

Washington Department of Revenue Property Tax Division

2013 Review of Property Tax Administration in Grays Harbor County

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Overview

Introduction This report contains the results of the Department of Revenue's (Department) review of the Grays Harbor County (County) Assessor's property tax administration processes.

Purpose The primary purpose of this review by the Department is to assist the Grays Harbor County Assessor (Assessor) in successfully performing the duties associated with administration of the various property tax programs.

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

Once the Assessor receives a final copy of this review, the Department will consult with the Assessor to prioritize the work that must be completed. The Assessor will have an opportunity to provide information to the Department about any issues they encountered during the implementation process.

Scope of Review The review is limited in scope. We reviewed the Assessor's role in property tax program administration. We did not review the internal fiscal controls or the internal management of the Assessor's office.

We reviewed selected administrative procedures for compliance with state statutes and regulations. We did not examine all parcels or accounts enrolled in the various programs or the assessed values of these accounts. 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.

Continued on next page

Overview, Continued

Background

Duties of the Assessor

The Assessor is responsible for listing and valuing all real and personal property in the County. In addition to valuing property, the Assessor is responsible for a number of complementary functions, including:

- Maintaining record of ownership and legal description for each parcel of property
- Maintaining maps of all parcels and taxing districts
- Calculation of levy rates for the various taxing districts
- Administration of state-legislated tax exemption and deferral programs
- Providing property tax program information to the public and other governmental agencies

Newly Elected Assessor

The Assessor's office started 2011 with a newly elected Assessor. A change of Assessor brings changes not only for the Assessor's staff, but also to other County departments that interact with the Assessor's office.

Duties of the Department

The Department has the responsibility of general supervision and control over the administration of the assessment of property and the property tax laws of the state. The Department is authorized to direct and advise assessors, boards of equalization, county boards of commissioners, county treasurers, and county auditors as to their duties under the laws of the state relating to property taxation.

The Department has the authority to examine and test the work of county assessors at any time. The County Review Program is one of the Department's principal efforts to address these interests and promote fair, timely, and uniform property tax assessments.

As part of the Department's commitment to assisting the Assessor, this review is conducted with these general goals in mind:

- To ensure that assessment administration is in compliance with state statutes and regulations
- To provide recommendations to improve assessment operations
- To identify efficiencies and cost-effective operational improvements
- To identify immediate and long-term resource needs in the Assessor's office

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Overview, Continued

Information reviewed

The areas we reviewed included (but were not limited to):

- Revaluation process and completion dates
- Personal property
- Reporting to officials

We gathered information about property tax program administration via staff interviews, documents provided by the Assessor's staff, as well as through independent verification. To complete our review, we interviewed:

- The Assessor
- The Chief Deputy Assessor
- Real Property Appraisal Staff

We thank the Assessor and his staff for their cooperation throughout our review. We commend them for their willingness to look at opportunities to improve property tax administration and uniformity.

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Executive Summary

About this Review

The Department conducted on-site visits to the Assessor's office. We interviewed the Assessor's staff about the processes and procedures used in property assessment and in administering the various property tax programs.

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 where the County is considered to be doing well, 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. A change is required to adhere to the law.
- The second category, *Recommendations*, requires the attention of the Assessor. We note recommendations as being in the best interest of all parties. We believe if improvements in these areas can be made, it will improve service to the public.

The Department based the requirements and 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 four requirements and four recommendations directed toward improving property tax administration in the County. A summary of these items follows.

Continued on next page

Executive Summary, Continued

Requirements

- 1. The Assessor is required each year to complete revaluation work by May 31 and new construction valuation by August 31. 10**
- 2. The Assessor is required to mail or electronically transmit a listing to taxpayers liable for assessment of personal property on or before January 1 of each year, assess the value of all personal property and deliver or mail to each taxpayer a statement of valuation on or before May 31 of each year, assess late filing penalties on a uniform and systematic basis when taxpayers do not file personal property listings timely, and add omitted property to the assessment rolls for the year the property is discovered in the County, up to three previous assessment years if necessary. 15**
- 3. The Assessor is required to determine the amount of Farm Machinery & Equipment Exemption each year. 19**
- 4. The Assessor is required to submit accurate, complete, timely reports and certifications to the Department and other County officials. 21**

