



Property Tax Review

June 2003

Volume 4, Issue 2

Surviving the Spring

By Gary O'Neil, Assistant Director

Inside this issue:

<i>Legislative News</i>	2-3
<i>County Progress Recognized</i>	4
<i>Personal Property Assessment Issues</i>	4-6
<i>Levy Audits</i>	7-8
<i>GIS Has Arrived</i>	9
<i>New Exemption Rules</i>	10
<i>Water Right Transfers</i>	11

It has been a busy spring for the Property Tax Division. The Legislature completed its work adopting 18 new property tax laws. These laws, including the proposal to attract the Boeing 7E7 operation, are described in detail in an article on page 2.

The Property Tax Division reviews every proposal and bill affecting property taxes. This year there were 126 property tax bills introduced. Many of these bills go through multiple revisions as they progress through the legislative process with relatively few reaching the Governor's desk. One of our jobs is to assure that the bills are written in a manner that county offices and the Department can administer. Our Division works with the agency's Research Division to estimate the costs of administering the new laws and the amount of revenue that will be raised, lost, or shifted to other taxpayers. We also work with the agency's Legislation and Policy Division to identify policy issues and potential legal problems and, if necessary, to decide if the Department should support or oppose particular legislation.

A special extraordinary session was necessary to agree on the biennial budget and pass the Boeing bill. This budget reflects the painfully slow recovery in the state's economy. Despite the austerity of the budget, the Property Tax Division fared well. The Division maintains its employment level of 53 FTEs. However, the budget anticipates efficiency improvements to fund that personnel level. While there is some additional work as a result of new legislation, the Division will be able to perform these additional functions without reducing our

Centrally Assessed Property System was completely rewritten into a "web based" application resulting in faster processing. Time required for inputting information and outputting reports has been reduced from weeks to hours. Once ratios have been set, preparing valuation and allocation reports to the assessors has been reduced from 2 weeks to 48 hours. Increased speed in processing is also a prime benefit of the rewriting of our second major system, the Ratio System. The new system greatly improves data access for our field offices and speeds production of letters to taxpayers. These improvements increase the effectiveness of our employees and speeds turnaround times to our customers. Finally, our Geographic Information System (GIS) is now available on the Department's web page (<http://gis.dor.wa.gov/>).

You can expect the same or improved level of service that you have received in the past."

current service level. You can expect the same or improved level of service that you have received in the past.

Speaking of improved levels of service, the Department just completed major revisions to several of our most important information systems. Our

I trust you will find the following articles interesting and instructive. If you have suggestions or issues you would like to see addressed in this newsletter, please let us know. ♦

Special points of interest:

- Quarterly Reminders (see pages 4-5)
- Valuation Survey (details on page 7)
- Upcoming Training (see page 9)
- Feedback Needed (details on page 10)

2003 — The Year of the Exemption

By Peri Maxey, Legislative Coordinator



The 2003 Legislative Session ended June 11, 2003.

Without any money to spend this biennium, the Legislature focused much of their time and energy considering different exemption bills. Everyone from manufacturers of biodiesel fuel to organizations that support individual artists went before committees making their plea for some type of relief. And some of them were rewarded for their efforts. Here is a list of the exemption bills that passed. The effective date for the bills is July 27, 2003 unless noted otherwise.

Exemption Bills

2nd Sub. House Bill 1240 and House Bill 2146

(effective 7/1/03) - Both bills provide several tax preferences in the form of a lower business and occupation (B&O) rate and property tax/leasehold excise tax exemption on buildings, machinery & equipment, as well as a sales tax deferral on buildings and machinery & equipment used directly for the retail sale of biodiesel, alcohol, and wood biomass fuels.

"Biodiesel fuel" means a mono alkyl ester of long chain fatty acids derived from vegetable oils or animal fats for use in compression-ignition engines.

"Biodiesel blend" means fuel that contains at least 20 percent biodiesel fuel.

"Wood biomass" fuel means a pyrolytic liquid fuel or synthesis gas-derived liquid

fuel, used in internal combustion engines and is produced from wood, forest, or field residue or dedicated energy crops.

The property tax component of these two bills include an exemption for buildings, land, machinery & equipment, and other personal property primarily used for manufacturing of these products. Included in the exemption is the land reasonably necessary in the manufacturing of these three fuels but does not include land used to grow crops.

