



October 2009

Volume 10, Issue 2/3

Nonprofit Exemption Renewals Go Online

By Harold Smith, Exemption & Deferral Program Manager

Inside this issue:

<i>Implementation of SHB 1733: Equine-related activities</i>	2-3
<i>2009 Legislative Report</i>	4-9
<i>Property Tax: Special Notices</i>	10
<i>Staff Changes</i>	11
<i>Updating the Valuation Guidelines</i>	12

Each year over 7,000 nonprofit organizations must renew their property tax exemptions for nearly 11,000 property locations. For decades, the Department of Revenue's Property Tax Division has prepared a Renewal Declaration for each nonprofit exempt property in the state and mailed it to that nonprofit organization on or about January 2. The organization is obliged, under law, to review the details of the exempt property, confirm that all property is still used exclusively for the exempt purpose, and return the completed declaration to the Department for review by March 31st. If the renewal paperwork is received back at the Department and approved, the local assessor is notified that the exemption for those properties will continue in the following year.

This year the Department introduced an online option for nonprofit organizations to complete the annual renewal of their property tax

exemption. The **Nonprofit Electronic Annual Renewal System (NEARS)** went "live" at www.DOR.wa.gov on January 2, 2009.

Organizations could sign into the Department's "My Account" system and then access an electronic version of the Renewal Declaration for their specific properties using assigned access codes. There were some bumps in the road for the first-time nonprofit users, but a surprising number of organizations completed their renewals and sent them in through NEARS. As of March 31, 2009, approximately 2,100 properties were renewed using this electronic filing option. When the renewals come in, the electronic documents are integrated nicely into the other systems we use here at Property Tax to audit and administer the nonprofit exemption program.

Not only did about 20% of all accounts use the electronic option in its first 90 days, it

appears that more nonprofits renewed their property tax exemption on time in 2009 than ever before. As the participation rate of electronic renewal grows, the Department hopes to reduce the high costs of mailing out renewal notifications and processing them when they are returned. This is a continuation of the Department's ongoing simplification initiatives that included eliminating basic application and renewal fees in 2007 and electronic reporting to the assessors.

The Department has revamped the "My Account" section of www.DOR.wa.gov to make it even more user-friendly for all taxpayers. We are making minor adjustments to NEARS in the hope of getting 30% or more participation in early 2010. If you have comments about this process or questions about exemptions, please contact us at (360) 570-5864 or via e-mail at harolds@dor.wa.gov. ♦

Special points of interest:

- Quarterly Reminders (see page 2)
- Upcoming Training (see page 3)

ABOUT US | CONTACT US | QUESTIONS & ANSWERS | TEXT VERSION | PRINTER FRIENDLY

Department of Revenue
Washington State
"Working together to fund Washington's future"

Home

- File & pay taxes
- Doing business
- Find taxes & rates
- Workshops & education
- Get a form or publication
- Find a law or rule

I need to...

- File my taxes online (E-file)
- Find a sales tax rate (GIS)
- Look up a business (BRD)

Sales tax rates

- List of sales tax rates
 - Alphabetically by city/county
 - Cities grouped by county

My account Register Now

Logon ID

Forgot your logon ID?

Password

Forgot your password?

Logon

Nonprofits can file exemption renewals online using My Account.

This Quarter's Reminders

October 1

Applications for special valuations on historic properties for 2010 are due. (RCW 84.26.040)

Timber Assessed Value (TAV) calculated for each county. (RCW 84.33.035)

October 5

Boards of County Commissioners begin hearings on county budgets (RCW 36.40.070). However, budget hearings may be held on first Monday in December. (RCW 36.40.071)

October 14

Counties' annual reports on revaluation progress are due. (RCW 84.41.130) (Prior to October 15)

October 31

Second half of property taxes due. (RCW 84.56.020)

Also in October...

- ▶ County Legislative Authority adopts budget by resolution after budget hearing is concluded. (RCW 36.40.080); Board of County Commissioners fix necessary levies. (RCW 36.40.090)

November 30

City and other taxing district budgets are due to the County Legislative Authority. (RCW 84.52.020) Tax certifications and the amount levied per taxing district are due to county assessors. (RCW 84.52.070) The governing body of each taxing district authorized to levy taxes directly shall certify to county assessor amount of taxes levied for district purposes. (RCW 84.52.070)

December 1

Eight percent penalty assessed on the current year's delinquent taxes. (RCW 84.56.020)

(Continued on page 9)

Current Use Program

Implementation of SHB 1733: Equine-related Activities

By Leslie Mullin, Current Use Specialist

SHB (Substitute House Bill) 1733 passed during the 2009 Legislative Session expanding the type of commercial activities that qualify for the farm and agricultural classification of the Current Use Program. Effective July 26, 2009, equine-related activities such as boarding, riding, and training qualify as an eligible commercial activity for the farm and agricultural land classification.

During the last two months of 2008, the Department held three stakeholder meetings to gather input from the public on the types of equine-related activities being conducted, the economic impact of horse operations, and why these activities should be considered agricultural. The stakeholder meetings were held because the Department had become aware that some counties had allowed land used for equine-related activities to be classified as farm and agricultural land while other counties had not. As a result of those meetings, the Department adopted an emergency rule that defined some, but not all, equine-related activities as agricultural. SHB 1733 further expands the definition of agricultural activities to include a broad range of equine-related activities.

SHB 1733 also allows land to be removed from current use classification or forest land designation without imposition of additional tax or compensating tax, respectively, if the land was classified or designated in error through no fault of the owner.

The Department of Revenue has developed the following list of questions and answers regarding equine-related activities and the qualification for farm and agricultural classification:

Q: How will the passage of SHB 1733 impact the farm and agricultural land classification of the Current Use Program?

