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Washington Department of Revenue Property Tax Division

2022 Walla Walla 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 Walla Walla 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 2022 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: Walla Walla and Prescott
- Fire Districts: No. 1, No. 2, and No. 6
- Emergency Medical Services
- Walla Walla County Rural Library District
- Port of Walla Walla
- School Districts: No. 140 Walla Walla and No. 300 Touchet
- Prescott Park and Recreation District

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 three 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 use the levy amount certified by the county legislative authority when determining the lesser of the levy limitations.
2. The Assessor is required to correct a levy error when all of the taxpayers within a taxing district pay an incorrect amount of property tax.
3. The Assessor is required to determine whether the total of all regular tax levies, with the exception of levies made by port and public utility districts, applied to real and personal property within the county exceed one percent of the true and fair market value.

Recommendations

1. The Department recommends the Assessor verify the accuracy of the levy information posted to the Walla Walla County Assessor's website.

Requirement – Certification of levy amount

Requirement

The Assessor is required to use the levy amount certified by the county legislative authority when determining the lesser of the levy limitations.

What the law says

Most taxing districts are required to certify a budget or estimate of the amount of property tax they wish to levy to the county legislative authority on or before November 30 to levy for property taxes (RCW 84.52.020).

The county legislative authority is required to certify to the county assessor the amount to be levied for most taxing districts on or before the first Monday in December, for district purposes, and on or before December 15 for county purposes. If the certification is made after the applicable deadline and the assessor has certified the assessed values to the taxing districts at least 12 business days before November 30, the assessor may not levy any more than the certified levy amount for the previous year for the taxing district. (RCW 84.52.070)

As stated in *State v. Wiley, supra, at p. 647*:

"The duties of respondent in relation to the matters in question are ministerial, and, if the facts upon which he is to act were properly certified to him from a tribunal with jurisdiction in the premises, that order constitutes his warrant and he is bound to proceed under it. His only concern is to know whether 'his warrant proceeds from competent authority,' and, if so, fulfill it as he is commanded."

What we found

The Assessor did not determine the lesser of the levy limitations for the City of Prescott (CP) and Walla Walla School District No. 140 (SD140) using the levy amounts certified by the Walla Walla County Legislative Authority in Resolution No. 21 257, dated December 6, 2021.

City of Prescott

The Assessor provided the Department with a levy certification authorized by the CP to the Walla Walla County Legislative Authority, dated November 29, 2021, showing a levy amount of \$39,542.81 crossed out and replaced with a levy amount of \$40,000. The Walla Walla County Legislative Authority certified a levy amount of \$39,542.81 to the Assessor, for the CP. Rather than include the certified levy request amount of \$39,542.81 from the Walla Walla County Legislative Authority in the levy limit calculations, the Assessor used the city's revised amount of \$40,000. The Assessor limited the city's levy to \$39,871.69, which represents the prior year's levy plus an increased amount authorized by the city council members.

The use of an incorrect levy certification amount caused the Assessor's determination of the lesser of the levy limits to be incorrect. The lesser of the limitations is the certified levy request amount of \$39,542.81. This resulted in an overlevy of \$328.88.

Requirement – Certification of levy amount, continued

Walla Walla School District #140

The Assessor provided the Department with a levy certification authorized by SD140 to the Walla Walla County Legislative Authority, listing a levy amount of \$11,285,662, dated October 19, 2021. The Walla Walla County Legislative Authority certified a levy amount of \$11,191,853.82 to the Assessor, for SD140. Rather than include the certified levy request amount of \$11,191,853.82 from the Walla Walla County Legislative Authority in the levy limit calculations, the Assessor used the school district's certification amount.

Since the levy amount certified by SD140 exceeded the lesser of the levy limits, the use of an incorrect levy certification amount did not result in a levy error.

