot be used to replace maintenance and operation funding that is already in place. Counties over 100,000 in population must develop a plan for distribution of these properties throughout the county. Also, when a county determines that conservation futures actions will result in a reduction in the capacity to accommodate growth as planned, reasonable measures must be adopted to restore the lost capacity to

(Continued on page 5)

New Construction – Improvements to Property Update

As part of our continuing effort to ensure the uniform application of property taxes, the Department is in the process of amending the rule concerning the assessment of new construction (WAC 458-12-342). The proposed amendments bring the rule into conformity with current law and provide guidance to assessors and taxpayers with respect to the assessment of new construction. Highlights of the proposed rule include:

- Clarification that new construction that occurs between August 1 and the end of the year are added to the assessment roll in the following year. (The rule was previously silent on construction occurring in this time period.)
- Newly constructed buildings on leased public land can also be assessed and levied as new construction. (Improvements on leased public land are considered personal property, yet can be listed and valued in the same manner as real property.)
- The time period for filing of appeals now mirrors the existing law.

A CR-101 hearing was previously held on April 13, and a CR-102 hearing for this rule was held on Tuesday, June 21, 2005, at 9:30 a.m. Written comments can be submitted to Jim Winterstein via e-mail at JimWi@dor.wa.gov. The proposed rule's date of intended adoption is scheduled for June 28, 2005. ♦

2005 Legislative Session — Property Tax Bills That Passed

(Continued from page 4)

accommodate growth. This bill becomes effective on July 24, 2005.

HB 2173

An act relating to service members civil relief. This act (Section 9) prohibits any time period that a resident of Washington State who is a member of the National Guard or member of a military reserve component from being included in computing any period limited by law for the bringing of any action or proceeding in any board, commission, department, state or any other political subdivision by or against the service member or his or her dependents. Additionally, a period of military service may not be included in computing any period provided for the redemption of real property sold or forfeited to enforce an obligation, tax, or assessment. This bill became effective on May 3, 2005.

HB 2241

Allows limited recreational activities, playing fields, and supporting facilities on designated agricultural lands in jurisdictions that are required to adopt a growth management plan in accordance with RCW 36.70A.040. The legislative authority of a county with a population of fewer than one million may, by resolution, designate agricultural lands, designated under RCW 36.70A.170, as recreational lands. These lands must not be in use for the commercial production of food or other agricultural products and must have playing fields, and supporting facilities existing before July 1, 2004, for sports played on grass playing fields. Designated recreational lands may be used only for athletic or related activities, playing fields, and supporting facilities for sports played on grass playing fields or for agricultural uses. The provisions of this bill are related to the Growth Management Act. If the property is currently classified

under chapter 84.34 RCW, it must be reclassified or removed from the program. This section of the bill (Section 4) took effect on May 12, 2005 and expires June 30, 2006.

HB 2314

This is a bill whose title is "Relating to Revenue and Taxation." This is an omnibus bill containing 67 sections and is 69 pages long. Section 501 of the bill amends RCW 82.04.4463, which allows a credit against B&O taxes for property taxes paid on new buildings and land, increases in assessed value due to renovation, and for machinery and equipment purchased after 12/1/2003 for commercial airplane manufacturers.

Senate Bills

SB 5094

Changes the maximum per parcel rate for conservation district special assessments. Amends RCW 89.08.400 to increase the maximum benefit assessment charge. Measure increases the maximum flat-rate per parcel charge from \$5 to \$10 in counties with a population greater than 1.5 million.

SB 5136

This is a levy bill that authorizes a fire protection district to impose up to a total of 25 cents of its property tax levy outside of the \$5.90 aggregate property tax limit if the fire protection district's levy would otherwise be prorated. However, when the Constitutional 1% limit is exceeded, this levy would be the first to be reduced as a result of prorationing. The effective date of this bill is July 24, 2005.