A: This bill expands the definition of farm and agricultural land to include property used for equine-related activities. Equine-related activities include, but are not limited to, land primarily used for stabling, training, riding, clinics, schooling, shows, and grazing for feed. Land must also meet all other requirements of the farm and agricultural land classification outlined in RCW 84.34.020(2)(b) and (c).

Q. What are the other requirements for the farm and agricultural land classification outlined in RCW 84.34.020(2)(b) and (c)?

A: In addition to the requirement that farm and agricultural land be used for an eligible commercial purpose, it must also meet the following requirements:

- If a parcel of land is five acres or more but less than 20 acres, it must produce a gross income from the commercial activity of \$200 or more per acre per year for three of the five calendar years preceding the date of application. If the land was admitted to the farm and agricultural land classification prior to 1/1/93, it must produce a gross income from the commercial activity of \$100 or more per year for three of the five calendar years preceding the date of application.
- If a parcel of land is less than five acres, it must generate a gross income from the commercial activity of \$1,500 or more per year for three of the five calendar years preceding the date of application. If the land was admitted to the farm and agricultural land classification prior to 1/1/93, it must produce a gross income from the commercial activity of \$1,000 or more per year for three of the five calendar years preceding the date of application.

(Continued on page 3)

Upcoming Training

(State/County Personnel ONLY)

~ 2009 ~

November 2 6

IAAO Course 300
Tumwater \$300

November 17

Planning & Conversion to Annual Revaluation
Olympia *Free*

November 19

Planning & Conversion to Annual Revaluation
Moses Lake *Free*

~ 2010 ~

January 19 20

Mass Appraisal & Report Writing
Olympia \$125

February 9 10

IAAO 155 Workshop Depreciation Analysis
Olympia \$125

February 11

Valuation of Unique Properties Workshop
Olympia \$100

March 2 3

USPAP
Ellensburg \$125

March 4

USPAP Update
Ellensburg \$100

March 9

Annual Revaluation Techniques
Olympia *Free*

March 16

Annual Revaluation Techniques
Moses Lake *Free*

For further information, contact:

Patty Concepcion
Education Coordinator
Washington Department of Revenue
Property Tax Division
P.O. Box 47471
Olympia, WA 98504 7471
Phone: (360) 570 5866
E Mail: PattyC@dor.wa.gov

Implementation of SHB 1733: Equine-related Activities (cont.)

(Continued from page 2)

Q: What type of documentation can be used to demonstrate that the minimum income requirement has been met for parcels less than 20 acres?

A: According to WAC 458-30-270, during the application process for classification or reclassification and to determine continuing classification, the assessor may require the owner to submit relevant information to determine eligibility. Relevant information includes, but is not limited to:

- Receipts from sales of agricultural products produced on classified land;
- Federal income tax returns including schedules documenting farm income, production costs, and other operating expenses;
- Rental or lease agreements and receipts;
- Government payments and subsidies;
- Crop and livestock production data; or
- Other income and expense information related to the land for which continued classification or reclassification is sought.

Q: What is the application process for farm and agricultural land that is being used for equine-related activities?

A: An application for classification or reclassification as farm and agricultural land is made to the assessor of the county in which the land is located. If an application for classification or reclassification is submitted to the assessor in 2009, the assessor has until May 1, 2010, to either approve or deny it. If approved, the land will be valued based on its current use value on January 1, 2010, for taxes payable in 2011.

Along with the application, the assessor may require the applicant(s) to provide data regarding the current use of the land, sales receipts, federal income tax returns including schedules documenting farm income, other related income and expense data, and any other information relevant to the application. If an application for classification or reclassification is for land under 20 acres, the assessor will also require the applicant to demonstrate that they have met the minimum income requirements outlined in RCW 84.34.020(2)(b) and (c) from the equine-related activity for three of the five years preceding the date of application.

Q: How are structures, such as stables, valued for the farm and agricultural land classification?

A: The farm and agricultural land classification, which is a part of the Current Use Program, allows a reduction in value for the land only. Therefore, any improvements to the land, such as a stable, must be valued at its true and fair value or market value. Land under agricultural structures, such as a stable or barn, is valued as current use farm and agricultural land. However, the structures must be integral to the operation of the farm.

Q: How is the current use value of land calculated if it is used for an equine-related activity?

A: The current use value of farm and agricultural land is based on the earning or productive capacity of comparable lands that are used or could be used for crops grown most typically in the area averaged over not less than five years. This applies to land that is used for equine-related activities as well. The assessor may calculate this value using various methods. For example, the assessor could calculate the current use value based on net cash rental of similar properties, capitalization of income from typical crops, a soil capability analysis, or the average per acre value of farm and agricultural land in the county.

Q: If someone owns their own horses and boards them on their land, is the land eligible for the farm and agricultural land classification?

A: No. In order to qualify, the horses must be used for a commercial purpose. Simply owning horses and boarding them on the land for personal use is not an eligible commercial purpose. However, if the owner uses their horses for a commercial purpose, such as riding lessons, the land would qualify for the farm and agricultural land classification. ♦



2009 Legislature and Property Tax

By David Saavedra, Program Coordinator

The 2009 Legislature enacted seven House bills and nine Senate bills into law that have some relationship to Property Taxes. We noted them in the last edition of this newsletter, but offer a detailed summary below, listing them by bill number. All of these became effective on July 26, 2009. While most were administrative or technical nature in nature, there were several that are very interesting those of us that work with property tax on a regular basis.

For those changes that the Department helps to implement, we have issued Property Tax Special Notices, which are listed in a later section of this newsletter. If you have any questions regarding the topics that follow, please feel free to contact the Department at (360) 570-5900 or DavidS@dor.wa.gov. We will put you in touch with the member of our staff that is most familiar with the subject.