The exemption is extended to property in a new manufacturing facility or property that constitutes a new addition to an existing manufacturing facility and lasts for six assessment years following the date on which the new facility becomes operational.

Additionally, a partial exemption is granted to an existing manufacturing facility that produces products other than biodiesel, alcohol, or wood biomass fuels. The exemption for this type of facility will be prorated based on the percentage of value of the exempt fuels to the value of all other products manufactured.

Exemptions must be claimed on forms developed by the Department of Revenue and must be filed with the county assessor. The assessor has the ability to verify and approve any claims. No claims may be filed after December 31, 2009.

House Bill 2294 - This bill provides tax relief to entities that manufacture super-efficient airplanes. The relief comes in the form of reduced B&O tax rates, credits against B&O tax, sales and use tax exemption, leasehold excise tax exemption, as well as property tax exemption. The leasehold excise tax exemption covers leasehold interest in publicly owned property. The property tax exemption is for property used exclusively for the manufacture of super-efficient airplanes. It exempts buildings, machinery & equipment, and other personal property of a lessee of a port district that is eligible for exemption from B&O tax (under Sections 11 and 12 of the bill). The property tax exemption is not available if the manufacturer takes a credit on their B&O tax obligation for property taxes paid on their property. The manufacturer must file a claim for exemption with the county assessor on forms prescribed by the Department of Revenue. The assessor is to verify and approve claims. The first claims may be filed in assessment year 2005 if the bill takes effect. This bill takes effect on the first day of the month in which the Governor and a manufacturer of commercial airplanes sign a memorandum of agreement of their final decision to site a significant commercial airplane final assembly facility in Washington State. The exemption expires after the 2023 assessment year.

Everyone...went before committees making their plea for some type of relief."



The 2004 Legislative Session convenes on January 12, 2004.

2003 — The Year of the Exemption (continued)

Senate Bill 5725 - This exemption is for machinery & equipment that is exempt under RCW 82.08 or 82.12 and is used in manufacturing semiconductor materials at a building exempt from sales and use tax. This exemption is contingent upon an investment of a least one billion dollars. The effective date is the first day of the month in which a contract for the construction of a significant semiconductor fabrication facility is signed. The exemption expires December 31st -- 12 years after the effective date. If the facility is not operational within three years of the effective date, all taxes exempted must be repaid.

House Bill 1905 - This bill allows nonprofit performing arts organizations and museums to rent or lease their facility to others for productions, performances, community gatherings or assembly, or meetings for 25 days per year. On seven of the 25 days, the property may be used for business purposes. The Department of Revenue administers this exemption.

House Bill 2001 - This is a new exemption for nonprofit organizations that solicit money, gifts, donations, or grants for the support of individual artists. The Department of Revenue administers this exemption.

House Bill 2088 - This bill exempts designated forest land from rates and charges for storm water control facilities.

Other Bills of Interest

Substitute House Bill 1069 - This bill allows the county treasurer to waive interest and penalty on late property tax payments if the tax bill is not sent to the taxpayer due to an error by the county.

Substitute House Bill 1075 - Several bills passed during the 2002 Legislative Session affecting the current use program. HB 1075 was a technical correction bill to consolidate all of the changes made in 2002. This bill affirms the repeal of RCW 84.33.120.

Substitute House Bill 1250 (effective 5/14/03) - The purpose of this bill is to simplify how marinas are assessed. The assessment will be based on a formula involving rent and the marina's gross revenues as determined by the Department of Natural Resources (DNR). By July 1, 2004, lease rates of qualifying marinas will be a percentage of the annual gross revenues generated by that marina. The Legislature must enact legislation in the 2004 session to establish the percentage that will serve as the basis for the marina's rent and a definition of gross revenues. DNR must develop and report to the Legislature by December 31, 2003, a recommended formula for calculating marina rents.

Substitute House Bill 1278 - This bill allows assessors and taxpayers to transmit personal property listings electronically.

The listings no longer require a signature. The Department of Revenue will design a generic listing form that will also be available in electronic format.

Eng. Substitute House Bill 1564 - This was the county treasurers' bill. Among other things, this bill requires current year taxes be paid before a segregation of property interest for tax purposes.