SB 5177

A bill that relates to transportation benefit districts. The bill requires voter approval (simple majority) for the imposition of taxes, fees, charges, and tolls. RCW 36.73.060 authorizes these districts to have an excess levy. Excess levies still

require super-majority voter approval under the state Constitution. Also, LID assessments would be subject to voter approval even though voter approval isn't required under RCW 36.73.080. Effective date is August 1, 2005.

SB 5274

An act relating to real estate appraisers. This act establishes a trainee position. This bill does not affect assessors.

SB 5396

This bill establishes a riparian protection and farmlands preservation account within state treasury for the acquisition, enhancement, and restoration of riparian habitat and for the enhancement and restoration of ecological functions on those properties. Lands acquired by the Department of Natural Resources and the Department of Fish and Wildlife using funds from the habitat conservation account are subject to payments in lieu of property taxes and for weed control. Lands acquired by state agencies using funds from the riparian protection account are also subject to payments in lieu of property taxes and for weed control. The in-lieu payment is to be distributed to counties for all lands acquired in an amount in lieu of real property taxes equal to the amount of tax that would be due if the land were taxable as open space land under chapter 84.34 RCW (Open Space Taxation Act), plus weed control assessment that would be due if such lands were privately owned. The assessor and county legislative authority are to assist in determining the appropriate calculation of tax that would be due under chapter 84.34 RCW. County is to distribute the in-lieu of real property taxes to all taxing districts except the state in the same way it would distribute local property taxes. The bill also includes an exception to the compensating tax under chapter 84.33

(Continued on page 6)

2005 Legislative Session — Property Tax Bills That Passed

RCW when property has been transferred to a governmental entity or nonprofit nature conservancy for approved state natural resources conservation area purposes. Effective date July 1, 2005.

SB 5620

A bill that amends RCW 84.34.055, open space plans, public benefit rating systems, by adding text that calls for county legislative authorities, in adopting open space plans, public benefit rating systems, and assessed valuation schedules, to give priority consideration to lands voluntarily used for buffers or that are planted with or primarily contain native vegetation. Effective date July 24, 2005.

SB 5663

This bill repeals the property tax exemption of RCW 84.36.580 passed by the Legislature in 2000 for property taxes due in 2002 for qualifying farm machinery and equipment used to reduce field burning or to reduce air emissions resulting from such burning. Farmers, who apply for the personal property tax exemption on qualifying equipment when they filed their annual personal property listing on April 30th, will be granted the exemption for the 2005 assessment for taxes collected in 2006. The bill actually takes effect on July 1, 2005; however, the deadline for filing personal property at the county assessor's office is April 30. The

exemption will not be available starting with the 2006 property assessments (2007 tax collections).

SB 5713

This bill is titled "An act rehabilitating multifamily housing" and amends RCW 84.14.030 by deleting the requirement that property proposed for rehabilitation must be vacant for 12 months before an application for the exemption may be submitted. Added text also provides that if the property is not vacant, an applicant is to provide each existing tenant housing of comparable size, quality, and price and a reasonable opportunity to relocate. Effective date July 24, 2005. ♦

Improvements to Valuation Guidelines Proposed

By Mark Maxwell, Valuation Advisory Program Manager

The Department of Revenue's Property Tax Division annually updates and distributes valuation tables for personal property and industrial real property to the 39 county assessor offices. DOR developed the Industrial Valuation Schedules in the late 1960s and early 1970s to assist appraisers in the application of the cost approach in the appraisal of large industrial properties. The Personal Property and Industrial Valuation Guidelines not only provide county assessors with a straightforward valuation methodology for personal property and complex industrial properties, but they are also intended to enhance valuation uniformity, standardization, and equalization throughout the state.

In our continuing efforts to: (1) seek efficiencies, improvements, and innovations in agency programs; (2) promote fairness, consistency, and uniformity in the development and application of tax law and policy; and (3) to make conducting business as simple as possible for our customers and employees, the following proposal has been distributed to the assessment community.