E2SHB 1208 Administration of property tax & REET

C 350 L 2009

This legislation contains various technical changes relating to collection and distribution of property taxes and real estate excise taxes. Payment dates and application of interest for diking, drainage or sewerage district assessment are made the same as for property taxes. Property tax refund claims must be made within three years of the date the tax was due. County treasurers may accept verification of payment instead of a stamped affidavit as proof of payment of REET taxes. The destroyed property provisions are amended to allow local levies in excess of the 101 percent limit to recover abated or refunded taxes on destroyed parcels. The destroyed property provisions apply to taxes levied as of January 1, 2009. Finally, the approval process for open space classifications is amended to permit meetings of the granting authority by telephone. There is no impact on revenues for this bill.

SHB 1295 Relating to agricultural fairs

C 402 L 2009

Provides a process for cities and code cities to annex territory owned by counties and used for agricultural fairs.

2SHB 1484 Riparian forest lands; includes critical habitat

C 354 L 2009

Pursuant to rules of the Forest Practices Board, the Department of Natural Resources administers a program that provides for acquisition of fee interests or conservation easements on lands within unconfined river channel migration areas. This bill expands the types of land to be acquired via conservation easements under the program to include critical habitat for threatened or endangered species. Private forest lands acquired by the Board are removed from the designated forest land or current use timber classifications under RCWs 84.33 and 84.34. The compensating tax for land that is removed from designation as forest land is amended to exclude from the payment of back taxes easements on private forest lands acquired under this program for critical habitat. The same change is made for timber lands classified under the open space program. Also, the bill changes the determination of compensation for landowners of forest land upon which a conservation easement is acquired, depending upon whether the easement applies only to the trees or also includes the land. *NOTE: the above provisions were included in SSB 5401 which also passed the Legislature.*

In addition, the bill amends RCW 84.33.145 to expand an exemption from the compensating tax for forest land removed from designation. Currently, land transferred to a governmental entity or to certain nonprofit organizations devoted to historic preservation or nature conservancy in King County only is exempted from the requirement to pay back taxes. Section 4 broadens the exclusion to forest land in Pierce and Snohomish counties. The potential impact on compensating tax receipts is considered to be relatively minimal.

Finally, in Sections 6 – 10, the bill modifies a program by which the Department of Natural Resources can dispose of state forest lands in rural counties. The bill allows DNR to transfer certain small parcels of forest land to another public agency without conducting a public auction. There is no impact of these revisions on tax revenues.

HB 1619 School levies used for M & O (maintenance and operation)

C 460 L 2009

Allows funds raised by school districts through construction, modernization or remodeling levies to be used for painting, major equipment repair, and other preventative maintenance purposes. School districts may transfer funds from district capital projects fund to district general fund. The types of activities that may be funded with school districts' capital projects funds generated by two- to six-year levies, adding major equipment repair, painting of facilities, and/or other major preventative maintenance

(Continued on page 5)



2009 Legislature and Property Tax (cont.)

(Continued from page 4)

purposes. Clarifies the definition of major renovation and replacement and adds major repairs, replacement and refurbishment of roofing, exterior painting, exterior walls and windows, and plumbing systems to the definition. This bill also directs the Office of the Superintendent of Public Instruction to develop accounting guidelines to allow for these new uses of capital projects funds and requires that funds used for new activities do not replace routine expenditures.

SHB 1733 **Current use assessment; equestrian property**

C 255 L 2009

This bill expands the current use assessment program to include property used for equestrian purposes. The definition of farm and agricultural land now includes property devoted to equestrian activities such as stabling, riding and training of horses; clinics, schooling and shows; and lands for horse grazing. These horse-related activities include those for which a charge is made. The bill also adds an exemption from the additional tax or compensating tax for the current use and the designated forest land programs for parcels that were incorrectly classified under these programs through no fault of the owner.

The equestrian provisions do not impact the state property tax levy, although there could be minor shifts of tax burden. The compensating tax exemption from additional tax or for improperly classified parcels would have a small impact, since the state presently receives a portion of the back taxes and penalties. The reduction for state revenues is estimated at \$27,000 for the initial biennium.

EHB 1815 **Current use assessment; standing crops**

C 513 L 2009

The Open Space Taxation Act was established in 1970. It allows certain open space, timber, and agricultural lands to be assessed for property tax purposes on the basis of their current use, rather than highest and best use of the property. Lands used for agricultural purposes has certain acreage and income requirements for inclusion in the current use program:

Any parcel of land of twenty acres or more devoted to commercial agricultural purposes can be included in the program;

Parcels from 5 to 20 acres may be included if they generate gross income of \$200 or more per acre annually (in at least three of the prior five years)

Parcels of less than 5 acres may be included if they generate gross income of \$1,500 or more annually (in at least three of the prior five years).

This bill expands the second category for parcels of agricultural land which are from 5 to 20 acres and which have standing crops located on the land. If the standing crops consist of short rotation hardwoods with an expected harvest cycle of 15 years or less and the owner invests at least \$100 per acre in the current or previous year in the production of the hardwoods, then the parcel will qualify for current use assessment. Other standing crops (Christmas trees, vineyards, orchards, etc.) also qualify if their expected harvest occurs within seven years of planting and the owner invests at least \$100 per acre in the current or previous year.

The additional tax statute for lands removed from the current use classification is amended to require the assessor to explain appeal procedures in the notice of removal. There is no impact on state revenues.

HB 2331 **Increases document recording fees from \$10 to \$30**

C 462 L 2009

Increases the surcharge on document recording fees from \$10 to \$30. Increases costs for liens and release of liens filed for property tax deferral programs.

