

# Property Tax

August 2011

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## Leadership Changes at the Department of Revenue

By Harold Smith, Editor

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### Brad Flaherty appointed Deputy Director of the Department of Revenue

As announced by Susan DelBene, Director, Department of Revenue, on June 30, 2011:

I am pleased to announce that Brad Flaherty will step into the role of Deputy Director of the Department on August 1. I look forward to working with Brad in his new role, as he brings a wealth of tax administration experience and leadership to the position. The hallmark of Brad's management style is to create opportunities for staff to grow and learn and to be part of a team. His sense of humor and perspective will be a great addition to our Executive Team.



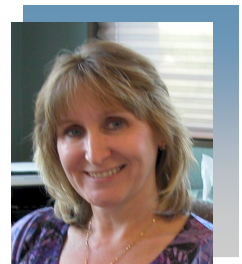
A 32-year DOR veteran, Brad has extensive experience in tax administration and has held positions in the Audit, Taxpayer Services, and the Property Tax Divisions. He has served as a Revenue Auditor, Taxpayer Information Specialist, and Program Manager of both Taxpayer Services and Audit. Most recently Brad has served as the Assistant Director of the Property Tax Division.

Although he is known to grudgingly attend Cougar events, Brad is a graduate of the University of Washington and a 2009 winner of the Governor's Award for Leadership in Management. ♦

### Kathy Beith appointed Property Tax Assistant Director

As announced by Brad Flaherty, Deputy Director, Department of Revenue, on August 1, 2011:

I am pleased to announce that Kathy Beith will step into the role of Assistant Director of Property Tax effective August 1. Kathy is a 25-year employee of the Department of Revenue who began her career in the Compliance Division before moving to Property Tax where she has spent the last 22 years. Her broad experience in Property Tax administration results from holding a wide variety of positions across the Division with responsibilities that have included appraising centrally assessed properties, administration of property tax exemptions, and supervisor of property tax levy administration and BOE appeals.



Currently, the manager of the County Performance and Administration Program, Kathy is primarily responsible for the Department's efforts to convert cyclical counties to annual revaluation, the review and disbursement of technology grants to assessors, current use programs, levy audits, and approval of county revaluation plans. Extremely knowledgeable in property tax laws, Kathy is particularly effective when called upon to work with legislators, legislative staff, assessors, and taxpayers to develop workable solutions that address difficult issues.

Kathy is a graduate of Eastern Washington University and is particularly proud of the 2011 EWU Eagles National Championship Football team. Please join me in congratulating Kathy on her appointment. ♦

### Special points of interest:

- **Quarterly Reminders** (see page 2)
- **Upcoming Training** (see page 11)

## This Quarter's Reminders

### August 20\*

(On or before) Final values of state assessed properties issued. (WAC 458-50-070(4))

### August 30

DOR estimates the number of acres of public forest land available for timber harvest for each county and for each taxing district. (RCW 84.33.089)

### August 31

- (On or before) DOR notifies county assessors of properties exempt from property tax. (RCW 84.36.835)
- New construction placed on current assessment roll at the valuation assessed July 31. (RCW 36.21.070 through 36.21.090)

### September 1

Applications for limited income deferrals are due. (RCW 84.37.040)

### September 5

(Prior to the first Monday) DOR determines the indicated ratio for each county. (RCW 84.48.075)

### September 6

(On or before the first Tuesday) County auditors' preliminary budgets are due to Boards of County Commissioners. (RCW 36.40.050)

### September 30

(Prior to October 1) Timber Assessed Value (TAV) calculated for each county. (RCW 84.33.035)

### Also in September

- DOR equalizes taxes to be collected for state purposes. (RCW 84.48.080)
- Assessors send certification of assessed valuations to taxing districts. (RCW 84.48.130)
- DOR certifies its assessments of public utility operating properties to county assessors after final ratios have been certified. (RCW 84.12.370)
- Assessors give DOR Forest Tax Division the composite property

*(Continued on page 3)*

## Church Fundraising and the Property Tax Exemption

By Harold Smith, Exemption & Deferral Program Manager

In Washington, approximately 5,000 churches benefit from a property tax exemption. The typical church can be exempt for up to five acres of land and the buildings located on it if they use the property exclusively for church activities. Churches can rent or loan their property to other nonprofit organizations or schools as long as it is for charitable purposes that are consistent with that church's purposes and beliefs. However, exempt church property cannot be used for commercial activity, nor can it be rented or loaned to businesses or individuals for them to promote their own business or make money. When church property is used for money-making purposes, that portion of the property is subject to property tax.

Under the Washington Administrative Code, churches can host occasional fundraising events if they are careful to use the correct approach. If a church allows an individual or business to participate in a fundraiser, the church (or the nonprofit organization that is hosting the event) must receive 51 percent of the profit from the sales by that individual or business. If the church does not receive the majority of the profit, the vendor is considered to be using exempt property to promote their own business, making that portion of the church property subject to property tax.