What is the objective of consolidation and changes to the valuation guidelines?

The consolidation and improvements of the Department of Revenue's *Personal Property and Industrial Valuation Guidelines* satisfies several of the agency's goals:

- Make conducting business as simple as possible for our customers and employees.
- Seek efficiencies, improvements, and innovations in agency programs.
- Promote fairness, consistency, and uniformity in the development and application of tax law and policy.

These proposed changes will make the *Personal Property and Industrial Valuation Guidelines*:

- More consistent and uniform between property classes.
- Easier to understand and explain.
- Easier to administer.

(Continued on page 7)

Improvements to Guidelines Proposed

(Continued from page 6)

Specifically, what are the proposed changes?

The DOR *Personal Property Valuation Guidelines* and the *Industrial Valuation Schedules* will be combined into the DOR *Personal Property & Industrial Valuation Guidelines*.

New Trend Index — The current *Personal Property Valuation Guidelines* uses the Producer Price Index (PPI) administered by the U.S. Bureau of Labor Statistics to trend past costs to the present. The current *Industrial Valuation Schedules* uses the Cost Indexes published by Marshall/Swift Cost Service. The proposed new trend/index will be a simple average of these two indexes. This process will serve to ‘smooth’ the trend thus reducing the volatility of either index.

New Trend Ceiling at 125% of Economic Life — The trend for each of the individual valuation schedules will be frozen at 125% of the respective economic life for that schedule. For example, a 7.5% schedule has an economic life of 21 years. The trend at year 26, 125% of 21 years, will be applied for years 27 through 50. This should reduce the potential over-valuation of older assets that might suffer from functional obsolescence. It also offsets the implementation of a 15% minimum value-in-use (see below).

New 15% Minimum Value-In-Use — The current *Personal Property Valuation Guidelines* Trend 1 table employed a 20% minimum value-in-use or ‘floor’. The current *Industrial Valuation Schedules* does not employ a minimum value-in-use. The proposed minimum value-in-use for the combined valuation guidelines is 15%. The proposed minimum value of 15% is well supported by trending the published Marshall/Swift Salvage Values by industry. The impact of the implementation of a minimum value or ‘floor’ to the *Industrial Valuation Schedules* will be substantially ‘offset’ by the 125% Trend Ceiling of Economic Life.

Eliminate the 22%, 19%, 8.0%, 7.0% and 4.5% Valuation Schedules — The current 22%, 19%, 8.0%, 7.0% and 4.5% schedules are eliminated and those assets are consolidated in the next highest valuation schedule. For example, 22% assets are now in the 24% schedule, 19% is in the 20% schedule, etc. The reason for this consolidation is that there were either too few property types in a schedule to justify a separate schedule or the difference in valuation between two schedules was relatively insignificant.

When will the Personal Property & Industrial Valuation Guidelines be effective?

The new Guidelines are to be effective for the 2006 Assessment Year.

Who can I contact if I have comments or questions?

Mark Maxwell, Program Manager, at (360) 570-5885 or Markmax@dor.wa.gov

Neal Cook, Property Tax Supervisor, at (360) 570-5881 or Nealc@dor.wa.gov ♦

County Progress

The Department would like to recognize the following county assessment offices:

Adams	Douglas	Garfield	Pend Oreille
Columbia	Ferry	Grays Harbor	Pierce
Cowlitz	Franklin	Lincoln	Wahkiakum
			Walla Walla



These counties have been timely in closing assessment rolls, certifying values to their Boards of Equalization, and reporting to the Department for each of the last three years. We applaud your efforts in providing timely assessments to your public, taxing districts, and your friendly DOR! ♦

This Quarter's Reminders

June 1

Penalty of three percent will be assessed on the amount of current year's taxes delinquent on June 1. (RCW 84.56.020) Also, may establish newly incorporated taxing district if co-terminus boundaries with established district (RCW 84.09.030).

