

P.O. Box 47471
Olympia, WA 98504-7471

Washington Department of Revenue Property Tax Division

2020 Kitsap 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 Kitsap 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 2020 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 used the following information during the review:

- Resolutions/Ordinances adopted by the districts
- Levy certification from the county legislative authority (RCW 84.52.070)
- Tax roll certification to the county treasurer and abstract of the tax roll to the county auditor
- 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:

- City/Towns: Bremerton and Port Orchard
- Fire Districts: 1, 2, 7, 10, and 18
- School Districts: Bremerton No. 100, Bainbridge Island No. 303, Central Kitsap No. 401, and South Kitsap No. 402
- Ports: Tracyton and Waterman
- North Mason Regional Fire Authority
- Bainbridge Island Metropolitan Park

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.

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 determine whether there are any wholly unimproved parcels within a fire district's boundaries and remove those parcels from the district's taxable value for their general fund levy limit calculations.
2. The Assessor is required to determine the lesser of the levy limitations for a fire district using the levy amount certified to him by the county legislative authority.

Recommendations

1. The Assessor must apply the dollar and percentage of change to the previous year's levy as authorized by a taxing district in a separate ordinance or resolution.

Requirement – Wholly unimproved parcels

Requirement

The Assessor is required to determine whether there are any wholly unimproved parcels within a fire district's boundaries and remove those parcels from the district's taxable value for their general fund levy limit calculations.

What the law says

Physical inspection of all property in the county shall be accomplished on a proportional basis in cycle. The Assessor must determine any changes in the physical characteristics that affect value, at least once within a six-year time period. (WAC 458-07-015)

RCW 52.16.170 (1) states: (1) If the lands are wholly unimproved, they shall be subject to forest protection assessments but not to fire protection district levies;

RCW 76.04.005(23) defines unimproved lands;

(23) "Unimproved lands" means those lands that will support grass, brush and tree growth, or other flammable material when such lands are not cleared or cultivated and, in the opinion of the department, are a fire menace to life and property.

What we found

The value reports the Assessor provided to the Department, for the North Mason Regional Fire Authority (NMRFA), show the same tax base for the district's general and emergency medical service (EMS) levies. Typically a fire district general levy and EMS levy does not share the same tax base since the general levy base does not include wholly unimproved parcels.

During the audit, the Assessor reviewed the parcels within the tax base for the NMRFA general levy. He notified the Department that there were eight parcels included in the tax base for the 2020 tax year, with an assessed value totaling \$67,910, which should not be subject to the NMRFA general levy.

Requirement – Wholly unimproved parcels, continued

Action needed to meet requirement

The Assessor is required to take the following action(s):

- Correct the coding for the eight incorrectly coded parcels.
 - Inform the Kitsap County Treasurer of the coding error, and request she send corrected tax statements for the eight affected parcels.
 - Notify the NMRFA of the coding error.
- Review the property characteristics to determine if there are wholly unimproved parcels, and remove their assessed value from the tax base for all fire district general levies within the county.

Why it's important

All taxpayers within a taxing district will pay an incorrect tax amount if the taxable assessed value is not accurate.

Requirement – Certification of levies to Assessor

Requirement

The Assessor is required to determine the lesser of the levy limitations for a fire district using the levy amount certified to him by the county legislative authority.

What the law says

Most taxing districts are required to certify a budget or budget estimate to the county legislative authority on or before November 30 for levying property taxes. (RCW 84.52.020)

It is the duty of the county legislative authority of each county, on or before the thirtieth day of November in each year, to certify to the county assessor the amount of taxes levied upon the property in the county for county purposes, and the respective amounts of taxes levied by the board for each taxing district, within or coextensive with the county, for district purposes. (RCW 84.52.070)

What we found

The Assessor did not determine the lesser of the levy limitations for the Fire District No. 2 (FD2) EMS levy using the levy amount certified to him by the county legislative authority.

The county legislative authority certified a levy amount to the Assessor for FD2, in Resolution No. 212-2019. After this certification was completed, FD2 provided the Assessor with an updated levy certification, authorizing a greater dollar amount. The Assessor used the updated levy amount to determine the lesser of the levy limitations for the FD2 EMS levy, without an updated levy certification from the county legislative authority.

There is no under or overlevy because the statutory maximum was the lesser of the levy limits.

Action needed to meet requirement

The Assessor is required to take the following actions:

- Use the levy amount certified by the county legislative authority to determine the lesser of the levy limitations. If a taxing district updates their certified levy amount to the county legislative authority, the Assessor must have an updated levy certification from the county legislative authority to use the updated amount.

Why it's important

Ensures taxing districts levy the correct amount of property tax and provides transparency within the levy process.

Recommendation – Resolution to increase previous year’s levy

Recommendation

The Assessor must apply the dollar and percentage of change to the previous year’s levy as authorized by a taxing district in a separate ordinance or resolution.

What we found

Fire District No. 2 adopted a resolution that stated the dollar and percentage of increase to the previous year’s levy amount. The resolution also included the limit factors to apply to the highest lawful levy in the levy limit calculation.

The law requires the resolution authorizing the dollar and percentage of change to the previous year’s levy be a separate resolution or ordinance. (RCW 84.55.120 and WAC 458-19-085) The resolution should not include additional requirements such as: The levy certification amount, statement of substantial need, or limit factors.

Action recommended

The Department recommends the Assessor:

- Educate FD2 with regards to increasing their previous year’s levy amount. To increase the previous year’s levy amount, the district must state the dollar and percentage of change in a separate ordinance or resolution. This means the resolution should not include topics in addition to the dollar and percentage of change from the previous year’s levy. The Assessor could encourage the district to use the Department’s ordinance resolution form. (REV 64 0101)

Why it’s important

To ensure taxing districts are disclosing increases in their budget amount as required by statute.

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 February 2021. 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

General levy information is available in the Department's *Property Tax Levies Operating Manual*, available on our website.

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
Olympia, WA 98504-7471
(360) 534-1400
<http://dor.wa.gov>