Recommendations

- 1. The Department recommends the Assessor assign one staff member who is the designated Personal Property Administrator. 27**
 - 2. The Department recommends the Assessor not mail listings to personal property accounts that consistently have a taxable value under \$15,000 and qualify for the Head of Family (HOF) Exemption. 28**
 - 3. The Department recommends the Assessor implement an audit program for personal property to ensure accurate listings and appropriate exemptions. 29**
 - 4. The Department recommends the Assessor continue developing and updating desk reference manuals to minimize the loss of institutional knowledge and ensure that property tax is administered uniformly. 30**
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Requirements

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

Contents This section contains the following requirement topics:

Topic	See Page
Real Property Valuation	10
Personal Property Administration	15
Farm Machinery & Equipment Exemption	19
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Real Property Valuation

Requirement **The Assessor is required each year to complete revaluation work by May 31 and new construction valuation by August 31. (RCW 84.40.040, 36.21.080)**

What is required The Assessor must complete inspection and valuation of property by May 31 for all property in the revaluation area, according to the Assessor’s revaluation plan approved by the Department. The courts have interpreted the date of May 31 as directory rather than mandatory. (Niichel v. Lancaster, (1982) 97 W2d 620, 647 P2d 1021) The courts have also ruled that being too late can invalidate the assessments. (Hillis v. Kittitas County, Docket No. 98 2 00187 1 (Kittitas County Superior Court, June 23, 1998))

New construction valuation must be completed by August 31 of each year. (RCW 36.31.080)

When assessment and valuation processes are not completed in a timely manner, it can have significant impacts. It can set the Assessor’s work back, causing a late start on the next year, which can compound over time. It may also cause the Assessor to not meet other deadlines that are dependent on valuations being complete and the assessment roll certified, such as:

- BOE hearings
- Completion of the levy process
- Completion of accurate and timely reports

Delays also impact the work of other county officials such as the Treasurer and the various taxing districts. The assessment and taxation process is dependent on following sequential steps and works best when assessment work is completed in a timely manner.

What we found The Assessor was late on completing the following 2012 assessment year processes:

Description	Completed
Real property inspections	Mid-October
Most valuation notices mailed	November 30
Valuation notices mailed to multi-parcel accounts	December 11
New construction notice of value mailed for parcels outside the current revaluation area	December 28
Valuation notices mailed for parcels with land changes	January 10

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Real Property Valuation, Continued

What we found
(continued)

There were many contributing factors to the Assessor being late with valuations for 2012 assessment year.

Staffing

- The Assessor’s office has been impacted by furloughs. In 2009, 2010, and 2011 staff took voluntary furlough days in order to retain staff positions.

Year	Voluntary Furlough Days
2009	122
2010	41
2011	70

- Starting in 2012, 13 employees were each required to take one furlough day per month, and some of them chose to take optional additional furlough days (up to 11 in the year).
- The implementation of furlough days directly affected the Assessor’s ability to complete physical inspection and new construction work. The Assessor requested an exemption from furloughs for the Assessor’s office staff, but at the time of our review, the request had not been approved.
- In 2012, one full-time sales analyst/appraiser was on leave for a significant amount of time (4 1/2 months) and a second appraiser was out for more than a month.
- The Assessor’s office is down one appraiser position from four years ago. An additional appraiser position is unfilled pending additional proposed budget reductions. Reduced staffing has a cumulative effect with the full impact often not immediately apparent.
- With the reduction in staffing, the Assessor shifted personal property staff to real property, and reallocated the personal property work among the residential real property appraisers. This impacted the workload of the real property appraisers.

Physical Inspections and Setting of Values

- Existing procedures and workflow contributed to difficulty in allocating staff resources. The appraisal staff was previously assigned individual market areas for inspection and valuation, which made it difficult to assign staff to unfamiliar areas to assist with other inspection and revaluation work where they were behind.
- The Assessor identified a need to capture additional land characteristics required to reflect the market accurately in their valuation model. Capturing these additional characteristics caused inspections to take additional time.

Continued on next page

Real Property Valuation, Continued

What we found
(continued)

Processes

Programming changes related to printing valuation notices led to delays in mailing the notices.

Conversion to Annual Revaluation

The Assessor is required to convert from cyclical valuations to annual valuations starting with assessment year 2014. This conversion requires changes in procedures, workflows, and computer functions. Planning and preparation for conversion to annual valuations has placed additional burdens on the Assessor and the staff.

Combined Effects

When assessment and valuation processes are not completed timely, the impacts can compound over time. This effect is illustrated in the table below, which shows the progressively later certification dates for the Assessor over the past four years.