Action needed to meet requirement

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

- Use the levy amount certified by the Walla Walla County Legislative Authority to determine the lesser of the levy limitations for a taxing district. If a taxing district updates their certified levy amount to the Walla Walla County Legislative Authority, the Assessor must have an updated levy certification from the Walla Walla County Legislative Authority to use the updated amount. If the district and county legislative authority levy certification amounts do not agree, the Assessor may wish to inform the taxing district and the Walla Walla County Legislative Authority so they can make any necessary changes.
- Correct the overlevy error of \$328.88 for the CP.
- Notify the CP of the levy error. If the correction in the succeeding year will cause a hardship for either the taxing district or taxpayers, the district may request the correction be made on a proportional basis over a period of no more than three years.
- Use the corrected 2022 levy rate, provided in Appendix A, when calculating the rate for the 2023 tax year as if the error had not occurred.

Why it's important

To ensure taxing districts do not levy more or less than their maximum levy amount allowable by law and the taxpayers pay the correct amount of property tax.

Requirement – City of Walla Walla

Requirement

The Assessor is required to correct a levy error when all of the taxpayers within a taxing district pay an incorrect amount of property tax.

What the law says

If an error has occurred in the levying of property taxes that has caused all taxpayers within a taxing district to pay an incorrect amount of property tax, the assessor shall correct the error by making an appropriate adjustment to the levy for that taxing district in the succeeding year.

A correction of an error in the levying of property taxes shall not be made for any period more than three years preceding the year in which the error is discovered. (RCW 84.52.085)

What we found

The Assessor implemented an overlevy error correction for the City of Walla Walla (CW) using an incorrect correction amount in the 2022 tax year levy calculations, correcting the 2021 tax year levy.

2021 tax year calculations:

The CW adopted Resolution 2020-112 with conflicting information. It authorizes an increase of \$65,816 or 1% over the prior year's levy, then later states the city does not wish to increase their levy. The Assessor used the \$65,816 or 1% increase in her levy calculations. The Assessor determined the lesser of the levy limits, for the 2021 tax year, was the one percent growth limit, plus a refund levy for a total of \$6,758,070.13.

The CW notified the Assessor that it was not their intention to levy that amount of funds, thus the Assessor completed a levy error correction during the levy calculations, for the 2022 tax year. After correcting the 2021 tax year levy calculation to implement the city's desire not to increase their levy by the authorized \$65,816 or 1%, the lesser of the limitations became their 2020 tax year levy plus other allowable increases, \$6,700,671.90, instead of the one percent growth limit. The overlevy correction should have been \$57,398.23, but the Assessor reduced the 2022 tax year levy by \$65,816.

This resulted in an underlevy amount of \$8,417.77, for the 2022 tax year.

Requirement – City of Walla Walla, continued

Action needed to meet requirement

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

- Notify the CW of the \$8,417.77 underlevy error. When there is an underlevy error, the Department interprets the statutes to give the taxing district the option of adjusting the following year's levy by the underlevy amount. If the correction in the succeeding year will cause a hardship for either the taxing district or taxpayers, the district may request to correct the error on a proportional basis over a period of no more than three years.
- When calculating the CW levy limitations for the 2023 tax year, use the highest lawful levy amount and levy rate provided in Appendix C for the previous year's levy rate. (See Appendix B for the CW levy calculations for the 2021 tax year.)

Why it's important

To ensure the taxing districts do not levy more or less than their maximum levy amount allowed by law and taxpayers pay the correct amount of property tax.

Requirement - 1 Percent constitutional limit

Requirement

The Assessor is required to determine whether the total of all regular tax levies, with the exception of levies made by port and public utility districts, applied to real and personal property within the county exceed one percent of the true and fair market value.

What the law says

The aggregate of all regular tax levies, with the exception of levies made by port and public utility districts, upon real and personal property by the state and all taxing districts shall not exceed one percent of the true and fair value of such property (RCW 84.52.050).

What we found

The Assessor used the 2021 tax year levy rates for the State School Part 1 and Part 2 when reviewing the 1 percent constitutional limit for the 2022 tax year.

This did not result in any tax code area exceeding the 1 percent constitutional limit.

Action needed to meet requirement

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

- Use the current year's levy rates to verify the 1 percent constitutional limit has not been exceeded.