June 30 (on or before)

DOR sets stumpage values for July through December 2005. (RCW 84.33.091) DOR to determine value of state assessed property. June 30 is the first day to request a formal hearing on value of state assessed property.

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 is three days; maximum session is four weeks. Under certain conditions they 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 will be completed by the Department of Revenue. (RCW 84.36.830)

August 8 (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)

(Continued on page 9)

Sales Study Audit Program

By Dave McKenzie, Property Tax Supervisor, Ratio Program

The Department of Revenue's Ratio Program conducts an annual sales study in each county. The purpose of the study is to ensure the integrity of the Ratio Program by verifying that the sales data used by each of the 39 counties for benchmarking county real property assessments is used uniformly and appropriately statewide.

The Ratio Program studies the general level of assessment in each county. Each county is required to assess property at 100 percent of fair market value. This can be an enormous task while at the same time ensuring that taxpayers in each county are treated uniformly. Some of the reasons why a county may not achieve perfect 100 percent of fair market value countywide is due to the fact that many counties only value property once each four years. Properties in these counties may fall behind the current level of fair market value. The Department conducts a ratio study to measure how close the assessor is to 100 percent of fair market value countywide.

The Sales Study Audit, as it is called, involves the review of selected sales that were not used, or "invalidated," for one of 27 reasons for invalidating a sale as recommended by Washington Administrative Code (WAC) 458-53-080(2). These "invalid sales" are eliminated from the ratio calculation that is produced for each county. The ratio calculation is used to equalize the state school levy and the state-assessed utilities. For more information on the uses of the ratio study, see the article titled, *Utility Value Certification Process and County Roll Closure: What's the Link?* in the Quarter 1 2005 issue of The Property Tax Review located at this web site: http://dor.wa.gov/Docs/Pubs/Prop_Tax/PTNews_05_Q1.pdf

Sales that are "invalidated" under the following four WAC codes were targeted for the Sales Study Audit, but other invalidation reasons were reviewed, including:

- #8 Individual sales with assessment-to-sales ratios of less than 25 percent or greater than 175 percent except as provided in WAC 458-53-070. (Sales far below market or far above market.)
- #15 Forced sales—transfers in lieu of imminent foreclosure, condemnation, or liquidation.
- #18 Property physically improved after the sale.
- #27 Other—necessary to identify with reason.

At the conclusion of every year, the Department contacts each county to schedule an appointment to review the study results in person. This approach has been very successful in the past and serves as a great training opportunity for assessment staff involved in the real property ratio study.

Please contact Deb Mandeville at (360) 570-5863 (e-mail: debm@dor.wa.gov) or Dave McKenzie at (360) 260-6196 (e-mail: davem@dor.wa.gov) if you have any questions or comments about the Sales Study Audit Program or if you have any ideas for program improvements. ♦

The ratio calculation is used to equalize the state school levy and the state-assessed utilities.

Finalizing the Ratio – How does it work?

By Pete Levine, Property Tax Supervisor, Ratio Program

It's that time of the year when the Department of Revenue's Property Tax Division staff in the Ratio Program are wrapping up their audits and appraisals and will be reviewing their results with the respective county assessors and their staff. In the Ratio Program, we often refer to this as the "county ratio review" time. We occasionally receive questions about the review process, and so the following is a brief summary on how the process works.

The ratio review is actually quite straight-forward, involving a three-step process. The first step is for Ratio Program staff to provide copies of audit/appraisal reports to the assessors and their staff for them to review. This could happen all at once, or to allow for more review time, the DOR staff person may deliver the audits and appraisals in batches. Whenever the last audit/appraisal is provided to the county, the county assessor (or the assessor's designee) is given a three-week timeframe to finalize the review of the audits and appraisals. A maximum two-week extension may be requested in order to complete the review if there is good cause and if the extension is requested in writing.