Year	Certification Date
2009	October 23
2010	October 26
2011	November 18
2012	December 28

Action needed to meet requirement

Staffing

- Furloughs – The Assessor has requested the BOCC reconsider furlough days. We encourage the Assessor and the BOCC to continue considering alternatives.
- Staffing level – The Assessor requested funding to reinstate the lost staff position. Additionally, the Assessor should continue to pursue filling the vacant appraiser position.
- Real Property Appraiser workload – We encourage the Assessor to assign one non-appraiser staff member to handle personal property accounts, or assign one appraiser to be the lead for the task in order to improve consistency and free up real property appraisers to focus on the real property valuation process.

Due to the lateness of completing assessment year 2012 processes, the Assessor is getting a later start on assessment year 2013, which will put more pressure on staff. Additionally, with staff turnover, there will be some lost productivity and additional training necessary.

Continued on next page

Real Property Valuation, Continued

Action needed to meet requirement
(continued)

Physical Inspections and Setting of Values

- Procedures Adjustment and Work Flow Changes – The Assessor should move from an individual appraisal approach to a mass appraisal process. He should continue his effort to apply a mass appraisal approach to the valuation area for this last year of cyclical valuations, and then fully implement it with the first year of annual valuations in 2014. With this transition, the Assessor should continue to realign valuation processes to allow for more teamwork and the shifting of resources to accomplish the valuations in a timely manner.
- Land characteristics - The Assessor should balance gathering additional land characteristics with the effect on the accuracy of value and the impact on productivity.

The Assessor should begin inspections earlier, and continue to refine the inspection process for efficiency as well as accuracy. The Assessor should continue to implement greater use of mass appraisal methodology allowing for a more efficient inspection process as well as more flexibility in staff utilization.

Processes

The Assessor should evaluate process changes for efficient use of resources, in addition to the improvement of equity and uniformity of assessments.

Conversion to Annual Revaluation

Assessment year 2013 is the last year for the County as a cyclical revaluation county. The Department will continue to work with the Assessor to encourage the timely completion of valuations for assessment year 2013, as well as to lay the groundwork for starting annual valuations in assessment year 2014.

Combined Effects

The Department recommends the Assessor continue to plan his valuation work and make efficient use of available resources. We encourage the Assessor to continue to strive towards both of these goals.

The Department recommends the Assessor adhere to the *Property Tax Calendar* in administering the assessment process. The Property Tax Calendar is available online at dor.wa.gov/Docs/Pubs/Prop_Tax/2013PropCal.pdf.

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Real Property Valuation, Continued

**Why it's
important**

Completing work in alignment with the Property Tax Calendar promotes timely completion of the valuation, assessment, levy, and taxation processes.

When assessment and valuation processes are not completed in a timely manner, it can have significant impacts, including the work of other county officials such as the Treasurer and the various taxing districts.

Personal Property Administration

Requirement **The Assessor is required to mail or electronically transmit a listing to taxpayers liable for assessment of personal property on or before January 1 of each year, assess the value of all personal property and deliver or mail to each taxpayer a statement of valuation on or before May 31 of each year, assess late filing penalties on a uniform and systematic basis when taxpayers do not file personal property listings timely, and add omitted property to the assessment rolls for the year the property is discovered in the County, up to three previous assessment years if necessary. (RCW 84.40.040, 84.40.060, 84.40.080, 84.40.085, 84.40.130)**

What is required

Personal property listings

The Assessor must list and assess all personal property subject to taxation each year. Annually, the Assessor is required to send a personal property listing to all individuals known to have taxable personal property in their county. For existing accounts, the Assessor's office staff may refer to this as a *pre-list*. Pre-lists typically contain the owner's name, mailing address, location address, and the property listed by the owner on their prior year's report, as well as room to report personal property acquired since last reporting. Completed personal property listings are due back to the Assessor by April 30. (RCW 84.40.040)

Personal property valuation and assessment

The Assessor is required to value the property listed on the returned personal property listings at 100 percent of the true and fair value. Property listed or assessed on or after May 31, is binding as if it was listed and assessed before that time. (RCW 84.40.060)

In all cases of personal property assessment, the Assessor is required to mail the taxpayer a copy of a statement showing the valuation of the reported property.

