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Washington Department of Revenue Property Tax Division

2017 Lincoln County Levy Audit A Summary Report



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Overview

Purpose

The primary purpose of this review by the Department of Revenue (Department) is to assist the Lincoln County Assessor (Assessor) in their processes and procedures to ensure compliance with state statutes and regulations.

Method of Calculation

The Department calculated the levy limitations and levy rate for several of the taxing districts for the 2017 tax year. To determine whether an error occurred, the Department compared the amount levied for the district with the lesser of 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:

- Resolutions/Ordinances adopted by the districts
- Levy certificates (budgets)
- Administrative and adjudicated refunds
- Ballot measures
- Levy limit worksheets
- \$5.90 aggregate and 1 percent constitutional limits

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 district levies:

- Lincoln County General Fund and Road
- City/Towns: Creston, Odessa, Sprague
- Fire Districts: No. 3, No. 4, No. 6, and No. 9
- Hospital Districts: No. 3 and No. 6
- Cemetery Districts: No. 2, No. 3, and No. 6
- Almira Park and Recreation District No. 2
- School Districts: Reardon No. 9, Ritzville No. 67, and Wilbur No. 200

Executive Summary

Introduction

The primary purpose of a levy audit by the Department is to assist the county assessor in successfully performing the duties associated with levying property 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.

Due to the timing of the audit, the implementation of over or under levy amounts can be made in the 2018 levy year for the 2019 tax year. This allows the Assessor time to work with the taxing districts to determine how the district wishes to proceed with the over or underlevy amount.

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. A change is required to adhere to the law.
- The second category, *Recommendations*, requires the attention of the assessor. The Department believes the assessor could improve their performance and service to the public by making voluntary changes in procedures.

The Department bases requirements and recommendations in our reports 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 one recommendation directed toward improving the accuracy of the levy process.

We have listed a summary of these items in the Requirements and Recommendation sections.

Executive Summary, continued

Requirements

1. The Assessor is required to calculate the district's regular levy limit by increasing the district's highest lawful levy since 1986 by the appropriate limit factor, plus an additional dollar amount calculated by multiplying the levy's prior year levy rate, or rate that should have been levied if a levy error or levy error correction had occurred in the prior year, by certain increases in assessed value within the district.
2. The Assessor is required to certify the completed tax roll to the Lincoln County Treasurer (Treasurer) on or before January 15. The Assessor must get a receipt from the Treasurer and provide an abstract of the tax rolls to the Lincoln County Auditor listing the total amount of collectible taxes for each taxing district. (RCW 84.52.080)

Recommendations

1. The Assessor should use the Department's most current highest lawful levy form (REV 64 0007) for the calculation of the levy limits and rates.

Requirements

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

This section contains the requirements we identified.

Lincoln County Fire District No. 6

Requirement

The Assessor is required to calculate the district's regular levy limit by increasing the district's highest lawful levy since 1986 by the appropriate limit factor, plus an additional dollar amount calculated by multiplying the levy's prior year levy rate, or rate that should have been levied if a levy error or levy error correction had occurred in the prior year, by certain increases in assessed value within the district.

What the law says

Additional increase in levy capacity for new construction, increases in the assessed value of state assessed property, increases in assessed value due to construction of wind turbine, solar, biomass, and geothermal facilities, and improvements to property by multiplying these assessed value by the levy rate for the preceding year, or rate that should have been levied if a levy error or levy error correction had occurred in the prior year. (RCW 84.55.010 and WAC 458-19-020)

What we found

The following table lists the levy rate the Assessor used to determine the levies 2017 tax year limit and the levy rate they should have used. It is unclear to the Department where the levy rate used by the Assessor came from.

Taxing District	Prior Year's Rate Used By the County	Prior Year's Rate That Should Have Been Used
Fire District No. 6	\$.799210000000	\$.784398581421

Action needed to meet requirement

The Assessor is required to take the following action:

- Recalculate the levy limit for the taxing district using the correct prior year's levy rate to determine the correct highest lawful levy since 1985. See Appendix A.

Why it's important

To ensure the taxing district's levy limitation is calculated correctly.

Tax Roll Certification

Requirement

The Assessor is required to certify the completed tax roll to the Lincoln County Treasurer (Treasurer) on or before January 15. The Assessor must get a receipt from the Treasurer and provide an abstract of the tax rolls to the Lincoln County Auditor listing the total amount of collectible taxes for each taxing district. (RCW 84.52.080)

What the law says

The county assessor must deliver the tax rolls to the county treasurer, on or before the fifteenth day of January, taking a receipt from the treasurer. The assessor must also supply the county auditor with an abstract of the tax roll showing the total amount of tax collection for each taxing district.

What we found

The Assessor did not certify the extension of the tax roll to the Treasurer on or before January 15. The Assessor certified the extension of the tax roll to the Treasurer, with a receipt taken, on February 6, 2017.