Why it's important

To ensure transparency in the levy process for taxpayers and taxing districts.

Recommendation – Dollar and percentage of change resolution

Recommendation

The Department recommends the Assessor provide education to the City of Walla Walla (CW) regarding the dollar and percentage of increase resolution.

What we found

The CW adopted Resolution No. 2020-112, that authorizes an increase, of \$65,816 or one percent, to the previous year's levy amount, for the 2021 tax year. The resolution also contains conflicting language that states the district does not wish to impose the increase authorized.

The CW adopted Resolution No. 2021-142 that authorizes an increase of \$67,481.60 or one percent to the previous year's levy amount, for the 2022 tax year, but does not wish to levy it. The last page of the resolution states the district authorizes a zero increase to the previous year's levy amount.

Resolution 2021-142 includes several topics in addition to the dollar and percentage of increase to the previous year's levy amount: the certified levy amount, a levy error correction, and substantial need.

By adopting an ordinance or resolution, the district is allowed to increase its highest lawful levy since 1985 up to the lesser of 1 percent or the implicit price deflator (IPD), depending on the district's population and if the IPD is less than 1 percent, and increase their prior year's levy by the approved dollar or percentage of increase stated in the document. If the district does not wish to increase their levy over the prior year's levy amount, but they want to protect their future levy capacity, their resolution or ordinance should state they are increasing their levy by zero dollars and zero percent. This allows the Assessor to increase the levy's highest lawful levy since 1985 by the appropriate limit factor and the district will bank that capacity.

The law requires the resolution authorizing the dollar and percentage of change to the previous year's levy be a separate resolution or ordinance. This means the resolution should not include additional requirements such as: the levy certification amount, statement of substantial need, or limit factors. When a district determines they have a substantial need they may adopt a second ordinance or resolution to establish a limit factor greater than 100 percent, to be used to calculate the levy limitation. (RCW's 84.55.0101 and 84.55.120, WAC's 458-19-020 and 458-19-065)

Action recommended

The Department recommends the Assessor:

- Continue to educate to the CW with regards to their resolution authorizing a dollar and percentage of increase above the previous year's levy amount. This could be accomplished by providing the CW with a copy of this report.

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 2023. 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
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Appendix A

The following worksheet contains regular levy calculations for the districts with errors in this audit.

Levy Limit Calculation for District: City of Prescott														
Assmt Taxes Year Due	Highest Lawful Levy Since 1985*	Limit Factor	Highest Lawful plus Increase	State Assd New Const	Tax Added for State Assd New Const	Annexed Value	Tax Added for Annex.	Levy Limit	Assd Value	Stat Rate Max.	<input type="checkbox"/> Annexed to Library? <input type="checkbox"/> Annexed to Fire? <input type="checkbox"/> Firemen's Pension? <input type="checkbox"/> Lid Lift?			
2021 2022	45,774.21	101.00000%	46,231.95	33,510	75.37	0	0.00	46,307.32	20,355,711	3.375000000000				
Actual Levy:														
Assmt Taxes Year Due	Previous Year's Levy	Lesser of Resolution's \$ or %	Previous Yr's Levy plus Increase	Tax Added for State Assd New Const	Tax Added for Annex.	Authorized Levy by Res.	Refund	Certified Budget	Limit Per Stat. Rate Maximum	Levy Limit Plus Refund	Authorized Levy By Res. Plus Refund			
2021 2022	39,402.30	\$394.02	39,796.32	75.37	0.00	39,871.69	0.00	39,542.81	68,700.52	46,307.32	39,871.69			
Assmt Taxes Year Due	Current Year's Max Levy	Levy Correction	Total Levy w/ Correction	Actual Amount Levied	Actual Levy Rate	Correct Levy Rate	Over/Under Levy	New Highest Lawful Levy Since 1985	Levy Rate Without Levy Error or Levy Error Correction					
2020 2021					2.249317751533									
2021 2022	39,542.81	0.00	39,542.81	39,871.69	1.9587471054	1.9425904602	328.88	46,307.32	1.942590460200					

Appendix B

The following worksheet contains regular levy calculations for the districts with errors in this audit.