The most common mistake that churches make is to host a holiday bazaar or a street sale where they raise funds for their charitable causes by collecting table rent or space rent from vendors. However, once the fee is paid, the individual vendor uses that space to make whatever money they can without giving the majority of the profit over to the church for their purposes. This restriction puts the church and the Department in a tough spot. However, when this kind of business activity is reported and becomes a pattern, the exemption must be removed for that portion of the property.

The 2010 Legislature amended the church exemption to permit limited commercial use of church property outside of the fundraising scenario. Churches can now rent or loan their property to a nonprofit organization for the purpose of hosting a farmers market. That farmers market event has to be carefully structured and monitored. It has to have a very specific balance of vendors and sales dollars. If it conforms to the type of market that nonprofit farmer's market associations run, it can be held on church property on as many as 53 days without causing a problem for the exemption.

However, with respect to other businesses' activities, the church exemption remains much as it has been for decades. That is, no business use is permitted unless it is part of a carefully structured fundraising event. The Department is preparing educational materials on this subject for distribution this Fall. We always recommend that churches call us and run their fundraising ideas by us so we can help them avoid exemption problems.♦



## Sales Price vs. Market Value

By Neal R. Cook, MAI, Program Manager

**Q: I just bought my property and paid \$300,000 for it. I shopped for a new house and made an offer for \$250,000 on a property that was listed for \$325,000 but ended up paying \$300,000. Why is my assessed value \$268,000?**

**A:** Property is assessed at 100 percent of market value so the assessed value would be \$300,000 or at least very close to \$300,000. However, there are several things that can make an assessed value different than the price that was recently paid.

- Assessors value property as of a specific date, which is usually January 1 and, in some cases, that date can be as much as four years ago.
- Property owners are often confused by the timing differences between the assessment year and the year the tax is paid. In 2011, we pay property taxes based on the assessed value as of January 1, 2010 and that 2010 value may have been set in 2006 or 2007 since some assessors value property once every two, three, or four years rather than annually. Hence, the price you paid in October of 2010 can be much different than the value the 2011 taxes are based upon.
- Price paid may or may not be market value. Price is a fact, and market value is an opinion that is usually based on facts like sales of similar property as of a specific date. Other sales may suggest to the assessor that your property is worth more or less than what you paid, especially when the assessment date is months or years before you bought the property.

**Q: What if I bought my property in October of 2010 for \$300,000 and then I get a valuation notice that says on January 1, 2011, my assessed value is \$268,000 or perhaps \$350,000?**

**A:** Again, remember that timing is still an issue. The assessor is looking at your purchase price in the context of both sales of other property which could have sold for more or less than the price you paid. In addition, there are fairness issues that can also affect assessed values.

- A significant goal in assessment administration is to be fair and equitable — our Constitution requires it. Even if your value is different than 100 percent of market value, it may well be fair. If all property like yours is assessed similarly, it is considered to be fair and equitable. If all your neighbors are assessed at 93 percent of market value, then the taxes each pay will be fair and equitable. This would be the case if all were assessed at 110 percent as well since taxes are based on assessed value.
- It is a common misconception that increases in assessed value increases taxes. This is not true because taxes are based on specific budgets of taxing districts, and those budgets have specific limits, one percent in most cases. If budgets only increase one percent, then total taxes can only increase one percent regardless of increases or decreases in assessed values.

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## This Quarter's Reminders

(Continued from page 2)

tax rate on designated forest land in the county. (RCW 84.33.035 (18))

### October 1\*

Applications for special valuations on historic properties for 2012 are due. (RCW 84.26.040)

### October 3

(First Monday in October) Boards of County Commissioners begin hearings on county budgets. (RCW 36.40.0970) However, budget hearings may be held on first Monday in December. (RCW 36.40.071)

### October 14

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

### 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)

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

## Sales Price vs. Market Value (cont.)

(Continued from page 3)

**Q: Wait a minute, my taxes went up more than one percent . Aren't you saying that can't happen?**

**A:** No, the total tax collections of the taxing district can't increase more than one percent .

Individual property taxes can rise or fall even when taxes are increased but the total collected is limited. If your property assessed value is raised or lowered more than that of other taxpayers, the taxes you specifically pay shift to or from you to other taxpayers.

Assessed values are used to distribute the tax burden rather than set the amount of taxes collected. Taxing district budgets set the amount that can be collected and then individual taxpayers are responsible for their fair share of that tax based on their relative percentage of the total assessed value in the taxing district.

Just remember that price is a fact while value is an opinion, never a fact. Opinions are based on facts that include cost and price facts and result in an assessed value. An appraisal is an opinion of value and not a fact.♦



## When It Comes To Things That Float , Is It Exempt or Personal Property?

By Pete Levine, Personal Property Supervisor

The Department of Revenue (Department) receives several questions regarding the taxability of ski boats, personal watercraft, dinghies, kayaks, canoes, and many other things that float.

There are several RCWs within Title 84 (the title dealing with property tax) that touch on the taxability of vessels. However, quite often these RCWs refer to other RCWs under other titles such as Title 82, Title 88, and we sometimes must look to these other titles for definitions. For this reason the RCWs regarding vessels can sometimes be confusing when we read them. It's our hope that the following Q & A will simplify some of the questions that come up. If you are interested in the RCWs regarding vessel exemptions, they are RCW 84.36.079, RCW 84.36.080, and RCW 84.36.090. The definition of vessel is not found in Title 84 RCW; therefore, we look to the statute dealing with vessel registration for the definition as it has been specifically referenced in RCW 84.36.080. The definition of vessel can be found in RCW 88.02.010(1).