Late filing penalties

The Assessor is required to assess late filing penalties uniformly to all late-filed personal property listings. Certain conditions allow for the waiving of late penalties. (RCW 84.40.130, WAC 458-12-110)

Omitted property

Omitted property must be added as a *supplement* to the assessment roll to show the change in value, provided to the Treasurer's office to recalculate the tax. A valuation notice showing the omitted property value must be sent to the taxpayer, along with notification of their appeal rights. (RCW 84.40.080, WAC 458-12-050)

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Personal Property Administration, Continued

What we found There is no designated staff member assigned to oversee the personal property administration. The lack of a dedicated administrator for personal property negatively affected many personal property tax processes.

Personal property listings

The returned 2012 listings appeared to receive low priority. The returned listings were not processed timely.

The 2012 personal property account information input was not completed until December 3, 2012. The assessment roll was certified on December 27, 2012. The 2013 personal property listings (prelists) were not mailed until January 10, 2013.

Personal property valuation and assessment

All personal property listing information input and valuation was finished on December 3, 2012. Valuation notices were mailed on December 11, 2012.

Late filing penalties

The Department found the Assessor is not applying penalties for late filers according to law. Late filing penalties are not applied to accounts where listings were received after the statutory due date of April 30. The Assessor stated that:

- Late filing penalties are not applied to any account, as long as the returned listing is received prior to staff completing the listing entries for all accounts, regardless of when the listing was mailed or received.
- Taxpayers who fail to file are assessed a 25 percent late filing penalty.
- The input of the penalty is entered manually.
- There is no computer field to capture the date a filing is received.

Omitted property

The Assessor's staff adds omitted property to the personal property accounts based on audits conducted by the Department. However, they only add the omitted property to the *current* assessment year if the tax roll has not been certified, rather than any *prior* year's assessments, when necessary.

Staff manually calculates the omitted property value, and then enters the discovered property into the system.

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Personal Property Administration, Continued

Action needed to meet requirement

The Assessor must adhere to the Property Tax Calendar to ensure other property tax processes are not negatively impacted by prioritization of personal property work. The Department recommends the Assessor dedicate a staff member as the Personal Property Administrator. Dedicating an administrator will aid in ensuring the Property Tax Calendar deadlines are met.

Personal property listings

The Assessor must prioritize personal property listings to ensure personal property listing forms are sent to taxpayers on or before January 1 each year. (RCW 84.40.040) The Assessor must prioritize the processing of returned personal property listings to ensure valuation notices are sent on or before May 31 of each year.

Personal property valuation and assessment

The Department recommends the Assessor implement procedures that ensure the timely mailing of valuation notices. The process several counties use to ensure timely processing is to:

Step	Action
1.	Stamp the date received on the listings.
2.	'Code' new equipment on listings with proper trends as listings are received.
3.	Available personal property staff then enters applicable information into computer system from listings prior to valuation deadline (May 31).

The Assessor must ensure valuation notices are mailed on or before May 31, and the assessment roll is certified timely.

Late filing penalties

All personal property listings received after April 30 must be assessed a late filing penalty (except those receiving a penalty waiver). The Department recommends the Assessor develop written procedures to ensure staff understands when to apply late filing penalties and how to input late filing penalties into the system. Two options are:

1. When a taxpayer returns their listing to the Assessor, stamp the date received and have the administrative assistant write the penalty percentage next to received date so staff knows to include and input the penalty in the computer system.
2. Update the computer software to include a field for *date received*. Program the software to recognize the date received field and automatically apply the penalty percentage based on the date received.

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Personal Property Administration, Continued

**Action needed
to meet
requirement
(continued)**

Omitted property

The Assessor's staff must enter omitted personal property discovered on the assessment roll up to three years beyond the current assessment year discovered. The Department recommends that the County update its computer software so the system calculates the value for each omitted year – instead of staff having to hand calculate and manually enter the taxable value for each year. Automatic calculation and entry of value for the appropriate year will result in consistent treatment for prior years and will ensure proper years are calculated.

**Why it's
important**

Timely completing the assessment of personal property each assessment year ensures the accurate listing of all property on the tax roll and that taxpayers receive uniform treatment in the processing of listings.

Timely receipt and valuation of returned personal property listings provides taxpayers their opportunity for appeal and ensures equitable distribution of taxes.

Uniform application of penalties ensures fairness in administration, awareness by taxpayers, and improves filing compliance.

Properly administering omitted property ensures property is placed on the assessment roll for the appropriate assessment years and should result in the County receiving complete personal property listings from taxpayers.