2SSB 5045 **New local infrastructure financing program**

C 270 L 2009

In 2006, a program was established to encourage economic development and renovation of urban areas. Known as the local infrastructure financing tool (LIFT), the program allows increased local sales and property taxes within designated areas (Revenue Development Areas) of cities or counties to be devoted to financing of public improvements intended to encourage private investment in the area. The state also provides matching funds through crediting of applicable local sales taxes against the state tax. The amount of state funds for all eligible projects is limited to \$7.5 million annually. Currently, there are nine projects using LIFT financing underway in the cities of Bellingham, Bothell, Everett, Federal Way, Liberty Lake, Vancouver, Yakima, Puyallup and Mt. Vernon. Applications for new projects are no longer being accepted. (ESSB 5901 makes amendments to this program.)

(Continued on page 6)



2009 Legislature and Property Tax (cont.)

(Continued from page 5)

This bill creates an entirely new, but similar, financing program. There are two categories of projects that will be eligible for state funds: (1) seven demonstration projects in specified local areas, and (2) other projects on a first-come basis. The applications for the demonstration projects must be made to the Department by September 1, 2009; applications for the other projects start on that date. The Department is required to make available an electronic application form for the program. Section 601 establishes a new local sales/use tax which is credited against the state tax. The maximum rate is up to 6.5% less rates of existing state-credited local sales taxes, rates that are credited under the existing LIFT program, and the portion of the state rate which is dedicated to performance audits. This tax can commence on July 1, 2010, for the seven demonstration projects and a year later for other projects that qualify under the first-come basis.

The seven demonstration projects specified in Section 402 of the bill are:

- Pullman/Moscow corridor improvements (maximum of \$200,000).
- University Place (maximum of \$500,000).
- Tacoma Financial Services area/Tacoma Dome (maximum \$500,000).
- Bremerton downtown (maximum of \$330,000).
- Auburn down redevelopment (maximum \$250,000).
- Vancouver waterfront (maximum \$220,000).
- Spokane University District (maximum \$250,000).

Participating local jurisdictions are required to estimate the incremental property and local sales tax revenues. Annual reports are required by participants in the first-come program. The Department is required to summarize the information submitted by local jurisdictions and to report to the Legislature annually on the program by June 1.

The aggregate annual awards for demonstration projects are \$2.25 million and for other applications the state contribution is limited to \$2.5 million, with no single project being eligible for more than \$500,000 annually. The cost of the program is expected to total \$2.25 million in FY 2011 (demonstration projects only). Thereafter, the impact will rise to fully authorized \$4.75 million annually.

SB 5355

Rural library district levies

C 306 L 2009

Rural library districts serve all of the unincorporated area of a county and may include cities of up to 100,000 population. They are allowed to levy up to 50 cents per \$1,000 assessed value. This bill concerns the allowable property tax levy rate for newly formed rural library districts. It allows the petition to form such a district and the ballot proposition to include a reference to the initial levy rate which can be lower than the statutory maximum 50 cents. There is no impact on state revenues.

SSB 5368

Annual updating of property values

C 308 L 2009

This bill relates to the frequency by which the valuation of real property is updated by the county assessor. Under current law, property must be revalued at least once every four years. Twenty of the counties update all valuations on an annual basis. Of the remaining counties, 17 update values on a four year cycle; one uses a three year cycle and the other revalues half of the county every year.

Under SSB 5368, all counties must accomplish updating of assessed property values on an annual basis by the start of 2014. The purpose is to avoid the large jumps in values that can occur when values are re-visited on a less than annual schedule and to allow owners to better plan for any resulting increases in their property tax bills that might result from any increased values. By linking assessed values more closely with current economic conditions, it also helps to reduce property tax bills during times of declining property values.

The move to annual revaluation in all counties is contingent upon the Department of Revenue providing the necessary guidance and financial assistance to the counties. Grants will help address the need to purchase or upgrade necessary computer hardware or software. The Department must also provide guidelines and training for the counties. In addition, the Department will conduct advisory appraisals of industrial property valued in excess of \$25 million, upon request by the assessor.

A new subsection (3) of RCW 84.41.030 directs the Department to conduct a pilot program in one or more counties that are ready to move to annual revaluation by the end of 2009. The experience gained from the pilot study will then be applicable to other counties to assist their transition to annual revaluation. In conducting the pilot program, the Department is authorized to contract with an association that represents county assessors and other local officials.

(Continued on page 7)



2009 Legislature and Property Tax (cont.)

(Continued from page 6)

A new section 3 of the bill establishes an annual property revaluation grant account to be used to provide financial assistance to counties in meeting the requirements of this legislation. Funding priorities are delineated in Section 4. Counties are limited to a maximum of \$0.5 million in grant funds. Funding for the program comes from a \$5 per affidavit fee on real property transactions. The fee was established in 2005 to help counties in upgrading their real estate excise tax reporting systems. The fee was scheduled to apply through June 30, 2010. This bill extends the fee from July 1, 2010, through December 31, 2013, and directs the proceeds to the new annual property revaluation grant account for that period.

Starting on January 1, 2014, the \$5 fee receipts will be deposited into two different accounts: (1) a state real estate and property tax administration assistance account and (2) a similar account at the county level. One-half of the fee receipts are to be retained by the same county and one-half will come to the state for use in assisting all counties with these administration programs.

Starting in FY 2011, the continued \$5 fee on REET affidavits is expected to generate about \$1.2 million annually. The state operating budget for the 2009-11 biennium – ESHB 1244, Sec. 137(1) – provides an appropriation for implementation costs of this legislation: \$469,000 for FY 2010 and \$374,000 for FY 2011.

SSB 5401 Riparian forest lands; includes critical habitat

C 246 L 2009

Pursuant to rules of the Forest Practices Board, the Department of Natural Resources administers a program that provides for acquisition of fee interests or conservation easements on lands within unconfined river channel migration areas. This bill expands the types of land to be acquired via conservation easements under the program to include critical habitat for threatened or endangered species. Private forest lands acquired by the Board are removed from the designated forest land or current use timber classifications under RCWs 84.33 and 84.34.

