

THIS IS THE ADOPTED RULE AND MAY BE USED TO DETERMINE TAX LIABILITY AND OR EXEMPTIONS UNTIL SUCH TIME AS THE CODIFIED VERSION IS AVAILABLE FROM THE CODE REVISER'S OFFICE.

AMENDATORY SECTION (Amending WSR 94-07-066, filed 3/14/94, effective 4/14/94)

WAC 458-19-035 (~~((One hundred six percent))~~) Levy limit-- Annexation. (~~((RCW 84.55.030 and 84.55.110))~~)

(1) **Introduction.** One taxing district may annex territory or another dissimilar taxing district from outside the annexing taxing district's boundary. This rule sets forth the method used to calculate the first regular property tax levy made after a taxing district has annexed territory or a dissimilar taxing district in accordance with RCW 84.55.030 and 84.55.110. This rule also explains what occurs when the department of natural resources (DNR) discontinues forest fire patrol assessments on parcels of forest land.

(2) **Increase in territory due to annexation.** The first regular property tax levy of a taxing district after (~~annexation by that district of other~~) it annexes territory or a dissimilar taxing district (~~shall not~~) cannot exceed the amount calculated as follows:

(a) Multiply the highest amount of regular property taxes that could have been lawfully levied since 1985 for 1986 collection, of the annexing district as though no annexation had occurred, by (~~one hundred six percent~~) the limit factor as defined in RCW 84.55.005 and WAC 458-19-005;

(b) Multiply the increase in assessed value in the annexing district since the preceding year attributable to new construction, improvements to property, and increase in assessed value of state assessed property by the regular property tax levy rate of the annexing district for the preceding year(~~-~~); and

(c) Multiply the current year assessed value of the annexed territory or district by the levy rate that would have been used for the current year by the annexing district had there been no annexation.

(d) (~~Add the amounts calculated in subsections (1)(b) and (1)(c) of this section to the amount determined in subsection (1)(a) of this section.~~

~~(2))~~ Add together the result of each of the calculations set forth in subsection (2)(a), (b), and (c) of this rule to determine the maximum amount of the first regular levy of a taxing district after annexation.

(3) **Example.** Following is an example of the calculations prescribed in subsection (~~(1)~~) (2) of this (~~section~~) rule. Taxing district "A" annexes a portion of taxing district "B" that takes effect before March 1st in (~~1993~~) 2002. The

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highest amount of regular property taxes that could have been levied by district "A" since 1985 for 1986 collection is \$100,000. The increase in assessed value from ~~((1992))~~ 2001 to ~~((1993))~~ 2002 in district "A" due to new construction, improvements to property, and increase in the value of state assessed property is \$700,000. The levy rate for district "A" for ~~((1992))~~ 2001 was \$.50 per \$1,000 of assessed value. The ~~((1993))~~ 2002 levy rate for district "A", had there been no annexation, would have been \$.48 per \$1,000 of assessed value. The ~~((1993))~~ 2002 assessed value of the portion of taxing district "B" that was annexed by taxing district "A" is \$5,000,000, which includes the value of new construction and improvements to property. Assume the levy limit for this example is 101% because it is the lesser of one hundred one percent and one hundred percent plus the rate of inflation. The first regular levy by taxing district "A" after annexation ~~((shall not))~~ cannot exceed the amount calculated as follows ~~((for purposes of this example, "new construction" includes improvements to property and increase in the value of state assessed property))~~) :

District "A" highest levy <u>since 1985</u> -	\$100,000
	x
	((1.06))
	<u>1.01</u>
	((
	\$106,000
))
	<u>\$101,000</u>
A.V. of new construction* in district "A" -	\$700,000
	x .50
District "A" levy rate for ((1992)) <u>2001</u> -	\$350,000
	<u>÷ 1,000</u>
	\$350
Divide by \$1,000 -	
Levy amount for new construction -	

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((1993)) <u>2002</u> A.V. of annexed portion of district	
"B" -	\$5,000,00
District "A" levy rate that would have been used in ((1993)) <u>2002</u> , absent annexation -	0
	<u> x .48</u>
	\$2,400,00
Divide by \$1,000 -	0
Levy amount for annexed part of district	<u> ÷ 1,000</u>
"B" -	\$2,400
	(\$106,000)
Maximum levy amount for district "A" after annexation -	<u>\$101,000</u>
	((2,400))
	<u> 350</u>
	<u>+ ((350))</u>
	<u> 2,400</u>
	(\$108,750)
	<u>\$103,750</u>

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~~((3))~~* For purposes of this example, "new construction" includes improvements to property and increases in the value of state assessed property.

(4) **Loss of territory due to annexation.** When a taxing district loses a portion of its territory as a result of annexation to another district, the ~~((calculation of the one hundred six percent))~~ levy limit for the taxing district that loses part of its territory is calculated by multiplying the highest amount that could have been lawfully levied by that taxing district since 1985 for 1986 collection by ~~((one hundred six percent))~~ the limit factor as defined in RCW 84.55.005 and WAC 458-19-005. However, only the increase in assessed value from the preceding year, attributable to new construction, improvements to property, and increase in assessed value of state assessed property that is actually situated in the remaining territory of the taxing district is added to the amount thus determined, to calculate the ~~((one hundred six percent))~~ levy limit. In no case, absent voter approval of an excess levy, can the levy rate ~~((shall in no case))~~ exceed the statutory dollar rate limit for that class of taxing district.

(5) **Forest fire patrol protection assessments discontinued by DNR - Effect.** If an owner of forest land within a forest protection zone neglects or fails to provide adequate fire protection as required by RCW 76.04.600, DNR will provide this protection and impose an annual assessment on each parcel of forest land in accordance with RCW 76.04.610. When DNR discontinues the forest fire patrol assessment by dissolving the forest protection assessment areas and an existing fire district assumes protection services and property tax levying authority for this unimproved land within its existing boundaries, the assessed value of the fire district will increase and effectively be an annexation for property tax purposes. In order to be included in the assessed value of the fire district, all details of the dissolution and annexation must be completed and the county assessor's office must receive formal notice from the fire district and DNR prior to March 1st of the assessment year. This notice must specify the forest fire patrol assessment areas being dissolved, the fire district(s) assuming the levying and fire protection responsibilities, and the forest land impacted by the change.

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