Farm Machinery & Equipment Exemption

Requirement **The Assessor is required to determine the amount of Farm Machinery & Equipment Exemption each year. (RCW 84.36.630)**

What is required Qualifying machinery and equipment must be owned by an active farmer, (i.e. someone who is engaged in the business of farming), and the equipment must have been used in the business of farming during each year the claim for exemption is made. All *qualifying* farm machinery and equipment is exempt from the state portion of property tax (RCW 84.36.630). Qualifying equipment is still subject to the local portion of property tax and must continue to be reported on the personal property listing form.

The Assessor administers the Farm Machinery & Equipment Exemption. Claims for exemption must be filed by April 30 and can be included with the personal property listing form. The Assessor must:

- Determine the equipment that qualifies for the exemption.
 - Determine the amount subject to the local portion of the property tax.
 - Determine the amount subject to the state portion of the property tax.
-

What we found The Assessor does not separate qualifying and non-qualifying machinery and equipment. All equipment, regardless of its qualifications, has incorrectly received an exemption from the state portion of the tax (the school levy).

Misapplication of the exemption to machinery and equipment value that is taxable causes a statewide tax shift to other property owners.

Action needed to meet requirement The Department recommends additional education in the area of the Farm Machinery and Equipment Exemption.

Farm accounts typically have both qualifying and non-qualifying equipment. The Assessor should have written policies and procedures in place to ensure the separate accounting for qualifying and non-qualifying equipment. Some options to ensure accuracy and uniformity:

- Create a separate account for qualifying machinery and equipment and then apply the exemption to this account only.
 - Update the computer software to recognize the difference between qualifying and non-qualifying and calculate the value accordingly.
-

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Farm Machinery & Equipment Exemption, Continued

**Why it's
important**

Properly administering exemptions ensures uniform treatment of taxpayers potentially eligible for exemptions and ensures other taxpayers are not paying a disproportionate amount of property taxes.

Reports and Timelines

Requirement **The Assessor is required to submit accurate, complete, timely reports and certifications to the Department and other County officials. (RCW 84.08.020, 84.08.040, 84.40.040, 84.40.130, 84.40.320, 84.48.050, 84.48.080, 36.21.100, WAC 458-53-030, 458-53-070, 458-53-080, 458-53-140)**

What is required The Department may require reporting on assessments of property, valid and invalid sales, equalization of taxes, the expenditure of public funds for all purposes, and other information that we may request. (RCW 84.08.020(3))

The law mandates some reports and their due dates. Other reports are required by the Department by specific dates in order to produce meaningful information to state and local officials. Reporting is not optional, but a duty of office.

What we found Due to the late closure of the 2012 real property assessment roll six required reports/certifications were not delivered timely, including:

- Assessor’s Certificate of Assessment Rolls to the County Board of Equalization
- Assessor’s Certificate of New Construction Value to the County Board of Equalization
- Real Property Sales Study (Valid and Invalid Sales Report)
- Personal Property Stratification Report
- Real Property Stratification Report
- Abstract of Assessed Value

At the time of this review, one staff member is trained and responsible for completing the assessment roll reports. Two staff members are trained to complete the Ratio Study Valid and Invalid Sales report.

Assessor’s Certificate of Assessment Rolls to the County Board of Equalization and Assessor’s Certificate of New Construction Value to the County Board of Equalization

The Assessor signed the 2012 Certificate of Assessment Rolls to the Board of Equalization and the 2012 Certificate of New Construction to the Board of Equalization on December 27, 2012. The assessment roll certification is due July 15 and the new construction certification is due September 15. The Assessor provided the two certificates to the Department on December 28, 2012.

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Reports and Timelines, Continued

What we found
(continued)

The consequences of the Assessor's delay in certifying the assessment roll were:

- The assessment roll was not officially closed timely.
- The Board of Equalization (BOE) was not officially notified of the roll closure and directed to proceed with hearing petitions until December 27, 2012.
- The Department was required to estimate the County's 2012 real property ratio.
Note: Estimating a ratio (though legally permissible), can seriously affect the results of the County's ratio, which is used to calculate the state school levy and the equalization of utility assessments.

Real Property Sales Study (Ratio Study Valid and Invalid Sales Report)

The Real Property Sales Study is due on September 15, once new construction is certified and the values have been updated for the current assessment year. The Department received the 2012 Real Property Sales Study on January 7, 2013. Assessment staff could not complete the Ratio Study Valid and Invalid Sales Report until the 2012 assessment roll was officially closed, and values updated. Since the roll was not closed until December 27, 2012:

- The sales study documents were not received during the 2012 assessment year.
- The 2012 real property ratio could not be calculated utilizing actual real property sales data.