**Q: What RCW tells me what is taxable as personal property?**

**A:** In Washington, all property is taxable by law unless otherwise exempted from taxation. (RCW 84.36.005) Therefore, one shouldn't look if something is taxable, but rather if there is an exemption for it.

**Q: Is my personal ski boat and personal watercraft (Sea-Doo, Jet Ski, WaveRunner, etc.) assessable personal property by my local county assessor?**

**A:** No, they are not assessed as personal property by your county assessor. Ski boats and personal watercraft are exempt from property tax as they are exempt as a vessel. They are subject to excise tax included within the license fee paid to Department of Licensing (DOL)

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## When It Comes To Things That Float... (cont.)

(Continued from page 4)

**Q: What about a ski boat or personal watercraft rented by a local marina, are they subject to assessment by the county assessor for personal property tax?**

**A:** No, it doesn't matter if the boat or personal watercraft are rented or for personal use. They are still exempt from property tax but subject to excise tax included within the licensing fee.

**Q: What about small boats, dinghies, kayaks, canoes, etc. that don't require licenses from the DOL, are they subject to personal property tax?**

**A:** No, these small boats, dinghies, kayaks, canoes, etc., are considered vessels for transportation and are exempt regardless of size and regardless if rented or personal.

**Q: Are houseboats, like the ones rented on Lake Roosevelt, assessable by the county assessor?**

**A:** No, these houseboats are determined to be vessels for transportation and are exempt from property tax. They are subject to excise tax included within the license fee paid to DOL. Items that are used to equip the houseboat that are not permanently attached, such as pots, pans, life vest, linens, etc., are property tax assessable.

**Q: Are boathouses (floating garages) assessable by the county assessor?**

**A:** Yes. A boathouse at a marina that is located on government-owned leased space is personal property, whereas a boathouse located on owner-occupied water frontage will likely be assessed with the real property. Boathouses do not qualify for the \$15,000 head of family exemption even if they are assessed as personal property.

**Q: Are floating homes assessable?**

**A:** Yes, floating homes are assessable by the county assessor.

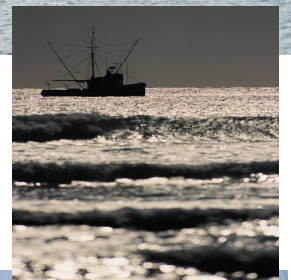
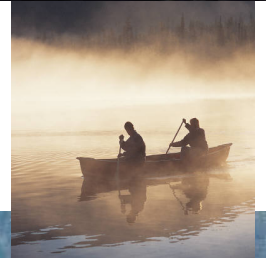
**Q: What about commercial fishing boats and U.S. Coast Guard document vessels used primarily for commercial purposes? Are these assessable by the county assessor?**

**A:** No. These types of vessels are not subject to local assessment of personal property tax; however, commercial vessel tax may be due, which is a type of personal property tax. Commercial vessels exempted from watercraft excise tax are subject to the state personal property tax levy. Vessels used exclusively for commercial fishing purposes and U.S. Coast Guard documented vessels used primarily for commercial purposes such as charter and time-share boats, tugs, and barges are subject to this tax. Please see the Department's *Commercial Vessel Tax* information page for more detailed explanation at:

<http://dor.wa.gov/docs/pubs/industSpecific/Vessel.pdf>

### Conclusion

Boats, vessels, ships, etc., that are a form of transportation are either exempt from property tax or are assessed by the DOR. Therefore, if it floats and is a mode of transportation, it is **not** assessed by the **county assessor** but could be assessed by the DOR if it is a commercial vessel. If it floats but is **not** a mode of transportation (boathouse, houseboat, dock, etc.), it is assessable by the county assessor. ♦



## Summary of 2011 Legislation

By Michael Braaten, Exemption & Deferral Supervisor

The 2011 Legislative Session opened January 10, 2011, and adjourned May 25 at the end of the First Special Session. In the same vein as the 2010 Session, the focus remained the budget and related issues. Significantly fewer property tax bills were introduced than is typical, but the Property Tax Division still analyzed 90 bills with a direct property tax impact. We also tracked an additional 143 bills that had the potential for property tax related amendments. Of the 90 property tax bills we analyzed, 12 were signed into law. Many of these bills resolve specific local issues and provide additional flexibility through technical revisions and clarifications. We have already completed the planning stage of the implementation process and are currently drafting Special Notices, updating forms and publications, and other stakeholder efforts to help local officials and taxpayers understand and adjust to the changes. We are also revising our course materials as we head into a busy summer of training. Because of a recent moratorium on rule revisions, we anticipate very few of our rules will be updated prior to 2013.