Eng. Substitute House Bill 1853 (effective 4/23/03) - The King County Council may create a ferry district for passenger ferry service. The ferry district is authorized to levy a \$.75 regular property tax levy and also excess levies. The ferry district is not subject to the \$5.90 limit but is the first district to be prorated under the constitutional 1% limit.

2nd Eng. Substitute Senate Bill 5659 (effective 7/1/03) - This legislation allows a county, city, or town to receive voter authorization for a multiple year lid lift up to six consecutive years. The ballot measure must state the dollar rate only for the first year of the lift but must state the limit factor to be used in all of the subsequent years. The limit factor does not have to remain the same for all years. The ballot measure must be approved at a primary or general election. A special election may not be called for the purpose of submitting a multi-year lid lift proposition to the voters. ♦



Lease rates of qualifying marinas will be a percentage of the annual gross revenues generated by that marina. (SHB 1250)

The manufacturer must file a claim for exemption with the county assessor on forms prescribed by the Department of Revenue.



King County Council may create a ferry district (ESHB 1853)

This Quarter's Reminders

July 1

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

July 15

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

August 1

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

August 11 (Second Monday)

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

August 20

Final values of state assessed properties to be issued.

August 31 (On or before)

County assessors shall be informed by the Department of Revenue of properties

(Continued on page 5)

County Progress Recognized

By Shawn Kyes, County Review Program Manager

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

- ◆ Chelan
- ◆ Ferry
- ◆ Garfield
- ◆ Jefferson
- ◆ Kittitas
- ◆ Lincoln
- ◆ Pend Oreille
- ◆ Pierce
- ◆ Skamania
- ◆ Wahkiakum
- ◆ Walla Walla

These counties have been timely in closing assessment rolls and certifying values to their Boards of Equalization and 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! ◆



GOOD JOB!

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.

How Long Do We Have To Keep These Old Personal Property Affidavits Anyway?

Must be time for spring cleaning! We've recently received phone calls from a couple of Boards of Equalizations (BOE) and also some assessor's offices regarding records retention. In case you need this information, here's a link to the Secretary of State's web site that contains the records retention schedule and guidelines for county assessors and Board of Equalization:

<http://www.secstate.wa.gov/archives/pdf/Assessor%2012%202002.pdf>

According to this document, those old affidavits need to be maintained for six years! Also, be sure to check with your county legislative authority, because the county may have a records retention policy that lengthens these requirements. ◆

What Personal Property Issues Have Been Published in Previous Editions of Property Tax Review?

All past issues of the *Property Tax Review* are available on the Department of Revenue's web site. Click here http://dor.wa.gov/Content/Pubs/pubs_PropTxRev.asp to view a summary of the topics contained in prior issues. Articles on personal property topics appear in every issue. ◆

Why are Buildings on Leased Government Owned Land Considered Personal Property and Why are They Taxed if the Government Owns the Property?

Leasehold Excise Tax

Let's start with the notion that all property is taxable unless specifically exempt. Isn't government property exempt? The answer to this question is *yes*. However, the goal of property assessment is to assess the property rights associated with real estate and personalty. It is those rights that become taxable, and if those rights transfer to a private party or an individual, they become fully taxable. The right to use property is what gives it value. As an example, if a private entity leases land from the Port of Chelan and builds a factory on the site, the Port will charge rent for the use of the land. Leasehold excise tax is paid on this land lease. The amount of leasehold excise tax is 12.84 percent of the rent, assuming the land lease is at market rent levels. This tax is in lieu of a property tax. If the private entity makes an improvement to the government land they lease, the improvement is subject to property tax.

Improvements to Leased Property

By law, buildings and improvements made to leased government property are classed as personal property. Sometimes the property leased includes improvements to the land. If the lease includes improvements, those are subject to the leasehold excise tax and only additional improvements made by the lessee that are not included in the lease are subject to property tax. Improvements to the property made by the

tenant are known as leasehold improvements and are classed as personal property. This is the only instance when a building is to be assessed and taxed as personal property.

Cyclical or Annual

Personal property is listed and valued annually. If a cyclical county categorizes buildings as personal property because they are tenant improvements on government leased property, should the improvements be assessed annually despite the fact that similar buildings located on nongovernment land are assessed only once every four years?

Washington's law permits the assessor to assess buildings on



leased government land **in the same manner** as buildings situated on fee owned land. It is then at the assessor's discretion whether to assess this kind of property "in cycle" along with real property. Whatever method and cycle are chosen by the assessor, it is important to remember that all buildings on leased government land should be assessed similarly -- either in cycle with real property parcels or annually as with other personal property.