The next step is for DOR staff to meet with the county assessor and/or county assessor's authorized staff. This meeting generally occurs near or at the end of the three-week timeline to review the reports. This meeting must occur before December 1, which is the deadline for receiving all reports necessary to calculate the ratio. The review meeting provides a means of information sharing between the county and the DOR appraiser who conducted the audits/appraisals. It further provides a means to discuss any possible valuation differences, methods, or conclusions. In some instances, follow-up meetings take place to work out additional differences, and when necessary, the ratio appraiser's supervisor becomes involved.

The final step in the ratio review process is for the assessor, or assessor designated representative, to sign off on the audit/appraisal review form. By signing the form, the audit and appraisal values are accepted in order to begin the preliminary ratio calculation. The assessor does have an opportunity to sign the review form, while noting any exceptions where valuation disagreements might still exist, and still begin calculation of the preliminary ratio.

The deadline for receiving all reports necessary to calculate the ratio is December 1.

At this point, the informal ratio review process comes to an end, and any disagreements that have not been worked out between the county and the DOR appraiser, now become part of a more formalized appeal process set forth in the WAC 458-53-200 and 210. Once the preliminary ratio has been received by the county assessor and prior to the ratio being finalized, the assessor may request the Department for a

review of the county's overall preliminary ratio. The request for review must be made in writing within 14 days from the date the preliminary ratio was mailed to the Assistant Director of the Property Tax Division. Attendees at this hearing would typically include: the appealing party, DOR staff and their supervisor who completed and/or reviewed specific audits or appraisals, the manager of the DOR Ratio Program, and the Assistant Director of Property Tax. The Assistant Director will write a determination of the findings from the hearing, and if required by any changes made in the review, a new preliminary ratio will be issued. If the timeframe for issuing a new preliminary ratio exceeds the December 1 deadline, a final indicated ratio will be issued in order to meet statutory deadlines.

Should the issues not be resolved to the satisfaction of the assessor, an appeal of the final indicated ratio may be made to the State Board of Tax Appeals within 15 days after the date of mailing of the certified ratio. ♦

This Quarter's Reminders

(Continued from page 8)

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 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 and October (During the months of)

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

September 1 (Prior to first Monday in Sept.)

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

September 6 (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 will furnish the DOR Forest Tax Division 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) DOR certifies assessments of public utility operating properties to county assessors after final ratios have been certified. (RCW 84.12.370) ♦

2005

Upcoming Training

(State/County Personnel ONLY)

August 17-18Senior/Nonprofit Exemptions
Tumwater — \$50**August 24-25**Senior/Nonprofit Exemptions
Everett — \$50**August 31-September 1**Senior/Nonprofit Exemptions
Moses Lake — \$50**September 13-14**Basic Levy Training
Moses Lake — \$0**September 15**Senior Levy Training
Moses Lake — \$0**September 20-21**Basic Levy Training
Tumwater — \$0**September 22**Senior Levy Training
Tumwater — \$0**October 24-28**IAAO Course 101
Tumwater — \$250**October 24-28**IAAO Course 102
Tumwater — \$250**October 24-28**IAAO Course 300
Tumwater — \$250**For further information contact:**

Patty Concepcion
Education Coordinator
Phone: (360) 570-5866
E-mail: PattyC@dor.wa.gov ♦

*In the Spotlight — New Assessors*

We are pleased to welcome the following new assessors and wish them success in their new administrations.

Chris Miller was appointed **Columbia County Assessor** in September 2003, and subsequently, in 2004, she was elected assessor for the remaining term. Chris attended school in Prescott, Washington, until she transferred to Walla Walla where she graduated high school in 1976. Chris and her husband Jay married in the fall of 1989. Mrs. Miller's twin daughters reside in Walla Walla and have blessed her with two granddaughters ages 3 and 5. Mrs. Miller states, "Being a grandma is great!" The Millers make their residence on a small farm about a mile south of Dayton with their three cats, three dogs, and six horses. She enjoys walking, hunting, fishing, trail riding, barrel racing, and training young horses. She also spends time assisting her husband Jay with his hobby, taxidermy. Her most memorable and exciting hunt occurred in 1998 when she bagged a California species full curl ram right in Columbia County and earned her the 5th spot in the Washington State Big Game record book. Please join us in welcoming Chris Miller into the assessment community.