The compensating tax for land that is removed from designation as forest land is amended to exclude from the payment of back taxes easements on private forest lands acquired under this program for critical habitat. The same change is made for forest lands classified under the open space program. Also, the bill changes the determination of compensation for landowners of forest land upon which a conservation easement is acquired, depending upon whether the easement applies only to the trees or also includes the land. *NOTE: these same provisions were included in 2SHB 1484 which also passed the Legislature.* The potential impact on compensating tax receipts is considered to be minimal.

SB 5426 Annexation to a fire district

C 115 L 2009

Allows annexation to a fire protection district of certain areas of cities or towns between 5,000 and 10,000 in population.

2SSB 5433 Local sales taxes; supplanting other local funds; New King County property tax levy for transit; New \$20 vehicle tax for local transit districts

C 551 L 2009

This legislation relates to existing local funding of specified programs and the prohibition against certain local taxes being used to replace those existing funds, thereby freeing the use of the existing funds for other programs.

LOCAL PUBLIC SAFETY TAX

In 2003, a local sales/use tax of up to 0.3 percent was authorized for counties to finance criminal justice (at least one-third of the proceeds) and other programs. Sales of new and used vehicles are exempt from this local tax. Counties retain 60 percent of the receipts and the remainder is shared with cities in the same county. Currently, five counties levy this tax; total receipts in calendar year 2008 amounted to \$22.4 million.

The authorizing legislation for the local tax stipulated that the revenues from the tax were not to supplant existing funding for these programs. Section 1 of this bill amends this requirement to allow supplanting over the next five years, as follows:

- Calendar year 2010 — 100% of existing funds may be supplanted
- Calendar year 2011 — 80% of existing funds may be supplanted
- Calendar year 2012 — 60% of existing funds may be supplanted
- Calendar year 2013 — 40% of existing funds may be supplanted
- Calendar year 2014 — 20% of existing funds may be supplanted

Also, the provision requiring one-third of the receipts to go to criminal justice programs is amended to include “and/or fire protection purposes.”

(Continued on page 8)



2009 Legislature and Property Tax (cont.)

(Continued from page 7)

LOCAL MENTAL HEALTH TAX

In 2005, another local sales/use tax of 0.1 percent was authorized for counties to finance mental health and chemical dependency programs. Currently, eight counties levy this tax; total receipts in calendar year 2008 amounted to \$45.9 million.

Section 2 amends the prohibition against supplanting other revenues by the 0.1 percent county tax. This prohibition is amended to allow supplanting over the next five years, as follows:

- Calendar year 2010 — 50% of existing funds may be supplanted
- Calendar year 2011 — 40% of existing funds may be supplanted
- Calendar year 2012 — 30% of existing funds may be supplanted
- Calendar year 2013 — 20% of existing funds may be supplanted
- Calendar year 2014 — 10% of existing funds may be supplanted

PROPERTY TAX LEVY LIMIT OVERRIDES

Section 3 amends RCW 84.55.050, which permits increased regular property tax levies above the 1 percent growth limit, if approved by the voters. In all counties except King, funds generated from levy override proposals approved after July 26, 2009, may be used to supplant existing funds for the programs specified in the ballot proposal; no time restriction apply to such supplanting. In King County the supplanting is allowed only for levy override proposals approved after July 26, 2009, and before the end of 2011.

NEW PROPERTY TAX LEVY IN KING COUNTY

Section 5 authorizes a new property tax levy for King County. The maximum rate is 7.5 cents per \$1,000 of assessed value. Receipts of the tax are earmarked for transit expenditures with the first one cent of the rate being devoted to expanding transit capacity along Highway 520. Partial trade-off is provided by Section 4 which reduces the maximum levy by a ferry district in King County from 75 cents to 7.5 cents (the actual levy rate in 2009 was five cents).

NEW ANNUAL VEHICLE FEE

Section 8 – 11 of the bill establishes a new vehicle tax of up to \$20 annually per registered vehicle to be imposed by local public transportation entities. The tax is designated as a congestion reduction tax which shall be collected by the Department of Licensing at the time of license renewal of each vehicle registered within the local jurisdiction on behalf of local PTBAs, city-owned transit systems, county public transportation authorities, etc. The vehicle tax must be approved by the voters of the local districts and collection will begin no sooner than six months after a favorable vote by the local electorate. The ballot measure must stipulate the specific transportation services or improvements to be financed by the new tax.

SB 5680 Uses of exempt property rented to others by nonprofits

C 58 L 2009

This bill changes the allowable use of property owned by nonprofit artistic, scientific, historical organizations. SB 5680 doubles the period for which these exempt parcels may be used for nonexempt purposes to 50 days and to 15 days in the case of income-generating uses. Additional days for set-up and take-down activities associated with such events are also allowable. The existing conditions on the rental income are removed. There is no impact on the state levy and for many local levies whose levy rates are less than statutory maximum. Any remaining local impact is likely minimal.

E2SSB 5688 Domestic Partners

PENDING OUTCOME OF R-71

C 521 L 2009

The Legislature established a domestic partnership registry within the Secretary of State's Office in 2007. Legislation in 2007 and 2008 extended certain rights and responsibilities to domestic partners which were already provided to spouses. This bill amends other state statutes so that provisions which currently apply to spouses will also specifically apply to domestic partners. New sections are added to the retail sales tax, the estate tax, and the property tax indicating that terms such as "spouse, marriage, marital, husband, wife, widow, widower, next of kin, family and member of the family" are to include individuals in a state registered domestic partnership.