Here are highlights of the 2011 legislation:

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**ESHB 1026 (Chapter 255, Laws of 2011) – Changing provisions relating to adverse possession claims.** A party who prevails against the holder of recorded title at the time an adverse possession action is filed, or against a later purchaser of the title, may be required to reimburse that holder or purchaser for part or all of any taxes and assessments on the property that the losing party paid during the period of adverse possession. The court also may require the prevailing party to pay to the county treasurer part or all of any taxes and assessments levied on the property after the filing of the claim that are due and remain unpaid at the time of judgment. If the court orders payment or reimbursement of taxes and assessments, the court must decide how to allocate the taxes and assessment based on all the facts and in a way that appears equitable and just. The court may award costs and reasonable attorneys' fees to the prevailing party in an action asserting title to real property by adverse possession if the court determines that an award is equitable and just. This act applies to adverse possession actions filed on or after July 1, 2012.

For more information, please contact Diann Locke at [DiannL@dor.wa.gov](mailto:DiannL@dor.wa.gov) or (360) 534-1427

**HB 1649 (Chapter 9, Laws of 2011) – Concerning reciprocity and statutory construction with regard to domestic partnerships.** This bill allows same sex marriages and other legal unions formed in other jurisdictions to be treated the same as a domestic partnership.

For more information, please contact Peggy Davis at [PeggyD@dor.wa.gov](mailto:PeggyD@dor.wa.gov) or (360) 534-1410

**HB 1731 (Chapter 141, Laws of 2011) – Concerning the formation, operation, and governance of regional fire protection service authorities.** This bill provides new structures and terms of service for who can serve as a commissioner for a Regional Fire Protection Service Authority. The bill defines the qualifications, compensation, terms, and responsibilities of the commissioners. The bill further clarifies which jurisdictions may participate in an Authority (including municipal airports) and continues to limit the Authority's levy based on the levies of the participating jurisdictions. The bill is effective July 22, 2011.

For more information, please contact Diann Locke at [DiannL@dor.wa.gov](mailto:DiannL@dor.wa.gov) or (360) 534-1427

**ESHB 1826 (Chapter 84, Laws of 2011) – Providing taxpayers additional appeal protections for value changes.** The purpose of this bill is to provide a property owner the right to appeal their property valuation even though the value did not change if the property was within a revaluation area and the taxpayer was not sent a notice of value change. The measure provides that a county board of equalization must waive the appeal deadline, if a request is filed within a reasonable time after the appeal deadline, if the taxpayer's property was in the current revaluation area, the property value did not change, the taxpayer was not sent a notice, and the taxpayer did not file

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## Summary of 2011 Legislation (cont.)

*(Continued from page 6)*

an appeal prior to July 1 of the assessment year. The bill will take effect July 22, 2011, and will apply to property taxes levied for collection in 2012 and thereafter.

For more information, please contact Diann Locke at [DiannL@dor.wa.gov](mailto:DiannL@dor.wa.gov) or (360) 534-1427

**HB 1854 (Chapter 271, Laws of 2011) - Concerning the annexation of territory by regional fire protection service authorities.** This bill provides a process for a fire protection jurisdiction to annex into an adjacent regional fire protection service authority. The annexation must be approved by a simple majority vote of the voters in the fire protection jurisdiction. As the regional fire protection service authority sets the property tax levy rate, the levy rate within the fire protection service authority annexed may change. The bill is effective July 22, 2011.

For more information, please contact Diann Locke at [DiannL@dor.wa.gov](mailto:DiannL@dor.wa.gov) or (360) 534-1427

**EHB 1969 (Chapter 275, Laws of 2011) - Concerning the exemption of flood control zone districts that are coextensive with a county from certain limitations upon regular property tax levies.** The purpose of the bill is to protect the King County flood control zone district from a potential loss of revenue due to proration of its levy should the aggregate local regular levy exceed \$5.90. This bill provides limited protection of the regular property tax levy from proration for a flood control zone taxing district located in a county with a population of 775,000 or more and whose boundaries are coextensive with the county. For those districts, \$0.25 of their regular property tax levy is outside of the \$5.90 limit. The bill changes the process for adjusting levies if the combined levy exceeds the \$5.90 limit for other flood control district levies and junior taxing districts. The protected portion of the levy of the flood control district is still within the one percent limit and would be the first levy prorated if the aggregate of all levies exceeds the one percent limit. The unprotected portion of the flood control district levy and levies of other flood control zones would continue to be subject to proration. The bill is effective July 22, 2011, and applies to property taxes levied for collection in 2012 through 2017. The bill expires January 1, 2018.

For more information, please contact Diann Locke at [DiannL@dor.wa.gov](mailto:DiannL@dor.wa.gov) or (360) 534-1427

**SB 5167 (Chapter 174, Laws of 2011) - Concerning tax statute clarifications and technical corrections, including for the purposes of local rental car taxes.** The purpose of the bill was to make technical corrections to excise tax and property tax statutes. It also changed the distribution limitation of the local car rental tax. For property tax statutes, the legislation makes technical changes to clarify the eligibility requirements for veterans with a service connected disability to qualify for the senior citizen and disabled person property tax exemption. It also corrects requirements for the assessor to notify persons receiving the senior exemption from four to six years to coincide with the legislation passed in 2010. Both of these changes go into effect on July 22, 2011.