Personal Property Stratification Report and Real Property Stratification Report

The Assessor sent the complete assessment roll on December 6, 2012. Department staff then completed the stratification reports for the County. The consequences of the Assessor not providing the stratification reports were:

- The 2012 real property ratio could not be calculated utilizing actual property assessed values.
- The inability to prepare and distribute workload to Department audit staff for the 2013 personal property ratio study in a timely manner.
- Delays in completing the ratio.

Abstract of Assessed Value

The Department received the Abstract of Assessed Values on December 5, 2012. The Abstract was due October 31, 2013. Submitting the abstract late results in:

- Delays in review and resolution of issues in the reporting.
- Delays in calculating the state school levy.
- If the abstract is completed and submitted to the Department prior to the official closing of the assessment roll, corrections for the state school levy computation need to be submitted to the Department in February of the following year.

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Reports and Timelines, Continued

**Action needed
to meet
requirement**

The Assessor should develop policies, procedures, and training to ensure the accurate and timely reporting to the BOE, County Auditor, County Treasurer, and the Department. Although some reporting dates are guidelines and not absolute requirements, missing them can adversely affect the property tax process and the other departments and entities that rely on the Assessor's work. Staff training should include procedures for proper querying of the database and the production of required reports.

Assessor's Certificate of Assessment Rolls to the County Board of Equalization

The Assessor must certify the taxable (assessed) value of all locally assessed real and personal property after revaluation is complete. The Assessor's Certificate of Assessment Rolls to the County Board of Equalization (form 64 0051) serves as a permanent record of locally assessed values for the county (forest land, current use land, improvements on current use land, senior frozen value, real property, and personal property). The Assessor is required to deliver the certificate to the BOE, with a copy to the Department by July 15 each year. (RCW 84.40.320)

Assessor's Certificate of New Construction Value to the County Board of Equalization

The Assessor must certify the value of new construction added to the assessment roll. (RCW 84.40.040) The Assessor's Certificate of New Construction Value to the Board of Equalization (form 64 0059), provides the value of new construction added to the assessment role. The Assessor is required to deliver the certificate to the BOE, with a copy to the Department by September 15 each year.

Real Property Sales Study (Ratio Study valid and invalid sales report)

The Assessor is required to submit a sales study to the Department each year (September 15). The sales study currently consists of all sales occurring in the county between August 1 (preceding January of the current assessment year) and March 31 (of the current assessment year). Beginning with the 2014 real property ratio study, the sales period is changing and will consist of all sales occurring from May 1 of the previous year through April 30 of the current assessment year. The Assessor must deduct one percent from each recorded sales price, as adjustments for values transferred that are not assessable as real property. The Assessor must review and code all sales as valid or invalid sales. (WAC 458-53-070 and 458-53-080)

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Reports and Timelines, Continued

Action needed to meet requirement
(continued)

Real Property Stratification Report / Personal Property Stratification Report

The Assessor must complete and return the stratification reports as soon as the current assessment year is completed and the assessment and new construction rolls are closed. The Department uses these reports to calculate the current year's real and personal property ratios. They are also necessary to the random sampling process for the next year's real and personal property ratio studies.

Abstract of Assessed Value

The Assessor is required to complete and return the Abstract of Assessed Value (October 31). The Abstract of Assessed Value reports the various components of real and personal property values used to calculate the state school levy, produce statistical reports, and assist in determining the impact of proposed legislation. The Department sends a letter requesting this information along with instructions each year by the end of September.

Reliance on Assessor to report timely

The Department and other state and local officials rely on the Assessor's reports to complete several critical functions throughout the year. The timeliness of these reports is critical to keeping work on schedule, as the delay of any of these reports will often delay the Department, the BOE, or other county officials from completing their obligations in accordance with the *Property Tax Calendar* and the *County Assessor's Manual*. The *Property Tax Calendar* is updated each year and located online at dor.wa.gov/docs/Pubs/Prop_Tax/PropCal.pdf. The *County Assessor's Manual* is available online at dor.wa.gov/Docs/Pubs/Prop_Tax/AssessorRefManual.doc.

The Department recommends the Assessor continue to develop policies, procedures, and training to ensure the accurate and timely reporting to the Department. At least one staff member or contract person should be trained and responsible for completing the assessment roll reports. Staff must receive training to properly query the database and produce required reports.

The Assessor must ensure that timelines are met and the reports are run and delivered timely to the Department.

