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# Washington Department of Revenue Property Tax Division

## 2016 Jefferson County Levy Audit A Summary Report



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# Overview

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## Introduction

This report contains the results of the Department of Revenue's audit of the Jefferson County Assessor's (Assessor) levy calculations for the 2016 tax year.

The objectives of the audit are to assist the assessor in the levy process, to ensure that taxing districts levy the correct amount of property tax revenues, and to ensure that limits are not exceeded.

## Purpose

The primary purpose of a levy audit by the Department of Revenue (Department) is to assist the county assessor in successfully performing the duties associated with levying taxes for the districts within the county.

An effective audit of levy calculations consists of gathering information from the assessor's office to determine the level of compliance with laws and rules, the accuracy of levy calculations, and the effectiveness of record keeping.

## Method of Calculation

The Department calculated the levy limits and levy rate for several of the taxing districts for the 2016 tax year. To determine whether an error occurred, the Department compared the amount levied for the district with the levy limit, the statutory rate limit, the amount authorized by each district's resolution, and the levy amount certified by the district.

## Information Reviewed

The Department reviewed the following information for the 2016 tax year.

- Resolutions adopted by the districts
- Levy certificates (budgets)
- Administration and adjudicated refunds
- Ballot measures
- Levy limit worksheets
- The State levy letter

We do not review every taxing district's levy. We audited approximately 40 percent of the taxing districts.

The scope of the audit did not include the review of earmarked funds.

### **Taxing Districts Selected**

The Department reviewed the following taxing districts for the 2016 tax year.

- Jefferson County General and Road
- City of Port Townsend
- Fire Districts: 1,3, and 8
- Hospital District No. 1
- Port of Port Townsend
- PUD No. 1
- Cemetery District No. 2
- Library No. 1
- School Districts: Chimacum, Port Townsend, and Sequim

### **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, taxing districts, and the county legislative authority. A change is required to adhere to the law.
- The second category, *Recommendations*, the department believes the assessor could improve their current process by making voluntary changes in procedure.

The Department based the requirements and recommendations contained in this report on our review 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 two requirements and three recommendations directed toward improving the accuracy of the levy process.

The items identified may be specific to the assessor's duties, the taxing district duties, county legislative authority duties, or they may have shared components of responsibility. We have listed a summary of these items in the requirements and recommendation sections.

# Requirements

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For the items listed as “Requirements,” the Assessor must make changes in procedure to comply with law.

This section contains the following requirement topics:

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## Refund Certifications

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### Requirement

**Most taxing districts that intend to levy a property tax are required to certify an amount to levy to the county legislative authority.**

### What the law says

RCW 84.52.020 requires most taxing districts to certify a budget or a budget estimate to the county legislative authority on or before November 30 for levying taxes.

### What we found

County General and Road indicated on their levy certifications their intention to levy for refunds but did not certify a specific dollar amount for the refund portion of the levy request.

### Action needed to meet requirement

Taxing districts must certify a dollar amount for the levying of a refund levy. The Assessor must levy for refunds based upon the dollar amount stated in the levy certification provided by the taxing district.

The Assessor must continue with his efforts to educate the taxing districts regarding the levying of property taxes.

### Why it's important

If the taxing district does not specify a specific amount of funds they wish to levy for refunding purposes, the Assessor does not have the necessary information to know how much to increase the district's levy limit since the funds levied for refunding purposes is outside of the limitations in chapter 84.55 RCW.

## Uniform Levy Rates

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### Requirement

**The levy rate must be the same throughout a taxing district to provide a uniform tax rate.**

### What the law says

Washington's Constitution requires property tax to be uniform. Washington Courts have found that tax is uniform if an equal tax rate is applied to properties with equal assessment ratios. [University Village LTD. Partners v. King County, 106, Wn. App. 321,23 P 3d 1090 (2001).]

### What we found

Fire District No. 8 and Sequim School District No. 323 are joint taxing districts with an adjoining county that is responsible for calculating and certifying the levy rate to the Assessor. The adjoining county's assessor certified a rate, consisting of 12 digits past the decimal point, to the Assessor for these districts. The Assessor applied the rate using only 10 digits past the decimal point and used this number to calculate individual property taxes for the portion of the districts in his county. This resulted in a non-uniform levy rate for the taxing district.