For more information, please contact Peggy Davis at [PeggyD@dor.wa.gov](mailto:PeggyD@dor.wa.gov) or (360) 534-1410

**SB 5253 (Chapter 318, Laws of 2011) - Concerning tax increment financing for landscape conservation and local infrastructure.** The purpose of the bill is to provide qualifying cities within King, Pierce, and Snohomish Counties with a tax increment financing program to fund infrastructure improvements. To qualify, cities must participate in a transfer of development rights program and meet certain requirements. In general, a portion of incremental increases in regular property tax revenue of a sponsoring city and the county in which the city resides as a result of new construction in a specified area are used by the sponsoring city to fund the local public infrastructure projects in that same area. Taxing districts other than the cities and counties are not impacted. The bill also provides for the transfer of development rights from rural land to cities to be used within the infrastructure project area.

For more information, please contact Leslie Mullin at [LeslieMu@dor.wa.gov](mailto:LeslieMu@dor.wa.gov) or (360) 534-1424

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## Summary of 2011 Legislation (cont.)

*(Continued from page 7)*

**SB 5359 (Chapter 101, Laws of 2011) - Concerning contiguous land under current use open space property tax programs.** The purpose of the bill is to allow families to farm or grow and harvest trees on contiguous properties as a single operation and have the land value based on current use rather than market value. The bill expands the definition of "same ownership" to include parcels owned by different people that are managed as a single operation and owned by:

- Members of the same family, as defined in the bill;
- Legal entities wholly owned by members of the same family; or
- An individual who owns at least one of the parcels and/or a legal entity or entities that own the other parcel or parcels if the entity or entities are wholly owned by that individual, members of his or her family, or that individual and members of his or her family.

The bill adds the definition of "contiguous" to the designated forest land program. The bill is effective July 22, 2011. For more information, please contact Leslie Mullin at [LeslieMu@dor.wa.gov](mailto:LeslieMu@dor.wa.gov) or (360) 534-1424

**SB 5595 (Chapter 361, Laws of 2011) – Concerning the distribution of the public utility district privilege tax.** The purpose of the bill is to require Okanogan County to distribute 30 percent of the local public utility district (PUD) tax revenue evenly to the cities of Pateros and Brewster. This bill does not impact the state share of the PUD privilege tax. The bill changes the distribution of the county share of the PUD tax in a special and limited circumstance. It allocates a portion of the PUD tax to a city where property of another county's PUD is located in the city but the PUD does not distribute electricity within that city. The bill is effective July 22, 2011, and will apply to the distribution in 2012 and thereafter.

For more information, please contact Jay Fletcher at [JayF@dor.wa.gov](mailto:JayF@dor.wa.gov) or (360) 534-1421

**SB 5628 (Chapter 365, Laws of 2011) – Concerning a limited property tax exemption from the emergency medical services levy.** The purpose of this bill is to clarify that the City of Milton or any fire district or other qualified district that includes the City of Milton can impose an emergency medical service levy of 50 cents throughout the city despite the city being located in both King and Pierce Counties. Additionally, the bill is intended to ensure that the owners of property in the King County portion of the City of Milton will not have to pay for two EMS levies that could result from the layering of the King County EMS levy and a City of Milton (or fire district) levy. The bill provides that, for purposes of imposing a medical emergency property tax levy, the boundary of a county with a population greater than 1,500,000 does not include the area located within a city that has a boundary in two counties. The locally assessed value of all the property in the area of the city within the county with a population greater than 1,500,000 must be less than \$250,000,000.

For more information, please contact Diann Locke at [DiannL@dor.wa.gov](mailto:DiannL@dor.wa.gov) or (360) 534-1427

**SB 5638 (Chapter 28, 2011 Laws 1<sup>st</sup> Special Session) – Concerning the exemption of flood control zone districts that are coextensive with a county from certain limitations upon regular property tax levies while protecting other levies from prorationing.** This measure corrects and clarifies unintended issues that arose following amendments to EHB 1969. It restricts the changes to levy prorationing introduced by EHB 1969 to counties with a population of 775,000 or more. This bill is effective August 24, 2011, and applies to property taxes levied for collection in 2012 through 2017. The bill expires January 1, 2018.

For more information, please contact Diann Locke at [DiannL@dor.wa.gov](mailto:DiannL@dor.wa.gov) or (360) 534-1427 ♦



## Who is the Assessor — Utility Valuation and Central Assessment

By Neal R. Cook, MAI, Program Manager

**Did you know that the county assessor is not the only assessor in the state of Washington?** Utility and transportation companies that are defined in chapter 84.12 RCW whose operations are in more than one county or state are assessed by the Department of Revenue's Property Tax Division. These companies include airlines, railroads, electric companies who produce or distribute electricity on the retail or wholesale market, gas pipeline companies who distribute or sell gas on the retail or wholesale market, and telecommunications companies including land line local and long distance phone and wireless phone companies. Telecommunications also includes cable companies who have assets in Washington that are used for providing telephone service in more than one county or state. In addition to these companies, the Department also assesses private railcars. The term "private railcar" may bring to mind the fancy railcars used by a wealthy person or the president of a large company to travel around the country like in the old TV series the *Wild Wild West*. These, however, are most often cars owned by companies who aren't a railroad that pay the railroad companies to transport their cars from place to place, including chemical companies, grain import and export companies, and several companies who are in the business to lease railcars to railroads and others. There are over 200 taxpayers with private railcars who do business in Washington that we assess every year. All told, the state assessed the taxable tangible property of 375 companies in 2010.