Why it's important

Accurate and timely reporting promotes integrity and public confidence in the equalization of the centrally assessed utility values, the state school levy calculation, and ensures the fair and equal administration of property tax in the County and the state of Washington.

Recommendations

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

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Continue Preparation for Annual Revaluation

Recommendation **The Department recommends the Assessor continue work preparing his office for transition to an annual revaluation program by January 1, 2014. (RCW 84.41.030)**

The County must convert from cyclical valuation to annual valuation beginning with assessment year 2014. The conversion from cyclical to annual valuations is often challenging for assessors and their staff as it means a change in processes and procedures.

What we found The County still has a significant amount of work remaining to successfully implement annual valuations in assessment year 2014.

Recommended action While the completion of the work for assessment year 2013 is the highest priority, the Department recommends that the Assessor continue to focus on the conversion to annual valuations.

The Department has been working with the County on annual conversion and recommends continued attention to:

- Filing a proposed revaluation plan.
- Completing a conversion work plan.
- Identifying inspection areas.
- Delineation of market areas.
- Software enhancements.
- Procedures modifications (establishing new processes & procedures).
- Staff support and training.
- Refining the analysis program.
- Refining the sales validation and verification processes.

The Department recommends the Assessor utilize the *County Conversion Work Plan* tool, which is a planning resource for converting to an annual revaluation program. To request a working file that you can customize for your office, you may contact Michael Dahle, Revaluation Specialist at 360-534-1362.

Why it's important The more prepared a county is for the conversion to annual valuation, the more likely it is to achieve a greater level of uniformity in assessments.

Personal Property Administrator

Recommendation **The Department recommends the Assessor assign one staff member who is the designated Personal Property Administrator.**

Other similar sized counties (either by number of accounts or by value of property) effectively utilize a dedicated Personal Property Administrator to ensure work is completed accurately and timely.

What we found The County has no dedicated administrator for personal property. The effect of no administrator is reflected in the personal property processes:

- Not being completed uniformly and equitably.
- Not being completed timely.
- Not being completed accurately.
- Delays to personal property processes.
- Delays to Department staff in completing their statutory mandated work.

The Assessor has requested the BOCC reinstate the personal property staff position.

Action recommended The Department recommends the Assessor dedicate a staff member as the Personal Property Administrator. Dedicating an administrator, will aid in ensuring:

- Personal property listings are timely mailed on or before January 1.
- There is staff responsible to consistently enter data from returned personal property listings.
- Appropriate penalties are applied for late filing.
- Proper listing and valuation of personal property.
- The roll is certified timely.
- Consistent and fair administration of personal property.

Whether a full-time staff position or a fractional full time equivalent, the Department strongly recommends designating specific staff responsible for personal property processes.

Why it's important Completing personal property processes accurately and timely each year ensures all property is listed on the tax roll and taxpayers receive uniform treatment in the processing of listings and exemptions.

Head of Family Exemption

Recommendation **The Department recommends the Assessor not mail listings to personal property accounts that consistently have a taxable value under \$15,000 and qualify for the Head of Family (HOF) Exemption. (RCW 84.36.110, 84.36.120, WAC 458-16-115)**

If the Assessor is satisfied that all of the personal property of any person is exempt from taxation due to the HOF Exemption, no listing is required to be filed by the owner or taxpayer. (WAC 458-16-115)

What we found The Assessor mails a listing every year to all personal property accounts that qualify for the HOF Exemption, regardless of their taxable value.

Action recommended The Department recommends the Assessor not mail listings to accounts that consistently have a taxable value under \$15,000 and qualify for the HOF Exemption. Potentially, a number of accounts would not require a printed listing to be mailed each year.

The Assessor's staff should develop written policies and procedures for personal property accounts that may not require a mailed listing, such as:

- Develop the criteria to identify personal property accounts that may qualify as under the exemption amount.
 - Develop procedures establishing a systematic interval between each mailing for those repeatedly receiving the exemption.
 - Based on the policies and procedures developed, determine which accounts do not need a listing each year and hold those back from printing and mailing.
-

Why it's important Developing policies and procedures for HOF Exemptions can help to ensure the Assessor's confidence that the listings are mailed to the necessary accounts, while providing savings on accounts that do not require an annual mailing.

Personal Property Audit Program

Recommendation **The Department recommends the Assessor implement an audit program for personal property to ensure accurate listings and appropriate exemptions.**

The Assessor is responsible to ensure accuracy and uniformity in the assessment of personal property. A systematic audit program ensures review of continued eligibility in exemption programs and accurate listing of personal property on the assessment roll.