Action needed to meet requirement

The Assessor is required to take the following actions:

- Certify the completed tax roll to the Treasurer on or before January 15 and retain a copy in the file.
- Deliver an abstract of the tax roll to the county auditor on or before January 15.

Why it's important

Per state law, the Assessor is expected to complete different tasks by specific dates. If they are missed by a substantial amount of time, it adversely affects the property tax process and the other departments and entities that rely on the Assessor's work.

Recommendations

For the items listed as “Recommendations,” the Department believes the Assessor could improve by making voluntary changes in procedure.

This section contains the recommendations we identified.

Highest Lawful Levy Worksheet

Recommendation

The Assessor should use the Department's most current highest lawful levy form (REV 64 0007) for the calculation of the levy limits and rates.

What we found

The Assessor is using an outdated highest lawful levy worksheet form, revised as of December 23, 2009. The current version of the highest lawful levy worksheet was revised September 11, 2015.

Action recommended

The Department recommends the Assessor:

- Use the most current version of the highest lawful levy form, available on the Department's website. (dor.wa.gov) (REV 64 0007, 9/11/15)
- The current form includes the ability to enter the dollar amount and percentage of change as shown on the taxing district's resolution form. If these two values do not balance with each other, the lesser of the values will be carried forward throughout the levy calculations.

Why it's important

Using the updated highest lawful levy form increases accuracy within the levy rate calculations.

Next Steps

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 conduct a follow-up review in 2018. This will give the Assessor an opportunity to implement the required changes, recommended changes, 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 Property Tax Division at (360) 534-1400.

For additional information contact:

Washington State Department of Revenue
Property Tax Division
PO Box 47471
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<http://dor.wa.gov>

Appendix – General Information

Introduction

General information provided to assist all assessors and taxing districts.

Contents

This section contains the following topics:

- Regular Levy Limitation
- Refunds
- Excess Levy
- Timber Assessed Value (TAV)
- Assessor Guidelines

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
 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. If an error occurred or an error correction was made in the previous year, use the rate that would have been levied had no error occurred

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 was made	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

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 Operations 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, 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).

If truncating the levy rate for a bond levy results in a levy amount less than the amount requested by the district, the levy rate must be rounded up to ensure sufficient funds are levied for the repayment of the debt.

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)
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

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

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

Types of Refunds

There are two types of refunds:

- Adjudicated (court ordered)
- Administrative

Use this table to decide how to levy for a refund

If the refund is an...	Then...	And...
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 excess 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"> 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. 2. Current year's certified budget. 3. Levy limit (zero percent increase). 4. Statutory maximum amount.
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"> 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. 2. Current year's certified budget. 3. Levy limit (up to 1 percent depending on the population of the district). 4. Statutory maximum amount.
neither a certified budget nor a resolution	the assessor does not have the statutory authority to levy on behalf of a taxing district.

Appendix A

Levy Limit Calculation for District: Fire District #6												
Assmt Taxes	Highest	Limit	Highest	State Assd	Tax Added	Annexed	Tax Added	Levy	Assd	Stat	<input type="checkbox"/> Annexed to Library?	
Year Due	Lawful Levy	Factor	Lawful plus	New Const	for	Value	for	Limit	Value	Rate	<input type="checkbox"/> Annexed to Fire?	
	Since 1985*		Increase		State Assd		Annex.			Max.	<input type="checkbox"/> Firemen's Pension?	
					New Const						<input type="checkbox"/> Lid Lift?	
2016 2017	86,621.88	1.00%	87,488.10	3,562,060	2,794.07	0	0.00	90,282.17	112,515,363	1.000000000000		
Actual Levy:							Summary of Levy Limits:					
Assmt Taxes	Previous	Lesser of	Previous Yr's	Tax Added	Tax Added	Authorized	Refund	Certified	Limit Per	Levy Limit	Authorized	
Year Due	Year's	Resolution's \$ or %	Levy plus	for	for	Levy by Res.		Budget	Stat. Rate	Plus Refund	Levy By Res.	
	Levy		Increase	State Assd	Annex.				Maximum		Plus Refund	
				New Const								
2016 2017	84,732.00	\$2,756.00	87,488.00	2,794.07	0.00	90,282.07	0.00	87,488.00	112,515.36	90,282.17	90,282.07	
Assmt Taxes	Current Year's	Levy Correction	Total Levy	Actual	Actual Levy	Correct	Over/Under					
Year Due	Max Levy		w/ Correction	Amount	Rate	Levy Rate	Levy					
				Levied								
2015 2016						.784398581421						
2016 2017	87,488.00	\$0.00	87,488.00	87,488.00	.77756	.77756	0.00					
Excess Levy Calculation:												
Type & Yr	Budget	Refund	Total Levy	Real & Personal	TAV	Total Value	DOR	Total County AV x	County	County	Over/Under	
				Taxable Value			Levy Rate	DOR Rate	Levy Rate	Levy	Levy	
0 0	0.00	0.00	0.00	0.00	0.00	0.00	#DIV/0!	#DIV/0!	0.000000000000	0.00	#DIV/0!	