### Action needed to meet requirement

If the Assessor's computer system will not accommodate the use of a levy rate with 12 digits past the decimal, he must communicate this to the adjoining county assessor and that assessor must truncate the levy rate to 10 digits past the decimal to ensure a uniform rate is used within the entire taxing district.

### Why it's important

The same levy rate throughout a taxing district ensures uniform taxes.

# Recommendations

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For the items listed as “Recommendations,” the Department believes the Assessor, taxing district, and/or county legislative authority could improve by making voluntary changes in procedure.

This section contains the following topics:

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## Highest Lawful Levy Worksheets

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### **Recommendation**

The Assessor should use the most recent version of the highest lawful levy worksheet as provided by the Department.

### **What we found**

The Assessor used an outdated version of the highest lawful levy worksheet, REV 64 0007.

### **Action recommended**

The Department recommends that the Assessor use the most recent version of the highest lawful levy worksheet, REV 64 0007, for the levy calculations. Forms are available online at [dor.wa.gov](http://dor.wa.gov).

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

Use of the most recent forms aid the Assessor in timely and accurate application of state law.

## **Publications**

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### **Recommendation**

**The Assessor’s publications should reflect the actual levy rates calculated for each taxing district.**

### **What we found**

The Assessor’s “Statement of Assessed Valuations, Levy Rates, and Tax Amounts for Jefferson County” publication displays a truncated levy rate with only five digits past the decimal rather than the complete levy rate with 10 digits past the decimal used in the certified tax roll.

### **Action recommended**

The Department recommends that the Assessor publish the actual rates calculated and applied to the assessed values for property tax on the county website, in order to provide accurate public disclosure.

### **Why it’s important**

To enhance the transparency in the governmental process of levying property tax.

## **Certification of Values to Taxing Districts**

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### **Recommendation**

**The Department recommends that the Assessor certify values to the taxing districts at least 12 working days before November 30. This provides the taxing districts with the assessed value information necessary to complete their budget certifications by November 30.**

### **What we found**

The Assessor certified assessed values to the taxing districts on January 19, 2016.

### **Action recommended**

Certify assessed values to the taxing districts at least 12 days before November 30.

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

Timely certification of assessed values to the taxing districts will enable the assessor and all entities involved meet the yearly deadlines as required by state law.

## Next Steps

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### Follow-up

The Department is committed to the success of the Assessor by ensuring the levies comply with state statutes and regulations.

The Department will follow up in 2017 to review the corrections made. This will give the Assessor an opportunity to make and document the corrections and to provide information to the Department about any issues they encountered during the implementation process.

### Questions

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

Levy and Appeals Auditor	Diana Burch	<a href="mailto:dianabu@dor.wa.gov">dianabu@dor.wa.gov</a>	(360) 534-1429
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# Appendix – General Information

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## Introduction

General information provided to assist all assessors and taxing districts.

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## Regular Levy Limitations

### What are the statutory limitations?

Regular property tax levies are generally considered to be those levies that are subject to several statutory limitations.

The assessor must adhere to the following statutory limitations:

- Levy limit (a.k.a., 101 percent)
- Statutory dollar rate limit
- Amount authorized by resolution/ordinance
- District budget
- \$5.90 aggregate limit
- 1 percent constitutional limit

### Levy Limit

The amount of regular property taxes a taxing district can levy, other than the state, is limited to an amount that will not exceed the amount resulting from the following calculation:

- The highest amount that could have been lawfully levied by the taxing district in any year since 1985 for 1986 collection, multiplied by the limit factor; plus
- A dollar compensation calculated by multiplying the increase in assessed value of the district from the previous year attributable to:
  1. new construction,
  2. increases in assessed value due to wind turbine, solar, biomass, and geothermal facilities if the facilities generate electricity,
  3. improvements to property, and
  4. any increase in assessed value of state assessed property,
 by the actual regular property tax levy rate of that district for the preceding year, or the last year the taxing district levied taxes.

The limit factors used in calculating the levy limit are defined in RCW 84.55.005 and WAC 458-19-005.