Terms of Lease on Value

The other issue that comes up occasionally is how to value the

tenant owned/built improvements near the end of their lease term. Typically, two scenarios tend to emerge: (1) the lease requires removal of the improvements made by the tenant, or (2) the terms of the lease require a reversion of the improvements to the government entity (lessor). As the lease nears its end and the likelihood of a lease renewal is small, the government entity begins to gain more and more interest in the property. Since the government entity is exempt from property tax, the value of its increasing interests is not taxable. Throughout most of the lease, the fee simple interest is captured and taxed through the leasehold excise tax and the property tax. When termination of the lease and loss of taxable property rights is probable, the value of those taxable rights may be reduced. This reduction should be reflected in the assessment of the tenant improvements. When those improvements are at or near the end of their economic life, there is no need for an adjustment because there is probably very little value remaining.

Leasing From Tribes

What if an Indian tribe owns the land? The same holds true only when the land is held in trust by the federal government. Land owned by a tribe but not held in trust is treated as private taxable ownership. ♦

This Quarter's Reminders

(Continued from page 4)

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 & October (During the months of)

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

September 1 (Prior to first Monday in September)

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

September 2 (On or before first Tuesday)

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

September 15

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

September (During the month of)

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



Check the rules for proper procedures to follow.

What are the Penalties for Late Filing or Failure to File a Personal Property Listing?

WACs 458-12-110 and 458-12-105 detail the penalties provided for late filing, failure to file, willful failure to file, and fraudulent listings of personal property.

There has been some confusion about the maximum penalty of \$50 per day. The \$50 per day maximum only applies when calculating a penalty of one month or less.

There is no daily maximum after the first month. It is also important to realize that the penalty does not change the assessed value -- it is a percentage of the tax due.

The maximum penalty is 25 percent except when there is a willful failure to list or a fraudulent listing. When willful failure or fraudulent listing occurs, the penalty is

100 percent of the tax due and..."Both the tax and the penalty are to be recovered by the prosecuting attorney in an action in the name of the state and to be paid into the county treasury to the credit of the current expense fund...."

Visit the following web site to view copies of the rules mentioned above:
<http://www.leg.wa.gov/wac/>



What Assistance is Available to Discover Personal Property?

One of the most difficult things about the assessment of personal property is discovering the property. All businesses and farmers are required to list the type, cost, and year of acquisition of their taxable personal property each year by April 30th. One obstacle in this process is that the owners and users of personal property are not always aware of their obligations to list taxable personal property. Likewise, assessing officers are required to classify what is real property

versus personal property as well as determine what is taxable and what is exempt. The Department provides some assistance to assessors to aid in the discovery and classification process.

County listings of active businesses and new/closed businesses are provided each year by the Department of Revenue. Using these tools, county assessors send listing forms and affidavits to these new businesses and ask them to list their taxable personal

property. The success of the assessor getting a listing returned to them is often dependent on how clear their forms and letters explain what is required of the owner/user of personal property.

If you find a need to change your personal property listing forms and affidavits, remember to have them approved by the Department of Revenue before using them. County assessors can send their draft personal property listing forms to Neal Cook for review and approval. ♦

"The Department provides some assistance to assessors to aid in the discovery process."

What Can We Do To Make Your Job Easier?



We're here to lend a helping hand

As the Personal Property Specialist, I often ask for feedback from the users of the services and products we provide. I ask when I'm teaching classes, and I send out e-mails from time to time to get feedback about various subjects. This is an open invitation -- contact me anytime. We welcome your

feedback and questions about property tax administration and valuation.

Please read the newsletter article titled "Heads Up..." (see page 7) that outlines an opportunity to give feedback through a survey. Take advantage of this opportunity to have something to say about

what we can do to make your job easier and what you believe needs to be studied. Your feedback is vital to our ability to provide meaningful and effective guidelines and advice. You can also call or e-mail me at NealC@dor.wa.gov or (360) 570-5881 anytime you have questions or comments. ♦♦♦

Heads Up! Important Survey Headed Your Way

By Mark Maxwell, Valuation Advisory Program Manager

In our continuous effort to seek efficiencies and improvements in property tax programs, we will soon be sending out to all county assessors a comprehensive survey regarding our *Personal Property Valuation Guidelines* and *Industrial Valuation Guidelines*. Over the past several years, the Property Tax Division has implemented a number of important revisions and updates including new valuation schedules for wood product manufacturing M&E, packing and sorting M&E, newspaper printing presses, computer and high-tech manufacturing equipment, and a study of grocery store fixtures and equipment. We have also developed and presented a new and significant training program relating to the

theory and mechanics of the trend and declining balance depreciation methodology applicable to personal property and machinery and equipment valuation.