In addition to providing a new general definition in Title 84 RCW, only three areas were not already amended by previous legislation:

Property Tax Assistance Program for Widows and Widowers of Veterans

This program is administered directly by the Department of Revenue under Chapter 84.39 RCW. Under E2SSB 5688, applicants must not have remarried or entered into a state registered domestic partnership in order to receive property tax assistance payments.

(Continued on page 9)



2009 Legislature and Property Tax (cont.)

(Continued from page 8)

Collections

RCW 84.56.025 provides a waiver of interest on delinquent taxes in the case of the death of a spouse. Under E2SSB 5688, interest on delinquent taxes would be waived because of hardship caused by the death of a state registered domestic partner.

Appeals

RCW 84.40.038 provides good cause for waiving deadlines for filing petitions to the Board of Equalization, including death or serious illness of the taxpayer or his or her immediate family. The term "immediate family" under E2SSB 5688 in this case would include a state registered domestic partner.

*As of November 6, 2009, R-71 was passing. However, the results of R-71 are not expected to be official until December 2, 2009. ♦

Join Our Distribution Lists



To be notified when . . .

- ▶ the next edition of the Property Tax Newsletter is published,
 - ▶ a new Property Tax Special Notice is issued,
 - ▶ revisions are made to Property Tax WAC Rules,
 - ▶ the latest Property Tax Valuation Guidelines are released
- . . . simply visit the link below and join any of our e-mail distribution lists. While you're there, check out the other distribution lists available from the Department of Revenue. You might find other topics of interest. ♦

<https://fortress.wa.gov/dor/efile/SecureForms/content/contactus/email/listservemail.aspx>

This Quarter's Reminders

(Continued from page 2)

December 7

Board of County Commissioners may meet to hold budget hearings provided for in RCW 36.40.070. (RCW 36.40.071)

December 31

(On or before) DOR prepares stumpage values for January through June 2010. (RCW 84.33.091)

Also in December...

Interest rate applicable to open space values set by DOR. (RCW 84.34.065)

DOR determines true and fair value of each grade of forest land and certifies values to county assessor. (RCW 84.33.140) (First Monday in December)

For a complete version of the *Property Tax Calendar*, visit the Department of Revenue's website at this link:

http://dor.wa.gov/Docs/Pubs/Prop_Tax/PropCal.pdf ♦

Ongoing Due Dates...

- ✔ **Exemption for improvement**
Improvements made to a single family dwelling can be exempt for three years after completion. Taxpayers must file a notice of intent to construct with the assessor prior to completion of the improvement. (RCW 84.36.400)
- ✔ **Destroyed property**
The value of destroyed real or personal property may be reduced the year destruction occurs. Claims must be submitted to the assessor within three years of destruction. (Chapter 84.70 RCW)
- ✔ **Levy appeals**
Taxpayers must file any appeals on levies to the Department of Revenue no later than 10 days after levies are made. (RCW 84.08.140)
- ✔ **Real property assessment changes**
Notice of a change in the value of real property must be given by the assessor to the taxpayer within 30 days of appraisal. Exception: no notices may be mailed between January 15 and February 15. (RCW 84.40.045)
- ✔ **Senior citizen deferrals**
Senior citizens and disabled persons claiming deferment of special assessments and/or real property taxes must file with the assessor no later than 30 days before the tax or assessment is due. (RCW 84.38.040)
- ✔ **Taxing district changes**
Taxing district annexations or changes must be submitted to DOR within 30 days of receipt. [WAC 458-12-140(5)] ♦

Property Tax Special Notices

Property Tax Special Notices are generally sent to assessors, treasurers, and those stakeholders that we can identify with a specific interest in the particular topic. Prior to being issued, each Special Notice will go through an internal review process. Special Notices are posted on the Department's website at www.dor.wa.gov under Property Tax Publications. You may also receive a copy of a Special Notice by adding your name to the ListServ. This can be done by going to www.dor.wa.gov, clicking "Find Taxes and Rates," then clicking "Property Tax," and one more click to "Join E-mail Service." A notice will usually provide a contact for more information on the topic.

May 20, 2009

Property Valuation Appeals

Provides general guidance to local Boards of Equalization with regard to valuation appeals and information important to all parties in a valuation appeal. Focuses on the key elements of reviewing disputed valuations: Presumption of Correctness, Standard of Review and Evidence That Should Be Considered. Also discusses the impact of decisions within our budget-based, property tax system.

http://dor.wa.gov/Docs/Pubs/SpecialNotices/2009/sn_09_PropertyValuationAppeals.pdf

July 8, 2009

Legislative Update – Changes in the Property Tax Exemption for Museums and Performing Arts Facilities

Discusses four changes to the exemptions for Museums and Performing Arts Facilities (RCW 84.36.060) that affect the way these properties may be shared with other organizations or individuals.

http://dor.wa.gov/Docs/Pubs/SpecialNotices/2009/sn_09_MuseumsPerfArts.pdf

July 23, 2009

Legislative Updates – Current Use Program and Designated Forest Land

Provides Q & A discussion of four bills passed in the 2009 Legislative Session related to Current Use and Designated Forest Land issues. (chapters 84.33 and 84.34 RCW) Discussion includes public hearing procedures (ESSHB 1208); removals from Current Use and Designated Forest Land (SSHB 1484); equestrian related activities (SHB 1733); and standing crops and removal notices (EHB 1815).

http://dor.wa.gov/Docs/Pubs/SpecialNotices/2009/sn_09_CurrentUseDFL.pdf

July 23, 2009

Legislative Updates – Levies and Collection Issues

Provides Q & A discussion of five bills passed in the 2009 Legislative Session related to levies and the collection of property taxes. Discussion includes several important changes in the administration of property taxes (E2SHB 1208); changes in the way certain school levy funds may be applied to projects (ESHB 1619); an optional limitation of the levy rate imposed by a newly formed Rural County Library District (SB 5355); revised conditions for the annexation of portions of towns and cities by a fire district (SB 5426); and minor changes in the administration of lid-lifts, a new statutory limit for certain ferry district levies and a new county transit levy (2SSB 5433).