Terry McLaughlin was appointed **Cowlitz County Assessor** in January 2005. Mr. McLaughlin came into the position equipped with management skills and a background in various county departments. Most recently he managed the county's Geographic Information System (GIS) and staff, which had served many of the assessor and public works functions. In addition, Mr. McLaughlin previously held positions with the assessor and auditor offices and in the Public Works Department. Familiar with many of the assessor's functions and current issues, he was able to focus on completion of current projects, including the software conversion that integrates assessor, treasurer, and auditor systems and expands capability of Computer Assisted Mass Appraisal (CAMA). Another focus will be the merging of GIS with the assessor's office. Terry has diverse interests ranging from computers to kayaking on the Columbia River, and he is an avid record collector.

Colleen Ledgerwood was appointed **Garfield County Assessor** in September 2004. As a long-term employee in a two person office, Mrs. Ledgerwood is familiar in a hands-on way with all of the assessor functions. She is an accredited appraiser and has worked in the assessor's office for the past 17 years. Prior to work in the assessment field, Mrs. Ledgerwood worked at a bank. Current plans include training the new addition to her office in the many functions of an assessor's office and keeping pace with market changes as an annual revaluation county. Although Garfield County has experienced some economic downturns in recent years, the new assessor has noted a modest increase in sales activity during this past year. Colleen and her husband raise cattle, which they acknowledge leaves little time for leisure activity.

Cindy Portmann was elected **Snohomish County Assessor** for a four-year term beginning in 2004. Ms. Portmann started her career in the assessor's office in 1987 in an entry level position and in six years had worked her way up through the ranks to Chief Deputy Assessor for her predecessor Gail Rauch. Cindy served as Chief Deputy for 10 of the 12 years Ms. Rauch was in office until her retirement in 2003. Cindy misses her mentor and longtime friend but is happy to report Gail is doing very well, enjoying her retirement, and especially her golf game a couple of times a week. During her first year as assessor, Portmann oversaw a successful



Cindy Portmann
Snohomish County Assessor

(Continued on page 11)

In the Spotlight — New Assessors

(Continued from page 10)

office reorganization and a change from a four-year revaluation cycle to annual revaluation. In 2004 and 2005, Cindy also served as Chairperson for the Snohomish County Campus Planning Group and the Land Technology Committee. She is also a member of the Port Gardner Bay Business and Professional Women and Soroptimists International of Everett, and a Board Member for Senior Services of Snohomish County. Ms. Portmann resides with her husband of 29 years, Roger, and their 12-year-old son, Christopher, near Snohomish where they have lived since 1977.



Ralph Baker
Spokane County Assessor

Ralph Baker was appointed **Spokane County Assessor** by the county commissioners in 2005 following the retirement of Duane Sommers. Mr. Baker was born in Detroit, Michigan. While attending

college, Mr. Baker received his draft notice and withdrew from college to serve his

country as a member of the Air Force. Mr. Baker served as an Air Force radar repair technician from 1972 to 1976 while stationed in Denver, Phoenix, and South Korea. Ralph married his wife, Kyong, after leaving the Air Force and received his BS in Aviation at Northeast Louisiana University in 1977. Mr. Baker attended Officer Training School and Navigator Training when he rejoined the Air Force and was quickly assigned as a B-52 navigator/bombardier. While serving as flying team coach and instructor at the Air Force Academy, he received his MBA degree from the University of Northern Colorado. Mr. Baker was Air Force ROTC Commandant of Cadets at North Carolina State University for three years. He was then assigned as KC-135 tanker navigator at Fairchild AFB in Spokane. Mr. Baker, with more than 24 years of service, retired from the Air Force in 1999 as a Lieutenant Colonel. Following his retirement, he was employed for four years by Morgan Stanley investment firm in Spokane. In 2002, Mr. Baker became Spokane County's Chief Deputy Assessor during Assessor Sommers' administration. Please join us in

welcoming Mr. Baker into the assessment community.