We are currently at a point in our continued improvement efforts that your input is imperative for two reasons. The first reason could be categorized as a “broad-brush” perspective as far as: ‘What do you feel works well?’ ‘What can we improve?’ ‘What property types or business categories might be over- or under-valued and require our review?’, etc. The second reason is to give you an opportunity to provide us with your thoughts and ideas regarding the issue of the 20 percent minimum value for

the personal property tables that was raised last year in the Board of Tax Appeal’s Safeway decision.

Believe me, we are well aware and greatly appreciate, how busy you are this time of year! However, your input is important so we ask that each county take a few minutes to complete and return the survey. Our goal is to present a summary of the results at the September Assessor’s Conference in Kennewick. The conference provides an excellent opportunity to discuss timely issues (like, what do we do about the 20 percent floor, if anything?) and still provide time to implement significant changes, if any, for our 2004 valuation tables. ♦



Give us your ideas by completing the survey that’s coming your way soon.

Coming Soon To A County Near You!

By Fletcher Barkdull, Levy Auditor

Again and again your heart bounces fiercely against your chest as it unsuccessfully attempts to hurl itself across the room. Chills rush throughout your body reaching the tips of every limb; your skin boiling as each hair stands erect. A scream is heard at the front desk. You cautiously move to the front of the office to assess the situation, and you freeze. The cold dark eyes meet yours from across the counter. Skeptically, you gesture for him to follow you to a back room. Before you can even point to the piles of paper on the vacant desk, he has already seated himself and has begun rummaging through the paperwork....

For those counties that have not yet experienced the thrill and excitement of a levy audit, starring me, Fletcher Barkdull, I’d like to give you a sneak preview of what you can expect through a question and answer format (assessor discretion is advised).

Question: What information is reviewed?

Answer: The information needed to conduct a levy audit is that information which will allow us to fully understand and assess the processes used by the assessor in calculating levies. We need sufficient information to gauge the level

of compliance with laws and rules, determine the accuracy of the calculations, and evaluate the effectiveness of recordkeeping. Typically, the information needed includes, but is not limited to, the following:

- ♦ Levy Calculations, 1986 through Current Year
- ♦ Resolutions, 1998 through Current Year
- ♦ Budget Certifications, 2002 through Current Year
- ♦ Ballot Measures (i.e., lid-lifts, EMS levies, park and recreation levies)

(continued on page 8)

“For those counties that have not yet experienced the thrill and excitement of a levy audit.....”



“We need sufficient information to gauge the level of compliance with laws and rules....”

Coming Soon To A County Near You! (continued)



“...the audit process consists of recreating the levy calculations as far back as the 1986 tax year”

Question: What is the process for auditing levy calculations?

Answer: A detailed explanation of the audit process would take up this entire newsletter. In short, the audit process consists of recreating the levy calculations as far back as the 1986 tax year using the information gathered. With this information, we create a spreadsheet calculating the levies for each taxing district. Careful analysis of the spreadsheets and the information gathered can tell us whether the assessor and/or taxing districts have complied with laws and rules governing the levy process, whether the assessor’s calculations are accurate (i.e., accuracy of the highest lawful levy), and whether the assessor’s methods of keeping information is effective.

Question: How will the audit results be communicated?

Answer: After completing the audit, we write a comprehensive report detailing the audit results. Generally, each report contains the following information:

- ◆ Compliance issues
- ◆ Recommendations for compliance issues
- ◆ Detail of errors discovered (if any)
- ◆ Recommendations for error corrections

- ◆ Overview of levy procedures
- ◆ Starting amounts for future calculations
- ◆ Department’s calculations for all taxing districts

Question: Do we have to make the recommended error corrections?