If the district's population is...	Then the limit factor is...
less than 10,000	101 percent.
greater than 10,000 and a finding of substantial need	the lesser of the substantial need factor or 101 percent.
for all other taxing districts	the lesser of 101 percent or 100 percent plus inflation.

### Reference:

- RCW 84.55.010
- RCW 84.55.0101
- WAC 458-19-020

## Regular Levy Limitations, continued

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### Statutory Rate Limit

The statutory rate limit varies by district. These limits are found in the various statutes for each type of district and in the *Property Tax Levies Operation Manual*. The levy amount for each district cannot exceed the statutory maximum rate. The statutory dollar rate limits for senior taxing districts can be found in RCW 84.52.043(1) and in the levy manual, chapter 3.

#### Reference:

- RCW 84.52.043
- Property Tax Levies Operation Manual,  
[http://dor.wa.gov/Docs/Pubs/Prop\\_Tax/LevyManual.doc](http://dor.wa.gov/Docs/Pubs/Prop_Tax/LevyManual.doc), chapter 3

### Truncating Levy Rates

The final certified levy rate cannot result in a levy amount that exceeds the statutory limitations. To ensure that the final levy rate results in a levy amount at or below the statutory levy limit for each taxing district the assessor must truncate the rate at the last digit (not round).

### Resolutions/Ordinances

The amount authorized by a district in its resolution or ordinance is another limitation on taxation. If a district does not adopt a resolution, the district cannot levy more than it received in the previous year, other than the amount resulting from the following:

1. New Construction,
2. Improvements to property,
3. Wind turbines,
4. Solar, biomass, and geothermal facilities (if the facilities generate electricity), and
5. Increases in state-assessed property

The resolution or ordinance must state the increase over the previous year's levy in terms of percentage and dollars. The resolution is separate from the budget certification.

#### Reference:

- RCW 84.55.120
- <http://dor.wa.gov/docs/forms/PropTx/Forms/OrdinanceResolution.doc>

## Regular Levy Limitations, continued

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### Levy Certification (Budget)

Taxing districts that wish to levy must certify a budget or budget estimate to the county legislative authority by November 30 of the assessment year. (**Note:** this does not apply if the assessor has not certified assessed values to the taxing district at least twelve working days prior to November 30).

The county legislative authority must certify the amount to levy for each of the taxing districts, including the county, to the assessor on or before November 30 of each year. However, the county legislative authority may elect to conduct its budget hearing on the first Monday in December, as permitted by RCW 36.40.071.

### Reference:

- RCW 84.52.020
- RCW 84.52.070
- <http://dor.wa.gov/docs/forms/PropTx/Forms/LevyCertf.doc>

### \$5.90 Limit

The \$5.90 limit applies to the total of most regular levies in each tax code area. The aggregate of the junior and senior taxing districts (excluding the state levy and a few others) cannot exceed \$5.90 per \$1,000 of assessed value.

RCW 84.52.010 provides the order in which taxing districts rates are prorated, in order to bring the aggregate rate down to \$5.90. The \$5.90 limitation does not apply to levies made by or for:

- The support of common schools (state levy)
- Port Districts
- Public Utility Districts
- Conservation Futures
- Criminal Justice
- Emergency Medical Services
- Affordable Housing
- Metropolitan Parks (if voters protect a portion of the levy from this limit)
- County Ferry Districts
- County Transit purposes

### Reference:

- RCW 84.52.043



## Regular Levy Limitations, continued

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### **1 Percent Constitutional Limit**

The 1 percent constitutional limit is based on true and fair value, unlike the \$5.90 limit, which is based on assessed value.

In 1972, the voters adopted a constitutional limit of 1 percent. This limits the amount of property taxes that may be imposed on an individual parcel (real or personal) of property without voter approval of 1 percent of its true and fair value.

The 1 percent limit applies to all regular levies (except port and PUD levies). It does not apply to excess levies approved by the voters.

### **Reference:**

- RCW 84.52.050
- RCW 84.52.010
- Article 7, Section 2 of Washington Constitution

## Refunds

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### Types of Refunds

There are two types of refunds:

- Adjudicated (court ordered)
- Administrative

Use this table to decide how to levy for a refund

<b>If the refund is an...</b>	<b>Then...</b>	<b>And...</b>
Adjudicated refund	the district is required to levy the refund	the refund is added to the district's levy.
Administrative refund	the refund levy is optional	the refund may be added to the levy only if the district requests the refund in its levy certification or budget.