William Vollendorff is the newly elected **Walla Walla County Assessor**. Mr. Vollendorff's background in appraisal and business will prove useful in his new role as assessor. As a state certified appraiser, he operated an independent fee appraisal business in the Walla Walla area for 23 years. Prior to 1983, he worked in real estate sales for several years, which was preceded by six years of appraisal work for the Walla Walla County Assessor. Current projects in the assessor's office include the final year of conversion to new assessment software and completion of the final year in the county revaluation cycle. A supporter of Walla Walla's historic contribution to Washington, Bill is also enthusiastic about the rising interest in Walla Walla as a center for viticulture and associated tourism. Bill enjoys reading, and when time permits, he also would like to travel with his wife throughout our beautiful Northwest. ♦

Utility Valuations for the 2004 Assessment Year

By Steve Yergeau, Utility Valuation Program Manager

Utility valuations increased about 6.6% or about \$890 million from the previous year's utility assessment roll. Table A illustrates the actual and equalized (certified) statewide utility values of inter-county utility companies from the 2003 to the 2004 assessment years:

The continued expansion of wireless telecommunication industry, along with solid growth in the pipeline and natural gas distribution industries were the primary drivers of change.

For detailed information on utility valuations, please visit the Utility Values link on our website at: http://dor.wa.gov/content/taxes/Property/prop_PubUt.aspx. ♦

Table A (Dollars in millions)			
	2004 AY	2003 AY	Change
Actual Value	\$15,328	\$14,248	\$1,080 7.6%
Equalized Value	\$14,445	\$13,555	\$890 6.6%
Number of Companies	360	360	0

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.

2004 New and Closed Business Listing — Unintended Accounts

In February of this year, the Property Tax Division provided every county with a New and Closed Business listing to supplement the CD provided the year before, listing all active business accounts in each county. This year's list of new businesses includes some non-business accounts established for collection of timber excise taxes. This was not known at the time and has resulted in confusion amongst a few taxpayers who do not operate a business but did engage in timber harvesting. Nevertheless, some of these taxpayers may have taxable property and may be required to provide a listing to the county assessor.

Counties are encouraged to use business listings to discover and assess personal property by notifying potential taxpayers of their obligation to list taxable personal property. Newly registered businesses must file a listing of all taxable property they did own, use, or otherwise control on January 1. This includes leased, rented, and borrowed or loaned property used for business purposes. If the business did not begin acquiring or using personal property for business purposes on or before January 1, 2005, they do not need to file a listing with the county assessor. However, we recommend the assessor be notified that the businesses had no taxable property on January 1; otherwise, the assessor may make an estimated assessment and assess penalties for not filing a listing as required by law.

The obligation to list is not confined to business owners. However, businesses own or control most taxable personal property. Another large segment of taxable personal property is farm property. Farms are not required to have a business license, so they may not appear on the state list of businesses. ♦



Would you like to work for an exciting employer that offers great working conditions and promotional opportunities? Well here's the opening you've been waiting for.

The Washington Department of Revenue's Property Tax Division currently has an opening in their Olympia office for a **Property Tax Auditor 4**. This position appraises business personal property, including complex and noncomplex commercial, manufacturing, and industrial machinery & equipment to establish market value; conducts independent studies of specific property types to develop schedules for establishing market value used in the statewide valuation of personal property; and assists in the analysis and formatting of data received from counties for the purposes of calculating the ratio. Further details and application instructions are available at: <http://hr.dor.wa.gov/statejobs/bulletins/CURRENT/PropertyTaxAudSeries.htm>.

