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Washington Department of Revenue Property Tax Division

2018 Review of Property Tax Administration in Columbia County



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Overview

Introduction

This report contains the results of the Department of Revenue's (Department) review of property tax administration processes in Columbia County (County).

Purpose

The Department's primary purpose of this review is to assist the Columbia 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

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.

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's Office 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 related information to the public and other governmental agencies

Overview, continued

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, we conducted this review 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

Information Reviewed

To complete our review, we gathered information about property tax program administration via interviews, county provided documents, as well as through independent verification. The areas we reviewed included (but were not limited to):

- Reporting to officials
- Revaluation

We gathered information through staff interviews, documents the Assessor's staff provided, as well as through independent verification. To complete our review, we interviewed:

- The Assessor
- The Chief Deputy
- The Chief Appraiser

Acknowledgment

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

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 administering the County's 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 doing well, we may not reflect those items 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 believe improvements in these areas can 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 one requirement and one recommendation directed toward improving property tax administration in the County. A summary of these items follows.

Executive Summary, continued

Requirements

1. The Assessor must assess new construction at its true and fair value as of July 31 each year regardless of its percentage of completion. (RCW 36.21.070)

Recommendations

1. The Department recommends the Assessor continue developing and updating an appraisal procedure manual to ensure that property tax is administered uniformly. Providing guidelines in writing helps to achieve and maintain consistency and uniformity between staff members and provides a ready reference for use in the field.

Requirements

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

This section contains the items we identified following our interview.

Procedure for Adding New Construction at Percent Complete to the Assessment Roll

Requirement

The Assessor must assess new construction at its true and fair value as of July 31 each year regardless of its percentage completion. (RCW 36.21.070, RCW 36.21.080, WAC 458-19-005(2)(p), WAC 458-12-342)

What the law says

New construction covered under the provisions of RCW 36.21.070 and 36.21.080, and defined in WAC 458-19-005(2)(p), must be assessed at its true and fair value as of July 31 each year regardless of its percentage of completion. The Assessor is authorized to place new construction on the assessment rolls up to August 31 each year. In instances when new construction continues after July 31 of any year, the increase in value of the property due to the new construction that occurs between August of that year through July 31 of the following year is added to the assessment roll as "new construction" in the following year.

New construction refers only to real property, as defined in RCW 84.04.090 and further defined in WAC 458-12-010, and also to improvements, as described in WAC 458-12-005(2)(d), located on leased public land, for which a building permit was issued or should have been issued. The Assessor must notify the owner, or person responsible for payment of taxes, of the value of any new construction that has been assessed.

What we found

In our discussion in the Assessor's office on July 18, 2018, the Assessor stated their policy verbally. They did not add any value to new construction until the improvement was framed.

Action needed to meet requirement

The Assessor must determine the assessed value of new construction based on the true and fair market value, as of July 31. When the construction is incomplete, the value should reflect the market value for that level of completed construction, as of July 31. The Assessor should provide appraisers with written guidelines to help ensure consistency in estimating the value of incomplete construction.

Methods for determining percent complete and value of incomplete construction:

- Appraisers can estimate percentage of completion based on the contribution of each component of construction, as compared to the completed project. For example, a home with only the site work and foundation completed, as of July 31, would be considered 14 percent complete using the Percent Completion Guide in Marshall and Swift appraisal cost manuals. The Department provides forms that help to calculate a percent complete for new construction.

- For parcels in the very early stages of construction, after inspection, the appraiser might apply a percentage of the permit value to the parcel, until such a time that he or she can measure the new improvement more accurately.
- Another option would be to attach a flat value to a parcel in the early stages (i.e. foundation), which would be a fair cost estimate for groundwork, utility installation, and foundation work.
- Photos would provide excellent visual evidence of what was found at the time of the inspection.

Why it's important

One of the major functions of the Assessor's office is placing new construction on the assessment roll. It is important to capture the new construction value each year regardless of the percentage of completion, so the added value is part of the assessment roll calculation for the appropriate year. The assessment of new construction provides an important source of funding for the county and local taxing districts, and ensures equity in taxation between property owners.

Recommendations

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.

This section contains the items we identified following our interview.

Appraisal Procedures Manual

Recommendation

The Department recommends the Assessor continue developing and updating an appraisal procedure manual to ensure that property tax is administered uniformly. Providing guidelines in writing helps to achieve and maintain consistency and uniformity between staff members and provides a ready reference for use in the field.

What we found

During our review, the Assessor stated she does not have a procedures manual for their office.

Action recommended

We recommend developing a comprehensive appraisal procedure manual that contains information useful to appraisers in performing their duties. Recommended items might include the following:

- Assessment data definitions, including photographic examples from Columbia County, standard guidelines related to building quality, condition, detached structures, attached structures, land characteristics, etc. Examples are available from the Department.
- Instructions for data entry.
- Required forms to be used for such things as: new construction, additions to improvements, destroyed property, sales verification, etc.
- Helpful information or links to available information on the Department's websites, which may be helpful to both staff and taxpayers.
- Appeal procedures.
- Inspection guidelines for classified current use land.
- Inspection guidelines for exemption and deferral eligible property.
- Property Tax Calendar.
- A schedule for at least annual reviews to update, refine, and improve the written procedures.

Why it's important

A written appraisal procedure manual helps achieve consistency among appraisal staff and greater uniformity for taxpayers by providing the following benefits:

- It is an excellent training tool for new appraisers or those transitioning to utilization of mass appraisal techniques.
- It is readily available to use in the field as a reference tool for appraisers.
- It is easily updated or amended as necessary.
- It ensures consistent application of property tax laws and rules.
- It ensures consistent application of policies and procedures.
- It promotes use of uniform appraisal practices throughout the county.

Next Steps

Prioritizing Requirements and Recommendations

The Department is committed to assisting the County in the implementation of the requirement and recommendation 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 is committed to the success of the Assessor by ensuring they comply with state statutes and regulations.

The Department will follow up in twelve 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 Property Tax Division at (360) 534-1400.

For additional information contact:

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