Levy Limit Calculation for District: City of Walla Walla - 2021															
Assmt Taxes Year	Highest Lawful Levy Since 1985*	Limit Factor	Highest Lawful plus Increase	State Assd New Const	Tax Added for State Assd New Const	Annexed Value	Tax Added for Annex.	Levy Limit	Assd Value	Stat Rate Max.	<input type="checkbox"/> Annexed to Library? <input type="checkbox"/> Annexed to Fire? <input checked="" type="checkbox"/> Firemen's Pension? <input type="checkbox"/> Lid Lift?				
2020	2021	6,573,223.30	101.00000%	6,638,955.53	47,433,192	109,204.60	0	0.00	6,748,160.13	2,915,814,335	3.60000000000				
Actual Levy:															
Assmt Taxes Year	Previous Year's Levy	Lesser of Resolution's \$ or %	Previous Yr's Levy plus Increase	Tax Added for State Assd New Const	Tax Added for Annex.	Authorized Levy by Res.	Refund	Certified Budget	Limit Per Stat. Rate Maximum	Levy Limit Plus Refund	Authorized Levy By Res. Plus Refund				
2020	2021	6,581,557.30	\$0.00	6,581,557.30	109,204.60	0.00	6,690,761.90	9,910.00	8,272,828.00	10,496,931.61	6,758,070.13	6,700,671.90			
Assmt Taxes Year	Current Year's Max Levy	Levy Correction	Total Levy w/ Correction	Actual Amount Levied	Actual Levy Rate	Correct Levy Rate	Over/Under Levy	New Highest Lawful Levy Since 1985	Levy Rate Without Levy Error or Levy Error Correction						
2019	2020				2.302282317613										
2020	2021	6,700,671.90	0.00	6,700,671.90	6,758,070.13	2.3177299215	2.2980447758	57,398.23	6,748,160.13	2.298044775800					

Appendix C

The following worksheet contains regular levy calculations for the districts with errors in this audit.

Levy Limit Calculation for District: City of Walla Walla														
Assmt Taxes Year Due	Highest Lawful Levy Since 1985*	Limit Factor	Highest Lawful plus Increase	State Assd New Const	Tax Added for State Assd New Const	Annexed Value	Tax Added for Annex.	Levy Limit	Assd Value	Stat Rate Max.	<input type="checkbox"/> Annexed to Library? <input type="checkbox"/> Annexed to Fire? <input checked="" type="checkbox"/> Firemen's Pension? <input type="checkbox"/> Lid Lift?			
2021 2022	6,748,160.13	101.00000%	6,815,641.73	36,253,188	83,311.45	12,373,050	24,913.12	6,923,866.30	3,438,724,498	3.60000000000				
Actual Levy:														
Assmt Taxes Year Due	Previous Year's Levy	Lesser of Resolution's \$ or % Increase	Previous Yr's Levy plus Increase	Tax Added for State Assd New Const	Tax Added for Annex.	Authorized Levy by Res.	Refund	Certified Budget	Limit Per Stat. Rate Maximum	Levy Limit Plus Refund	Authorized Levy By Res. Plus Refund			
2021 2022	6,758,070.13	\$0.00	6,758,070.13	83,311.45	24,913.12	6,866,294.70	0.00	6,797,312.00	12,379,408.19	6,923,866.30	6,866,294.70			
Assmt Taxes Year Due	Current Year's Max Levy	Levy Correction	Total Levy w/ Correction	Actual Amount Levied	Actual Levy Rate	Correct Levy Rate	Over/Under Levy	New Highest Lawful Levy Since 1985	Levy Rate Without Levy Error or Levy Error Correction					
2020 2021					2.2980447758									
2021 2022	6,797,312.00	57,398.23	6,739,913.77	6,731,496.00	1.9575560658	1.9600039997	(8,417.77)		6,923,866.30	1.976695720700				