Answer: Unless we have erred in our calculations, the recommended error corrections need to be made. RCW 84.52.085 states in part:

“If an error has occurred in the levy of property taxes that has caused all taxpayers within a taxing district...to pay an incorrect amount of property tax, the assessor shall correct the error by making an appropriate adjustment to the levy for that taxing district in the succeeding year.” (Emphasis added.)

Clearly, errors must be corrected. However, since RCW 84.52.085 took effect on January 1, 2002, the only errors that can be corrected are those that occurred after that date (errors for the 2002 tax year can be corrected). This means that, if a district levied in excess of the amount allowable prior to January 1, 2002, the district’s levy does not need to be reduced in the year succeeding the year of discovery. Moreover, the statute states that an error is not subject to correction if it occurred more than three years prior to the year in which the error is discovered.

Question: What is the State Auditor’s role in the levy audit process?

Answer: Given the technical nature of the levy process, the State Auditor’s Office has indicated that it would rely on our levy audits and recommendations. However, it will remain a participant in the levy audit process by following up on our recommendations. A copy of each audit report will be provided to the State Auditor’s Office.

Question: When will my levy calculations be audited?

Answer: We are on a schedule to complete approximately 13 audits per year. A county that has not yet been audited can expect to be audited sometime between now and December 2005. We will notify each county in advance to ensure that the assessor has sufficient time to prepare for our visit. ◆

“A county that has not yet been audited can expect to be audited sometime between now and December 2005.”



“If an error has occurred...the assessor shall correct the error by making an appropriate adjustment to the levy.”

GIS Has Arrived at the Property Tax Division

By Steve Yergeau, Utility Valuation Program Manager

The Property Tax Division, in an ongoing effort to improve efficiencies and streamline processes, has just released an interactive Internet based map (a Geographic Information System - GIS) that will allow users to identify the Tax Code Area (TCA) of a particular location.

Start Date: **July 1, 2003**

Where is the map located?
<http://gis.dor.wa.gov/>

Some of the key functions include:

- ◆ TCA identification by:
 - Address Look-up
 - Lat-Long Look-up
 - Section-Township-Range Look-up
- ◆ The ability to identify which taxing districts make up each tax code area
- ◆ A statewide map covering over 3,200 TCA's
- ◆ A statewide map of each type of taxing district

- ◆ Map files that can be downloaded for customers
- ◆ The value of utilities in each TCA

Although the original intent of this project was focused on the administration of the Utility Valuation Program, this GIS system sets the foundation for other programs and stakeholders to



cost-effectively leverage this technology, creating further transparency in government.

Our maps are only as good as the information we receive from each assessor's office. Over the next few weeks, each assessor's office will be receiving a copy of our 2003 maps, along with the associated digital files. In this

mailing, we'll also be asking for mapping information from each assessor's office. Look for our letter in July.

This project could not have been completed without a lot of hard work from many individuals within the Department of Revenue and also the ongoing assistance and collaboration we have received from each assessor's office. Thank you all!

We want to hear from you. What do think? What do you like? What can we improve? How can we make this service better?

Please send your comments to stevey@dor.wa.gov or give me a call at (360) 570-5877.◆



Upcoming Training Courses

(State/County Personnel ONLY)

July 8

Senior Citizens Exemption/Deferral
Arlington \$25

July 10

Senior Citizens Exemption/Deferral
Longview \$25

July 16

Senior Citizens Exemption/Deferral
Ellensburg -- \$25

August

No Scheduled Courses

September 15-19

Fundamentals of the Assessor's Office
Spokane \$100

September 17

Manufactured Housing
Lacey \$35

September 23-24

Basic Levy 2-day Training
Olympia Free

September 25

Senior Levy Training
Olympia Free

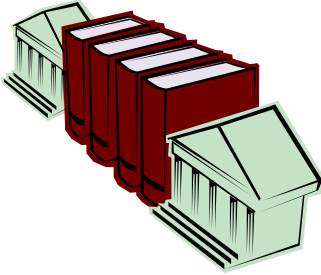
September 30

USPAP — Update
Arlington \$50

For further information, contact Linda Cox, Education Coordinator, at (360) 570-5866 or by e mail at LindaC@dor.wa.gov.◆

New Exemption Rules

By Mary Skalicky, Deferral Administrator



The new rules became effective May 3, 2003.

