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# Washington Department of Revenue Property Tax Division

## 2016 Review of the Current Use Program in Stevens County



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# Overview

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## Introduction

This report contains the results of the Department of Revenue's (Department) review of the Current Use Program in Stevens County (County).

There are parts of the Current Use Program that are the responsibility of the Stevens County Assessor (Assessor) and parts that are the responsibility of the county legislative authority. The Assessor and the county legislative authority may work closely together in administering the program or may administer their duties independently. Some administrative duties may be delegated to other units of county government (land use, planning, etc.).

## Purpose

The primary purpose of this review by the Department is to provide the Assessor and the county legislative authority the information needed to perform the duties associated with the Current Use Program successfully.

An effective review of the methods employed by the County in administering the Current Use Program will promote fair, timely, and uniform property tax assessments.

## Scope of Review

The review is limited in scope. We reviewed:

- The Assessor's role in administering the program
- The county legislative authority's role in administering the program
- Administrative procedures for compliance with state statutes and regulations

We did not review the internal fiscal controls or the internal management of the Assessor or county legislative authority offices.

We did not examine all parcels enrolled in the program or the assessed values of these parcels. The processes used to determine value are within the scope of this review and may be addressed in this report. However, the level of assessment for properties is not within the scope of this review. The Department's Ratio Study Program monitors and measures assessment levels.

## **Overview**, continued

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### **Information Reviewed**

To complete our review, we gathered information about the administration of the Current Use Program via interviews, documents provided by the county, as well as through independent verification. The areas we reviewed included (but were not limited to):

- Information provided or available to the public about the program (forms, publications, and/or education efforts).
- Administrative procedures for applications, removals, and continuances.
- Homesite classification and valuation.
- Technology utilized in the program administration.
- Audit processes used to ensure continued eligibility.
- Resolutions adopted by the county legislative authority pertaining to current use.
- Advisory committee processes, meeting notices, and meeting minutes.

### **Acknowledgement**

We commend the Assessor, the Assessor's staff, the county legislative authority, and the County Land Services staff for their willingness to look at opportunities to improve the uniformity and administration of the Current Use program.

# Executive Summary

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## About this Review

In November 2016, the Department conducted an on-site visit to the Assessor's office. We interviewed the Assessor's staff and the County Land Services staff (delegated by the county legislative authority to handle open space applications) about the processes and procedures used in administering the County's Current Use Program.

An administrative review of this type is prone to underscore problem areas even in a county that is doing well. Though we may have observed processes or procedures employed that could be considered "best practices," those items may not be reflected in this report.

## Categories of Results

The Department has completed its review and grouped the results into two categories:

- The first category, *Requirements*, is of the greatest urgency for effective administration by the Assessor and the county legislative authority. A change is required to adhere to the law.
- The second category, *Recommendations*, requires the attention of the Assessor and the county legislative authority. We note recommendations as being in the best interest of all parties. We believe improvements in these areas can improve service to the public.

The Department based the recommendations contained in this report on our analysis of the administrative procedures employed, existing state statutes and regulations, and areas we saw opportunities to improve processes, procedures, and communication.

## Results

The Department identified zero requirements and four recommendations directed toward improving the administration of the Current Use Program.

The items identified may be specific to the Assessor's duties, the county legislative authority's duties, or they may have shared components of responsibility. We have listed our recommendations in the next part of the report.

## **Executive Summary**, continued

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### **Recommendations**

1. The Department recommends the county legislative authority consider adopting a public benefit rating system (PBRs) for the open space classification and the farm and agricultural conservation land categories of the Current Use Program. (RCW 84.34.055 and WAC 458-30-330)
2. The Department recommends the Assessor continue to work on their current audit plan for farm and agricultural parcels and develop an audit plan for parcels in the Designated Forest Land Program.
3. The Department recommends the Assessor and county legislative authority utilize the County website to advertise the Current Use Programs.
4. The Department recommends the Assessor and county legislative authority verify forms and publications provided to the public are current.

# Recommendations

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For the items listed as *Recommendations*, the Department believes the Assessor and/or county legislative authority could improve program compliance and service to the public by making voluntary changes in procedure.

This section contains the items we identified following our interview.

## Consider Adopting a Public Benefit Rating System

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### Recommendation

The Department recommends the county legislative authority consider adopting a public benefit rating system (PBRs) for the open space classification and the farm and agricultural conservation land categories of the Current Use Program. (RCW 84.34.055 and WAC 458-30-330)

### What we found

The county legislative authority has not adopted a PBRs for rating and valuing properties in the open space classifications. The County applies the current use values for farm and agricultural classified land to those properties with land classified as open space.

### Action recommended

Open space classified parcels are valued on the current use of the property rather than the highest and best use (market value). The valuation guidance provided in law requires the assessed value of open space land cannot be less than the lowest per acre value of classified farm and agricultural land in the county (RCW 84.34.060). An alternate way of valuing open space land is based on a PBRs.