http://dor.wa.gov/Docs/Pubs/SpecialNotices/2009/SN_09_Levies.pdf

October 2, 2009



Wheat Prices used to determine the Assessed Value of Farm and Agricultural Land

Provides a discussion of the methods used to value wheat lands within the farm and agricultural classification and the effect of unusual fluctuations in wheat prices.

http://dor.wa.gov/Docs/Pubs/SpecialNotices/2009/sn_09_WheatPrices.pdf

October 2, 2009



Assessment of Low-Income Housing - Update

Provides an update on the status of the Property Tax Advisory (PTA) 15.1.2009 that was issued earlier this year. Discusses the impact of recent BTA decisions and pending appeals on the valuation of low-income housing properties.

http://dor.wa.gov/Docs/Pubs/SpecialNotices/2009/sn_09_LowIncomeHousing.pdf◆

New Faces & New Places at Property Tax

Pat Baxter retired in September after 20 years of service. She was the leader of our Office Support Team and helped to train or mentor every one of us in Property Tax. Though retired, we don't expect Pat to sit still for very long. She and her husband, Wayne, are travelers at heart and cover a lot of ground...on foot. The rumor is that they will soon be cruising to the southern hemisphere and hiking in Antarctica!



Pat Baxter

In May, **Corey Gunnerson** accepted a position as an Appraiser/Auditor (PAS 3) for the Ratio Valuation Team based in the Everett Field Office. Corey comes to us from the Audit Division, where he audited businesses since 2003. Corey is a graduate of Western Washington University with a Bachelors Degree in Accounting. He definitely knows the value of teamwork, since he played Defensive End for the Vikings! Corey can be reached at CoreyG@dor.wa.gov or (425) 356-4871.



Corey Gunnerson

Pam Moyer has joined our Ratio Valuation Group as an Appraiser/Auditor (PAS 3) based in Olympia. She comes to us from the Thurston County Assessor's Office, where she was a Senior Appraiser on the Review and Appeals Team. Prior to that, she worked for the Grays Harbor County Assessor's Office and was also a fee appraiser. She brings over 12 years of experience in appraising real property to her new position. Pam enjoys motorcycles, boating, and gardening and is a welcome addition to the Property Tax team. Pam can be contacted at PamMo@dor.wa.gov or (360) 570-5886.



Pam Moyer

We are pleased to welcome **Nicolle Walsh** as the newest member to the Property Tax Support Staff Team. She comes to us from the insurance industry, working in underwriting, sales, and marketing, which will benefit her in her new role. Her experiences include working in team environments, managing multiple customer accounts, and working with the public as a receptionist. If you call in or stop by, you are likely to meet Nicolle first. She can be reached at NicolleW@dor.wa.gov or (360) 570-5900.



Nicolle Walsh

Vicky Carr was selected to fill a PAS4 appraisal position and becomes the latest member of the Valuation Advisory Team. Vicky started with the Department two years ago and comes with high recommendation from the County Performance & Administration Program. She is a '98 graduate of UW and obtained her appraisal license in 2001. Vicky is pleased to be appraising again, and the Valuation Advisory Team welcomes her energy and enthusiasm. Congratulate her at VickyC@dor.wa.gov or (360) 570-5875.



Vicky Carr

Marilyn O'Connell has joined the County Performance & Administration Section as our Grant Administrator. She will help develop and administer the grant program for county assessors. This program is the result of recent legislation that provides assistance to assessors as they transition to annual revaluation and acquire new software. Marilyn has most recently worked for the Thurston County Assessor and also worked for the Municipality of Anchorage Assessor's Office. She is a great addition to our team and the conversions to annual revaluation. Marilyn is just settling in at the Olympia office and at can be reached at MarilynO@dor.wa.gov or (360) 570-5881.



Marilyn O'Connell

Chuck Boyce has been chosen to fill a Valuation Advisory Program Appraiser (PAS 5) in the Olympia Office. He was just selected to join the Valuation Advisory Team that was expanded by the 2009 Legislature. Chuck retired in 2006 as the "Dean of Utility Valuation." He returns to the Olympia Office on October 26 with valuable experience and enthusiasm that just can't be matched. Feel free to welcome Chuck back by calling him at (360) 570-5896 or sending him an e-mail at ChuckB@dor.wa.gov.



Chuck Boyce

Philip Pinkstaff has just been introduced as our Advisory Program Appraiser (PAS 5) in the Tacoma Field Office. He is Hoosier native with an MBA from Notre Dame. He brought his family to Federal Way many years ago and has accumulated 20 years experience as a fee appraiser around the King County area. Phil will be based in Tacoma and starts on October 26. The rival Husky and Cougar factions within Property Tax nervously wait to find out which local sports teams Phil might support. Phil can be reached at PhilP@dor.wa.gov or (253) 382-2016. ♦



Phil Pinkstaff

Updating the Valuation Guidelines — Suggestions Welcome

By Pete Levine, Personal Property Supervisor

Earlier this Fall the Department began the process of updating the **Personal and Industrial Property Valuation Guidelines** for the 2010 assessment year by soliciting input from many of the stakeholders involved in the assessment of personal property.