The Washington State Department of Revenue an EEO employer. Persons with a disability who need assistance in the application or testing process, or those needing this information in an alternate format may call the Office of Human Resources at (360) 570-6175, or TDD/TTY (360) 664-0580.

Washington Department of Revenue, Property Tax Division

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.

Property Tax Division
Attn: Newsletter Editor
P. O. Box 47471
Olympia, WA 98504-7471

Phone: 360-570-5862
Fax: 360-586-7602
Email: ShawnK@dor.wa.gov



DEPARTMENT OF REVENUE PROPERTY TAX DIVISION

P. O. Box 47471
Olympia, Washington 98504-7471

DESCRIPTION OF PROGRAM OR SERVICE	CONTACT	PHONE NUMBER	E-MAIL ADDRESS
Property Tax Administration/Policy	Peri Maxey Assistant Director	(360) 570-5860	PeriM@dor.wa.gov
Property Tax Program Coordinator	David Saavedra	(360) 570-5861	DavidS@dor.wa.gov
General Information FAX	Receptionist	(360) 570-5900 (360) 586-7602	
SPECIFIC TOPICS			
Accreditation	Velinda Brown	(360) 570-5865	VelindaB@dor.wa.gov
Accreditation Testing	Patty Concepcion	(360) 570-5866	PattyC@dor.wa.gov
Advisory Appraisals	Mark Maxwell	(360) 570-5885	MarkMax@dor.wa.gov
Appraisals & Audits for Ratio Study	Pete Levine Dave McKenzie	(360) 570-5884 (360) 260-6196	PeteL@dor.wa.gov DaveM@dor.wa.gov
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
Education & Training for County Personnel	Patty Concepcion	(360) 570-5866	PattyC@dor.wa.gov
Forest Tax General Information		1-800-548-8829	
Forms	Velinda Brown	(360) 570-5865	VelindaB@dor.wa.gov
Industrial Property Valuation	Mark Maxwell	(360) 570-5885	MarkMax@dor.wa.gov
Legislation	David Saavedra	(360) 570-5861	DavidS@dor.wa.gov
Levy Assistance	Harold Smith	(360) 570-5864	HaroldS@dor.wa.gov
Mobile Homes	Neal Cook	(360) 570-5881	NealC@dor.wa.gov
Nonprofit/Exempt Organizations	Michael Braaten	(360) 570-5870	MichaelB@dor.wa.gov
Personal Property	Neal Cook	(360) 570-5881	NealC@dor.wa.gov
Railroad Leases	Jay Fletcher	(360) 570-5876	JayF@dor.wa.gov
Ratio Study	Deb Mandeville	(360) 570-5863	DebM@dor.wa.gov
Real Property	Mark Maxwell	(360) 570-5885	MarkMax@dor.wa.gov
Revaluation	Cindy Boswell	(509) 663-9747	CindyB@dor.wa.gov
Senior Citizens/Disabled Homeowners, Exemption/Deferral	Peggy Davis	(360) 570-5867	PeggyD@dor.wa.gov
Technical Programs	Kathy Beith	(360) 570-5868	KathyB@dor.wa.gov
Utilities			
<input type="checkbox"/> Certification of Utility Values to Counties	Ha Haynes	(360) 570-5879	HaH@dor.wa.gov
<input type="checkbox"/> Code Area/Taxing District Boundary Changes & Maps	Jane Ely	(360) 570-5894	JaneE@dor.wa.gov
<input type="checkbox"/> Public Utility Assessment	Steve Yergeau	(360) 570-5877	SteveY@dor.wa.gov
<input type="checkbox"/> PUD Privilege Tax	Chuck Boyce	(360) 570-5878	ChuckB@dor.wa.gov