The Department of Revenue recently reviewed and revised the WAC rules for the Senior Citizens/Disabled Persons Property Tax Exemption Program. The new rules became effective May 3, 2003. A copy of the new rules is available on our web site at <http://dor.wa.gov/>. First click on Rules and Laws, then click on WAC chapter 458. You will find the new rules in chapter 458-16A WAC.

The Department of Revenue is offering three seminars in July 2003 to provide a review of the program and these changes. The seminars will allow three hours of general interest education credit for accredited appraisers. The highlights of the changes contained in the rules are outlined below.

Three seminars will be held in July 2003 providing an overview of the program and the new changes.



...land associated with the residence must be contained within one parcel to be eligible for the exemption....

Residence

The rules clarify that the land associated with the residence (up to a maximum of 1 acre) must be contained within one parcel to be eligible for the exemption. If an applicant has more than one parcel, each totaling less than 1 acre, he/she must request a combination of the parcels to have the exemption apply to all the land.

Income

The new rules provide an explanation to the assessor about how to determine combined disposable income both when the applicant does or does not file a federal income tax return. In addition, the new rules provide that the

assessor may no longer keep income documentation used to substantiate the qualifications of the applicant. These documents must be returned or destroyed. The Department has designed an "Income Checklist" form for the assessor's office to use when documenting verification of an applicant's income. The State Auditor's Office has accepted the use of the "Income Checklist" in lieu of keeping the supporting documents. The rules also update the definition of 'adjusted gross income' with current federal income tax law.

WAC 458-16A-120(2)(c)(iii) specifies that pension and annuity add back amounts do not include distributions made from a traditional individual retirement account.

Processing Applications

The rules clarify and detail the processes for accepting applications, approving or

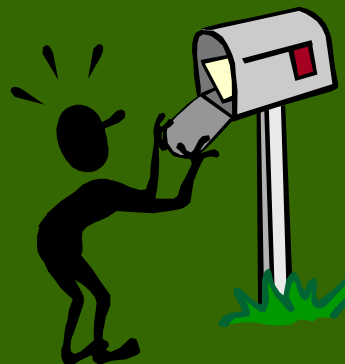
denying them, the qualifications and requirements of the program that must be met by the applicant, and the responsibility of the assessor's office.

Canceling or Transferring the Exemption

The provisions for canceling or transferring the exemption to a new residence have been changed to a pro-rata split based upon the period the senior citizen/disabled person owns and/or lives in the home. It is no longer based upon whether or not property taxes have been paid. (WAC 458-16A-150)

If you have questions on the new rules, please contact Mary Skalicky at (360) 570-5867 or Mike Braaten at (360) 570-5873. ♦

Your Feedback is Needed



A new instruction form for Senior Citizen/Disabled Persons exemption program applicants is in the works. A draft of the form has been sent to the county assessors asking for feedback. We hope to have the form finalized by the end of summer.

Obtaining Information on Water Right Transfers

By Ed Ratcliffe, Tax Policy Specialist, Legislation & Policy Division

In valuing property, assessors consider water rights as part of the land’s value. When water rights are transferred from one parcel to another, the value of these parcels may change. To revalue the parcels, assessors need to find out which water rights were transferred and when those transfers occurred.

For assessors wanting to track water right transfers, this article explains in general terms how transfers are made as well as how to obtain information about such transactions. This information, however, is not intended to advise assessors whether or not their offices need to establish a system to track water-right transfers in their counties. Each assessor will need to decide whether tracking such transfers will be cost-effective in helping to determine accurate revaluations for their county.

Generally, assessors rely on county auditors and treasurers to provide information about transfers of real property or other real estate interests. The problem of tracking water right transfers could be alleviated if landowners recorded all water right transfers in the same manner with the county as they occurred. But, the method and documents recorded for these transfers vary from county to county and sometimes even from transaction to transaction. The one document that must be recorded – a water right certificate – may not be issued and recorded until years after the new owner has already begun using the water on the land and values have changed.

Thus, it is difficult for county assessors to follow these transfers in the usual way.

In Washington, water rights are appurtenant to land where the water is put to beneficial use such as irrigation, industrial processing, and residential water systems. In some areas of the state, water has been completely appropriated for beneficial use. This means that landowners must obtain existing water rights and transfer those water rights to the parcel they are developing. A landowner who wants to change the “place of use” for existing water rights or “consolidate” water rights with water rights already owned, must apply to the Department of Ecology or a local Water Conservancy Board for approval of the transfer.