State assessed property totaled \$16.9 billion in assessed value in 2010. That's right; the average assessed value is over \$45 million. That would make the state number nine in assessed value among all assessors in Washington. You won't see the state listed as an assessor in the [Property Tax Statistics](#) because state assessed values are placed on the county assessment roll after the state assessed property appraised value is determined and equalized.

**What does equalized mean?** The appraised value of state assessed property is, by law, valued at 100 percent of market value. State and, in part, federal law require state assessed utilities be valued at the same level of assessment as other property in the same taxing jurisdiction. As a result, it is an equalized value of state assessed utilities that is allocated (apportioned) to all the taxing districts of the state; this includes real and personal property. The real and personal property ratio of each county is applied to the respective real and personal property appraised value of each company that is centrally (state) assessed, and those values are apportioned to each county by tax code area (TCA). A *Notice of Certified Value* is sent to the county assessor stating the value for each company by TCA, and the assessor places those values on the real or personal property assessment roll. Of the 3,207 TCAs in Washington's 39 counties, utility values were spread over 38 counties and 2,747 TCAs, certifying the real and personal property value for each company, and generating about \$167 million dollars in state and local property tax revenue in 2011.

### Apportionment and Market Value

**Is apportioned value the equalized market value of the assets in a county TCA?** No, the method of appraising most utility property is known as the unit method. In the unit method, all property is valued as one thing. As a result, there is no specific value determined for any specific asset that makes up the operating unit. Hence, apportioned value does not directly relate to the value of assets in the TCA to which the asset value has been set. Apportionment is a process of assigning value based on certain metrics. Those metrics generally consist of historical or original cost, length and size of pipes, miles of rail, etc., tied to the actual location of company assets. If one percent of a company's historical cost, length of 12 inch pipe, or miles of main railroad track, then one percent of the value is apportioned to that location. Using these methods and metrics, value is fairly and efficiently apportioned to all the TCAs in which the company has assets.

The unit value concept is much like what an appraiser does when valuing other real and personal property. Market data may indicate a reasonable value for an entire economic unit or combination of assets in a single location or spanning several tax parcels. The appraiser values the economic unit and then may be required to assign a land value or distribute the total value conclusion over several parcels.

(Continued on page 10)

## Who is the Assessor — Utility Valuation and Central Assessment (cont.)

(Continued from page 9)

The link between appraisal and property tax administration results in the need to divide a value for various purposes. These purposes may be to meet a legal requirement, to separate out exempt property, separate real from personal property, assign values to more than one parcel or TCA, or simply list and value land and improvement values separately. The important thing is to capture the value of all the taxable property and then fairly and efficiently assign that value so that the taxing districts receive their fair share of the taxes levied.

### GIS Program

**Why does the Department have a Geographic Information System (GIS)?** The apportionment process demands that we assign the value of state assessed property to the correct tax code area (TCA). To do this, we maintain TCA maps so, when we apportion the utility values, we do it on the same basis the county uses for locally assessed property. When an annexation happens and TCA boundaries change, it affects the TCA designation of property. We need to know where the property we are valuing and apportioning is located when it is time to do the annual apportionment of utility values. This process began to be automated with a GIS process for the 2010 assessment year and has moved one step closer to complete automation for the 2011 assessment year.

This year taxpayers submit asset listings outlining specific asset types, cost, and other needed metrics as noted above by at least one of seven location designations in an Excel listing or GIS shapefile with the necessary attributes. Templates for this purpose are found on the Department's website. As this system is new to us, the utility appraisers are managing the system submissions this year, but in 2012, taxpayers will be able to submit the reports directly into the system from an online application. Soon after submission, the taxpayer can review and edit the data and will be able to do that each year using the online submission or editing functions.

**Why did the Department change the process?** This is a much easier system to manage for the taxpayer and for the Department, and we anticipate more accuracy in the apportionment of values. Also, the Legislature changed the deadline for annexations from March 1 to August 1, which made our old way of handling the mapping functions unmanageable. Apportionment must be completed soon after the August 1 deadline, and the old process was just too time consuming to process all the data in a timely fashion. The GIS system creates a shapefile for all companies and then overlays the completed TCA map layer and determines the TCA number so that the value can be apportioned to the correct TCA for every company. ♦

The screenshot shows the Department of Revenue Washington State website. The main navigation bar includes links for CONTACT US, ABOUT US, QUESTIONS & ANSWERS, and PRINTER FRIENDLY. Below this, there are language options: Español, Русский | 한국어, Tagalog, Tiếng Việt, 漢語. The left sidebar contains a menu with items like Home, File & pay taxes, Doing business, Find taxes & rates, Workshops & education, and Get a form or publication. The main content area is titled 'Property Tax Data Downloads' and includes sections for 'Tax Code Area Boundaries', 'Tax Code Area maps, PDF format', and 'District Boundaries for 2010 Assessment Year, 2011 Tax Year'. A table lists various boundary files for download in zip and metadata formats.