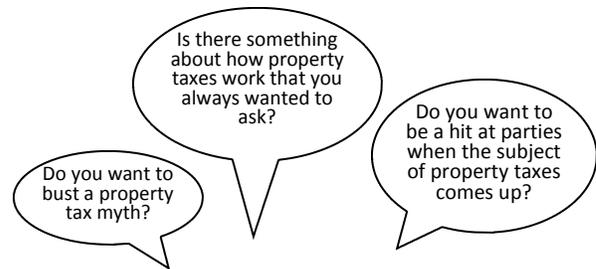
We invite input to the **Guidelines** at any time during the year and attempt to incorporate suggested ideas, keeping in mind the needs of all stakeholders. If you would still like to make any suggestions or provide feedback, please review the questions below and e-mail your responses to PeteL@dor.wa.gov. As time permits, we will use information gathered to update the **Guidelines** for the 2010 assessment year, and subsequent assessment years for areas which may need additional study or review.

- What needs to be modified, deleted, or added to the **Personal and Industrial Property Valuation Guidelines**? Why? What do you recommend?
- Are there any Business Activity or Type of Business Trend column recommendations in the 2009 Index needing review or possibly revised for the future? Why? What do you recommend?
- Are there any types of assets or business activities you believe need studying? Why? What data can you provide to assist in the study?
- Are there any types of assets or business activities not listed in the Index that should be listed? If so, which ones? Why?
- Do you have data about any assets, business activity, or type of business that might help recalibrate an existing guideline?

Please provide data or studies you have as it is useful and may be beneficial in working together to collect data for study. If you have any questions or comments, please do not hesitate to contact me directly at (360) 570-5884. ♦

Got a Property Tax Question?

Please send in that nuts & bolts property tax question that you might have to harolds@dor.wa.gov. We'll reply to any question you submit. If the question may interest our readers as a group, we'll include a thoughtful response in an upcoming issue of the newsletter. Together, we can take a bit of the mystery out of the business of property taxes. ♦



Harold Smith, Editor

Washington Department of Revenue
Property Tax Division



Attn: Newsletter Editor
PO Box 47471
Olympia, WA 98504-7471

Phone: 360-570-5864
Fax: 360-586-7602
E-mail: HaroldS@dor.wa.gov

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

DESCRIPTION OF PROGRAM OR SERVICE	CONTACT	PHONE NUMBER	E MAIL ADDRESS
Property Tax Administration/Policy	Brad Flaherty Assistant Director	(360) 570-5860	BradF@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	Leslie Mullin	(360) 570-5865	LeslieMu@dor.wa.gov
Accreditation Testing	Patty Concepcion	(360) 570-5866	PattyC@dor.wa.gov
Advisory Appraisals	Howard Hubler	(425) 356-4850	HowardH@dor.wa.gov
Appraisals & Audits for Ratio Study	Rick Bell Dave McKenzie	(509) 663-9748 (360) 256-2125	RickB@dor.wa.gov DaveM@dor.wa.gov
Annexation/Boundary Change Rules	Diann Locke	(360) 570-5885	DiannL@dor.wa.gov
Boards of Equalization	Diann Locke	(360) 570-5885	DiannL@dor.wa.gov
County Performance & Admin. Program	Kathy Beith	(360) 570-5868	KathyB@dor.wa.gov
Current Use/Open Space Assessment	Leslie Mullin	(360) 570-5865	LeslieMu@dor.wa.gov
Designated Forest Land	Leslie Mullin	(360) 570-5865	LeslieMu@dor.wa.gov
Destroyed Property	Kathy Beith	(360) 570-5868	KathyB@dor.wa.gov
Education & Training for County Personnel	Patty Concepcion	(360) 570-5866	PattyC@dor.wa.gov
Exemption & Deferral Program	Harold Smith	(360) 570-5864	HaroldS@dor.wa.gov
Forest Tax General Information		1-800-548-8829	
Forms	Leslie Mullin	(360) 570-5865	LeslieMu@dor.wa.gov
Governmental & Miscellaneous Exemptions	Mike Braaten	(360) 570-5862	MichaelB@dor.wa.gov
Industrial Property Valuation	Howard Hubler	(425) 356-4850	HowardH@dor.wa.gov
Legislation	Mike Braaten	(360) 570-5862	MichaelB@dor.wa.gov
Levy Assistance	Diann Locke	(360) 570-5885	DiannL@dor.wa.gov
Mobile Homes	Pete Levine	(360) 570-5884	PeteL@dor.wa.gov
Nonprofit/Exempt Organizations	Sindy Armstrong	(360) 570-5870	SindyA@dor.wa.gov
Personal Property	Pete Levine	(360) 570-5884	PeteL@dor.wa.gov
Railroad Leases	Bill Johnson	(360) 570-5882	BillJ@dor.wa.gov
Ratio Study	Deb Mandeville	(360) 570-5863	DebM@dor.wa.gov
Real Property	Howard Hubler	(425) 356-4850	HowardH@dor.wa.gov
Revaluation	Cindy Boswell	(509) 663-9747	CindyB@dor.wa.gov
Revaluation <input type="checkbox"/> Annual Revaluation Project <input type="checkbox"/> County Revaluation Plans	Cindy Boswell R. C. Cavazos	(509) 663-9747 (425) 356-4848	CindyB@dor.wa.gov RC@dor.wa.gov
Senior Citizens/Disabled Homeowners, Exemption/Deferral	Peggy Davis	(360) 570-5867	PeggyD@dor.wa.gov
Utilities Management <input type="checkbox"/> Certification of Utility Values to Counties <input type="checkbox"/> Code Area/Taxing District Boundary Changes & Maps <input type="checkbox"/> Public Utility Assessment <input type="checkbox"/> PUD Privilege Tax	Neal Cook Ha Haynes Jane Ely Jay Fletcher Paul Hutt	(360) 570-5877 (360) 570-5879 (360) 570-5894 (360) 570-5876 (360) 570-5869	NealC@dor.wa.gov HaH@dor.wa.gov JaneE@dor.wa.gov JayF@dor.wa.gov PaulHu@dor.wa.gov