Determining the assessed value of open space land can be difficult because the features of each parcel are unique and the benefit to the citizens of the County is subjective. With a PBRs, the reduction in assessed value given to a parcel is measured by predetermined criteria. This criteria is customized to what the county legislative authority thinks will be of benefit to the residents of the County. All open space parcels are valued based on identical criteria and awarded points that correspond to a percentage of market value.

#### Adopting a PBRs:

- Simplifies the Assessor's work when valuing these unique properties.
- Gives the county legislative authority a way to award property owners a reduction in value based on the individual features of the property.
- In some cases, may provide owners of land classified as open space a one-time opportunity to leave the program without penalty.

A PBRs for the open space classification and farm and agricultural conservation land subcategory can be implemented at any time. If it is implemented after parcels have been accepted into the program, the county legislative authority must apply the new criteria to *all* parcels in the program, not just future applicants. (WAC 458-30-330(6))

To begin the process of developing a PBRs, the county legislative authority should review WAC 458-30-330 for guidance. The Department provides a listing of counties that have implemented a PBRs at the Property Tax Division Resource Center (PTRC).

## **Consider Adopting a Public Benefit Rating System, continued**

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### **Why it's important**

With a PBRS, the reduction in assessed value given to the parcel is based on predetermined criteria and results in consistent and uniform assessment of open space parcels.

## Develop Audit Program for Designated Forest Land

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### Recommendation

The Department recommends the Assessor continue to work on their current audit plan for farm and agricultural parcels and develop an audit plan for parcels in the Designated Forest Land Program.

### What we found

According to Assessor's staff, they audit parcels during sale or as a result of taxpayer contact. They are in the process of developing a routine audit program for all parcels in farm and agricultural land. A copy of the letter and questionnaire used for audits was provided.

Staff indicated they do not conduct audits on parcels in designated forest land.

### Action recommended

Continue the development of the audit program for parcels classified as farm and agricultural land.

#### *Designated forest land*

The Department of Natural Resources provides Forest Practice Permits (cutting permits) for timber land and designated forest land. The Assessor should consider using the permits to monitor commercial timber harvesting as a way of auditing parcels.

### Why it's important

Monitoring all parcels in the Current Use Programs, including designated forest land, on a periodic basis adds integrity to the assessment process and ensures other property owners are not shouldering a disproportionate amount of property tax.

## **Advertise Program on Website**

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### **Recommendation**

The Department recommends the Assessor and county legislative authority utilize the County website to advertise the Current Use Programs.

### **What we found**

The Stevens County Assessor's homepage contains a link to the Department's website and a list of direct links to forms used in the Current Use Programs. The County website also includes links to a couple of forms developed by the County.

### **Action recommended**

The County should consider adding links for the following Department publications to their website:

- Designated Forest Land
- Open Space Taxation Act
- Guidelines for Timber Management Plans

The County should consider adding a brief explanation of the different classifications in the Current Use Program that are available to qualifying property owners to their website.

### **Why it's important**

The Assessor and county legislative authority are required to publicize the qualifications and provide the forms to property owners who want to apply for this program. The website is an economical way to advertise the program.

## Forms and Publications

### Recommendation

The Department recommends the Assessor and county legislative authority verify forms and publications provided to the public are current.

### What we found

During our review of the current use information handed out by the Assessor's staff, we found that in some instances property owners were not provided with the most current forms and publications:

Form/Publication	Date on the version used	Date on the current version
Designated Forest Land Publication PFTS0049	May 2014	December 2015
Timber Management Plans FS0024	September 2014	December 2015
Application for Designated Forest Land 62 0021	5/28/2014	8/1/2016
Application for Farm and Agricultural Land 64 0024	5/29/2012	6/3/2014

The packet provided to applicants interested in the Open Space classification includes an out of date form and references to WACs that need to be corrected:

Form/Publication	Date on the version used	Date on the current version
Application for Designated Forest Land 64 0021	8/22/2011	8/1/2016

Document titled SUMMARY: Open Space Tax Program (in Open Space packet):

Page in document	Issue noted	Correction needed
2	APPEAL OF DECISION section contains incorrect reference to WAC 458-30-232(7)	Should be WAC 458-30-232(d)
7	HIGH PRIORITY RESOURCES b. lists WAC 458-30-200(12)	There is no (12) in WAC 458-30-200

### Action recommended

Assessor's staff should routinely review the forms and publications available for distribution or posted on the website to ensure documents are current and that all information is accurate. The Department provides a current listing of all forms and publications each quarter. This list highlights forms that have been updated. This is a useful tool to ensure counties are using the most current forms and publications.

## **Forms and Publications,** continued

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### **Why it's important**

Updating forms and publications ensure the Assessor is providing current information to the public and ensures the materials used reflect recent changes in statute, regulation and/or procedures.

## Next Steps

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### Prioritizing Recommendations

Once the Assessor and the county legislative authority receive a final copy of this review, the Department will (if requested) consult with them to help prioritize the work they must complete.

### Questions

For questions about specific recommendations in our report, please contact the contributing staff member listed below:

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