District Boundaries for 2010 Assessment Year, 2011 Tax Year		
Shapefile for GIS use (Downloading instructions)		
Tax Code Area Boundaries:	zip	Metadata
Fire District Boundaries:	zip	Metadata
School District Boundaries:	zip	Metadata
Emergency Medical Services District Boundaries:	zip	Metadata
Water District Boundaries:	zip	Metadata

**Need Tax Code Area maps? Visit our website: [www.dor.wa.gov](http://www.dor.wa.gov)**

## Valuation Advisory Program

By Neal R. Cook, MAI, Program Manager

**Q: Will there be any advisory appraisals done in 2012 since six of nine positions in the Advisory Valuation Program have been cut from the budget?** Yes, the remaining three positions will be responsible for advisory appraisals. The Department is only required to do advisory appraisals for industrial property valued at \$25 million and above and only if requested by a county assessor. We have enough resources and expertise with the remaining staff positions to serve the needs of assessors. If assessors do not request enough industrial appraisals,

(Continued on page 11)

## Valuation Advisory Program (cont.)

(Continued from page 10)

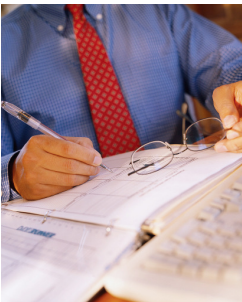
we will redirect our resources to other appraisals, studies, or training that will give the most benefit to the counties involved.

There are many complex valuation issues that do not fall within the \$25 million and above industrial category for which we are well equipped to provide appraisals and assistance. The Advisory Valuation Program has evolved, and we will continue to assist assessors as much as possible. It is a credit to the Department and the advisory team that taxpayers have begun to ask assessors to request that we provide appraisals for the assessor to use in their assessment process. That was not true when this program began. Howard Hubler, Carl Klingeman, and Omar Medina will continue to provide valuation services as members of the advisory team. When appropriate, the team can call upon experts in the Division’s other programs to provide the most effective service.

### Who is the assessor in the context of the Advisory Valuation Program?

The local county assessor is the assessor. Appraisals provided by the Department are advisory.

**What happens if the assessor does not use the appraisal?** When assessors request and receive an advisory appraisal but don’t use it, it becomes a resource issue for the Department, especially for those appraisals that are not mandatory. If an assessor has a good reason for not using our conclusions of value, we are very willing to continue providing valuation services, resources permitting. For non-industrial property and industrial property under \$25 million, the Department will prioritize the requests to focus on the appraisals that are most likely to be used and make a real difference for all parties. At all times we will work with assessors and other stakeholders to arrive at a fair screening process to manage advisory appraisal requests. ♦



## ~ 2011 ~ Upcoming Training

(State/County Personnel ONLY)

### September 8

- ▶ **How to Critique an Appraisal**  
DuPont — \$100

### September 13-14

- ▶ **Basic Levy Training**  
Wenatchee — \*Free\*

### September 22

- ▶ **Senior Levy Training**  
Webinar — \*Free\*

### October 10-14

- ▶ **IAAO Course 101**  
Ellensburg — \$350

### October 10-14

- ▶ **IAAO Course 102**  
Ellensburg — \$350

### October 31 thru Nov. 4

- ▶ **IAAO Course 300**  
Ellensburg — \$350

### November

- ▶ **No Classes Scheduled**

### December

- ▶ **No Classes Scheduled**

#### For further information, contact:

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## 2010 Assessor Statistics Released

By Tarah Downs, Real Property Analyst

A compilation of survey data related to the operation of assessors’ offices titled, *A Comparison of County Assessor Statistics for 2010* (Comparison Report) has recently been released. The report provides property tax administrators with comparative statistics to assist in the analysis and evaluation of their assessment operations and the adequacy of assessment resources. The Comparison Report is designed to serve as a starting point for the administrator or decision-maker.

The Comparison Report statistics are based on locally assessed taxable parcels. Use of taxable parcels reflect much of the assessor’s workload; however, it should be noted that additional listed nontaxable/exempt and state assessed parcels also require use of county resources.

(Continued on page 12)

## 2010 Assessor Statistics Released (cont.)

(Continued from page 11)

### Comparison Report Highlights

Washington's 39 county assessors operate within unique local geographical, political, and economic environments that often influence the attributes of a county's assessment system and the level of services they provide. Consequently, making direct comparisons between statewide averages or individual counties may result in distorted or misleading conclusions unless additional information is considered or more in-depth analysis is conducted.

**New Construction** - New property placed on assessment rolls in 2010 decreased approximately 28 percent from \$13,442,726,625 in 2009 to \$9,566,119,182 in 2010.

**Staffing** - Measured by FTE equivalents on a statewide basis, the level of staffing for 2010 decreased approximately 4.3 percent from 2009. The percent of change from 2010 to 2011 is -3.6 percent.