*Note:* the statutory limit cannot be exceeded when adding a refund to the levy.

### Reference:

- RCW 84.68.040 (adjudicated refund)
- RCW 84.69.180 and RCW 84.69.020 (administrative refund)
- WAC 458-19-085 (adjudicated and administrative refunds)

## Excess Levy

### What is an Excess Levy

Excess levies are over and above the regular property tax levies.

- Excess levies require voter approval.
- Duration of excess levies is subject to limitations.
- Excess levies are not subject to the statutory limitations placed on regular levies.

Type of Levy	Taxing District	Duration
Bond	Most districts	Long term debt, usually 15-20 years
Maintenance & Operational (M&O)	School and fire districts	2-4 years
General	Most districts except school and fire districts	1 year
Technology	School	2-6 years
Transport Vehicle	School	2 years
Construction/Modernization/Remodeling	School and fire districts	2-6 years

### Reference:

- RCW 84.52.052
- RCW 84.52.053
- RCW 84.52.056
- RCW 84.52.130
- <http://dor.wa.gov/content/GetAFormOrPublication/PublicationBySubject/PropertyTax/BallotMeasures/>

## Timber Assessed Value (TAV)

### What is Timber Assessed Value?

Timber assessed value determines each taxing district’s share of the timber excise tax revenue and in setting property tax levy rates. It serves as a substitute for the value that would be carried on the assessment roll if timber were taxable as real property for all bond and excess levy calculations.

### Components of TAV

Based on taxes levied, acreage and assessed value of property in the Designated Forest Land Program (DFL) from the prior tax year, and the estimated public acreage available for timber harvesting (RCW 84.33.089), the assessor calculates the following values:

- Composite tax rate
- Forest land assessed value (FLAV)
- Average assessed value per acre on privately owned DFL

After making these calculations, the assessor has all the information necessary to complete the Timber Tax Distribution Priority 1, 2, and 3 worksheets. The priority worksheets list the individual taxing district’s TAV that is to be added to the district’s taxable value for levy calculations.

### Tax Base

The assessor should ensure that the appropriate amount of TAV is included in the tax base for calculating excess levies.

If the levy type is...	Then use this percentage of TAV in the tax base...
Bond	100 percent
Capital Project	100 percent
Transportation Vehicle	100 percent
School M&O	50 percent of TAV or 80 percent of the 1983 timber roll, whichever is greater
All other excel levies	100 percent

### Reference:

- RCW 84.52.080(2)

## Assessor Guidelines

### Introduction

The assessor generally calculates the property tax levy rate necessary to collect the amount of taxes levied for each district, within the limitations provided by law (WAC 458-19-010). Listed below are some of the guidelines for the assessor based on the taxing district's adopted documentation.

### Determine the authorized levy amount

Use the table below to determine the authorized levy amount given certain situations.

When the taxing district submits...	Then...
a certified budget but no resolution	the district's levy is the lesser of the following: <ol style="list-style-type: none"> <li>1. Previous year's levy plus <i>any</i> increase resulting from new construction, improvements to property, wind turbines, solar, biomass, and geothermal facilities, if the facilities generate electricity, and the increased value of state-assessed property,</li> <li>2. Current year's certified budget,</li> <li>3. Levy limit (zero percent increase),</li> <li>4. Statutory maximum amount.</li> </ol>
a resolution, but no budget or levy certificate	the assessor does not have the statutory authority to levy on behalf of the taxing district.
a certified budget and resolution	the district's levy is the lesser of the following: <ol style="list-style-type: none"> <li>1. Previous year's levy <i>plus</i> the percentage increase authorized by the resolution <i>plus</i> any increase resulting from new construction, improvements to property, wind turbines, solar, biomass, and geothermal facilities, if the facilities generate electricity, and the increased value of state-assessed property,</li> <li>2. Current year's certified budget,</li> <li>3. Levy limit (up to 1 percent depending on the population of the district),</li> <li>4. Statutory maximum amount.</li> </ol>
neither a certified budget nor a resolution	the assessor does not have the statutory authority to levy on behalf of a taxing district.