In 1997, the state Legislature provided counties with the authority to create local Water Conservancy Boards. In 2001, the Legislature provided new authority and additional funding to Ecology for processing water rights. Since then, the number of change/transfer applications completed each year have almost tripled. The Water Conservancy Boards handle about 14 percent of these applications. In 2002, Ecology processed 548 requests to change an existing water right. About half of the change requests involved transfers of a water right to another “place of use.” We don’t know how many of these transfers were made between parcels because most applications do not contain this information.

Currently, there are 22 county Water Conservancy Boards in Washington.

Counties that **do not have boards** are: King, Kitsap, San Juan, Skagit, Snohomish, Clallam, Clark, Cowlitz, Grays Harbor, Jefferson, Pacific, Pierce, Skamania, Wahkiakum, Asotin, Columbia, Garfield, and Pend Oreille Counties.

A person who wants to transfer water rights from one parcel to another must apply to Ecology or a Water Conservancy Board. When an application is found complete, Ecology sends the applicant a legal notice to publish in a newspaper with general circulation in the county (or counties) where the water is to be withdrawn, stored, or used. The notice provides the basic facts of the existing water right, the requested changes, and offers the public 30 days to protest the application. If there are no modifications to the application and no protests, the transfer may be approved some time after the 30-day period has passed.

One way to track water right transfer/change applications is to follow the legal notice section in local newspapers. All water right change and transfer requests must be published to allow the public to share their comments and concerns about pending actions. For many assessors, this may not be the most efficient use of their time, but examining their county newspapers daily for legal notices about pending water rights transfers provides



...landowners must obtain existing water rights and transfer those water rights to the parcel they are developing.

“In 2001, the state Legislature created local Water Conservancy Boards.”



...water rights become appurtenant to land where the water is put to a beneficial use...

Obtaining Information on Water Right Transfers (continued)

information that may be followed up by contacting individual land owners.

There is some good news for those assessors in the 22 counties with Water Conservancy Boards. State law requires that the records of decisions made by the Water Conservancy Boards be posted on the state Department of Ecology Internet web site. The posting is made at least a month prior to the beginning of the 30-day application protest period. These are posted on Ecology's web site at the link below.

State law does not require Ecology to post its decisions on the web site. Decisions made by the Water Conservancy Boards are subject to Ecology's approval. Any final decision

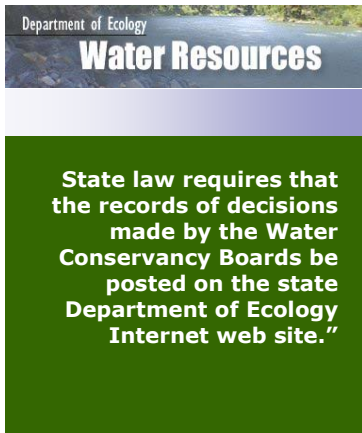
can be appealed to the Pollution Control Hearings Board. An assessor would still have to determine whether the decision has become final.

Not all applications for water right changes are for a transfer to another parcel. A request may be to change the point of diversion or withdrawal on the same parcel of land or to change the purpose, place, or season of use for an existing water right. It also isn't enough to note that a change to an existing water right has been approved. The assessor must look at the record and see what has been approved to determine whether or not a transfer has occurred that will impact the value of a parcel of land.

Finally, the records of decisions posted on the site often don't have a parcel

number. The record will have a legal description. If the record is a transfer, the assessor must use the legal description to determine what parcels are affected. In addition, the records are only posted on the site for about two weeks, so an assessor must routinely check the site for transfers in his or her county.

As water becomes less available, we expect to see more transfers. We hope to be able to partner with local and state agencies to provide better information on water right transfers, and we will keep the counties posted about our progress. In the meantime, if you have any questions regarding water rights, contact David Saavedra by phone at (360) 570-5861 or by e-mail at DavidS@dor.wa.gov. ♦



The web site address for checking the posting of Water Conservancy Board decisions is:

http://www.ecy.wa.gov/programs/wr/conservancy_boards/rodhome.html

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Revaluation	Cindy Boswell	(509) 663-9747	CindyB@dor.wa.gov
Senior Citizens/Disabled Homeowners, Exemption/Deferral	Mary Skalicky	(360) 570-5867	MaryS@dor.wa.gov
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<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