What we found The Assessor does not currently have a formal audit program. The Assessor's staff utilizes information found in the Department's ratio audits for current assessment year to:

- Change trends to follow the Departments guidelines.
 - List omitted property and omitted value.
 - Update supply, spare parts, tools, and fuel amounts to reflect a more accurate cost/value.
-

Action recommended The Department recommends the Assessor establish a formal audit program and consider assigning a designated administrator for personal property to monitor the audits. This could be completed by mail, requesting taxpayer's IRS depreciation schedules (at a minimum) by:

- Particular industries
- Type of properties
- Sections of the county or county wide
- Random selection
- Any combination of the above

The requested information should be used to compare what is currently reported and listed by each respective taxpayer.

Why it's important An audit program encourages voluntary compliance with the full and proper listing of all personal property in the county.

Continue Developing and Updating Desk Reference Manuals

Recommendation **The Department recommends the Assessor continue developing and updating desk reference manuals to minimize the loss of institutional knowledge and ensure that property tax is administered uniformly.**

To ensure consistency and continuity, the duties of the Assessor and their staff should be documented in a desk reference manual. The effect of a loss of institutional knowledge during staff transitions can be minimized by a more transparent approach to office administration. Desk reference manuals are useful not only for training and for succession purposes, but to ensure that all property owners are treated uniformly and the assessment processes are timely managed.

What we found The Assessor's staff does use manuals in the administration of the various property tax programs. There are existing procedure manuals but some of the manuals are outdated due to law and office policy changes (Head of Family Exemption, Personal Property Procedures Manual).

Action recommended The Department recommends the Assessor document (in writing) the procedures for each office function and the duties of each staff member. Staff desk reference manuals can include policy information and specific step-by-step procedures on how to administer the various property tax programs. A detailed desk reference manual can serve as a back-up for the employee and assist their coworkers, in the event of a short term (or long term) staff absence.

Desk reference manuals serve as a resource tool for employees, especially where employees perform multiple tasks, or tasks which must be performed in a specific way. Staff should be involved in the creation of their desk reference manuals, with assistance from the Assessor. Manuals should include:

- Definitions of terms
 - Step-by-step instructions for tasks performed, procedures, or processes
 - Time requirements/deadlines for task
 - Department updates on specific programs (law changes, depreciation schedule updates, etc.)
 - Information about when and where to get help
 - Other resources and reference materials
-

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Continue Developing and Updating Desk Reference Manuals, Continued

**Action
recommended**
(continued)

Staff can begin this process immediately by documenting step by step procedures for specific functions where there is currently no written guidance, such as:

- How a computer system query is performed
- How to complete an *Assessor's Certificate of Assessment Rolls to the County Board of Equalization*
- How to complete a *Certificate of New Construction Value* report
- How to prepare and review the Valid and Invalid Sales reports for the real property ratio study
- How to prepare a personal property stratification report
- How to prepare a real property stratification report
- How to process a personal property listing
- How to process a current use application
- How to complete a parcel segregation
- How to process a request for refund

Clear written office policies, detailed instructions, and procedures are imperative to accuracy and uniformity. The individual written instructions are the core of the manual and will over time, develop into a comprehensive manual.

Desk reference manuals are useful in:

- Training staff
- Ensuring consistent application of property tax laws and rules
- Ensuring consistent application of policies and procedures
- Promoting uniformity throughout the county

**Why it's
important**

Written procedures and desk reference manuals are tools that can prevent the loss of institutional knowledge and provide staff with the means to operate with some independence, freeing the Assessor's time for other duties.

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Next Steps

Prioritizing Requirements and Recommendations

The Department is committed to assisting the County in the implementation of the recommendations contained in this report. Once the Assessor receives a final copy of this review, the Department will (if requested) consult with the Assessor to help prioritize the work that must be completed.

Follow-up

The Department will follow up in six months to review the changes implemented. This will give the Assessor an opportunity 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.

General Report Questions	Judy Wells	(360) 534-1360
Revaluation	Michael Dahle	(360) 534-1362
Personal Property	LaRetta Martin	(360) 534-1426
Reporting to Officials	Deb Mandeville	(360) 534-1406

For Additional Information Contact

Washington State Department of Revenue
Property Tax Division
P.O. Box 47471
Olympia, WA 98504-7471
(360) 534-1400
<http://dor.wa.gov>