**Budgets** - Comparison of assessor's budgets (less central services) from 2009 to 2010 reflects a change for individual counties in the range of -32.6 percent to 13.1 percent and an average decrease of 4.08 percent. Assessor's budgets (less central services) for 2011 reflect a change for individual counties in the range of -27.4 percent to 36.5 percent. The average decrease in 2011 budgets is .34 percent.

**Workloads** - Statewide the average number of parcels per appraiser was 6,934, up just under 1 percent from 2009. The average number of inspections per appraiser was 1,418, which is up roughly 1.5 percent from 2009. The average number of parcels per county staff member statewide was 3,230, up slightly from 2009's average of 3,058.

The current issue, and previous issues through 1999, of the Comparison Report are available through the DOR website:

[http://dor.wa.gov/Content/AboutUs/StatisticsAndReports/stats\\_proptaxstats\\_Assessor.aspx](http://dor.wa.gov/Content/AboutUs/StatisticsAndReports/stats_proptaxstats_Assessor.aspx) ♦

## 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](http://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](http://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.

April 8, 2011

### Land Containing Historical Sites Classified as Open Space Land — RE-ISSUED

In June 2010, the Department issued a *Special Notice* regarding land containing historical sites classified as open space land. The *Special Notice* included information on how these applications should be processed and how the land underlying the historical structure should be valued. The Department has revised the *Special Notice* to include additional information that provides further clarification on this issue when land is designated as open space in a comprehensive land use plan.

[http://dor.wa.gov/Docs/Pubs/SpecialNotices/2010/SN\\_10\\_OpenSpaceLand.pdf](http://dor.wa.gov/Docs/Pubs/SpecialNotices/2010/SN_10_OpenSpaceLand.pdf)

(Continued on page 13)

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## Property Tax Special Notices (cont.)

*(Continued from page 12)*

November 17, 2010

### **Governor's Executive Order (10-06)**

In November of 2010, Governor Christine Gregoire directed state agencies, including the Department of Revenue to suspend non-critical rule development and adoption activities through the end of 2011. For specific information about how this may affect property tax rules, contact the managers of the specific property tax program for which you have a question or contact Jay Jetter, Property Tax Policy Counsel, at [jayJ@dor.wa.gov](mailto:jayJ@dor.wa.gov). Executive Order (10.06) and related information can be found at the link below.

<http://dor.wa.gov/content/findalaworrule/rulemaking/default.aspx>

June 30, 2010

### **2010 Legislative Updates**

Provides information about the implementation of property tax related legislation that was passed in the 2010 legislative sessions. The measures discussed include: **SHB 2962**, Allowing county treasurers to use electronic bill presentment and electronic payments; **ESSB 6241**: Creating community facility districts; **SSB 6271**, Annexations by cities within the boundaries of a Regional Transit Authority; **ESB 6287**, Disposition of voter-approved indebtedness when cities or towns are annexed to a fire protection district; **SB 6418**, Annexation of cities or towns to fire protection districts; **E2SSB 6609**, Changes to local revitalization financing (LRF) and local infrastructure financing tool (LIFT).

[http://dor.wa.gov/Docs/Pubs/SpecialNotices/2010/sn\\_10\\_2010LegUpdates.pdf](http://dor.wa.gov/Docs/Pubs/SpecialNotices/2010/sn_10_2010LegUpdates.pdf)

May 17, 2010

### **Distribution of Additional Tax and Compensating Tax**

Provides guidance about Additional Tax and Compensating Tax imposed when property is removed from classification as current use or designated forest land. The notice clarifies how interest and penalties are applied on delinquent amounts owing from removals and how those taxes, once collected, are distributed to the tax districts in the affected tax code area.

[http://dor.wa.gov/Docs/Pubs/SpecialNotices/2010/sn\\_10\\_DistribAddCompTax.pdf](http://dor.wa.gov/Docs/Pubs/SpecialNotices/2010/sn_10_DistribAddCompTax.pdf)

April 27, 2010

### **Aircraft Excise Tax and Property Tax Exemption for Aircraft Used for Air Ambulance Services**

Provides information about the implementation of Substitute Senate Bill 6737. Passed in 2010 session, the measure provides exemption from both aircraft excise tax and property tax for aircraft owned by a nonprofit and used exclusively for air ambulance services.

[http://dor.wa.gov/Docs/Pubs/SpecialNotices/2010/sn\\_10\\_PUD.pdf](http://dor.wa.gov/Docs/Pubs/SpecialNotices/2010/sn_10_PUD.pdf)

April 13, 2010

### **Public Utility District (PUD) Privilege Tax**

Provides notice of legislation enacted to clarify that basic service charges billed on PUD accounts are included in the definition of "Gross Revenue" and thereby subject to the PUD privilege tax imposed under chapter 54.28 RCW. This issue was at the center of the dispute in a recent appellate court case, Clark County Public Utility District No. 1 v. the Department of Revenue.

[http://dor.wa.gov/Docs/Pubs/SpecialNotices/2010/sn\\_10\\_PUD.pdf](http://dor.wa.gov/Docs/Pubs/SpecialNotices/2010/sn_10_PUD.pdf)◆

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Property Tax Division



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*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.*

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