



September 2008
Volume 9, Issue 2

What Did You Do This Summer?

By Harold Smith, Exemption & Deferral Program Manager

Inside this issue:

<i>Allocated Costs vs. Historical Cost</i>	2
<i>Current Use: Integral Home Sites</i>	3-4
<i>Personal Property Guidelines Annual Survey</i>	4
<i>New Faces at Property Tax</i>	5
<i>Property Tax Notices</i>	6
<i>Day of Caring</i>	7
<i>Who to Contact at the Department of Revenue's Property Tax Division</i>	8

Special points of interest:

- **Quarterly Reminders (see pages 2-3)**
- **Upcoming Training (see page 4)**

Welcome to the Summer edition of the *Property Tax Review*. You may have been expecting the Fall edition, but we just now caught our breath and are wondering where the Summer has gone. After a bit of reflection and a caffeinated beverage, I cruised the halls to ask my fellow Property Tax staffers, "What did you do this summer?" I got a couple of stories about well-earned vacations and unusual adventures, but mostly I heard about the fun we have here at the Property Tax Division.

The County Performance and Administration Team finished up their statewide review of excess levies. They worked with 7 counties on current use administration and finished comprehensive reviews for two others. They provided training classes on both sides of the state for Boards of Equalization, Current Use, Senior Exemption/Deferral, and Levies.

Over the last few weeks, the Utility Valuation, Advisory & GIS group completed their hearings and meetings with the utilities they assess, allowing

them to finalize valuations for 347 companies that represent over \$17 billion in assessed value. They also expanded the advisory program and have completed over 40 advisory appraisals that had been requested by county assessors so far this year.

The Ratio Group is way ahead of schedule in determining the county ratios. They had preliminary ratios ready for 17 counties by August 15, surprising several counties in the process. They finished the stakeholder work and drafting of a complex Property Tax Advisory to be issued regarding the valuation of low income housing projects. Personal property experts from the Ratio Program joined forces with the Advisory Team to provide personal property values for a number of important advisory appraisals.

The Exemptions & Deferrals Section has been training their new staff in the various senior programs and preparing to process applications under the new Limited Income Deferral Program. The nonprofit exemption auditors finished processing their 10,000

renewals. They've also been developing and testing the new process that will allow those nonprofit organizations to renew their property tax exemptions on-line beginning in January of 2009.

Brad Flaherty and the management team spent much of the summer working on legislative issues and ideas that are sure to be a part of the upcoming Session. With the economic news of the last few months, property tax topics have become year-round issues for legislators, their staff, and the Department. We can already tell that property tax relief, levy limitations, current use valuations, taxing district boundaries, valuation methods, and exemptions are likely to be the hot topics when Session begins in January.

The troops are tired of me bugging them with questions and have asked me to return to my office and go back to work. I hope your Summer was "Unbelievable"!

Regards,

Harold

This Quarter's Reminders

October 03

- ▶ Boards of County Commissioners begin hearings on county budgets, commissioners adopt budgets and fix necessary levies. (RCW 36.40.070, 080, and 090) However, budget hearings may be held on the first Monday in December. (RCW 36.40.071)

06 (first Monday)

- ▶ Last day to file application for special valuation on historic property on 2008 assessment roll. (RCW 84.26.040) Timber Assessed Value (TAV) calculated for each county. (RCW 84.33.035)

15

- ▶ Counties' annual report on revaluation progress is due before October 15 of each year. (RCW 84.41.130)

31

- ▶ Last day for payment of second half of property taxes. (RCW 84.56.020)

November 30

- ▶ Last day for city and other taxing district budgets to be filed with clerks of County Legislative Authority. (RCW 84.52.020)
- ▶ Last day for County Legislative Authority to certify to county assessors amount of taxes levied upon property in county for county purposes, and the respective amount of taxes levied by the board of each taxing district. (RCW 84.52.070)
- ▶ The governing body of each taxing district authorized to levy taxes directly shall certify to county assessor amount of taxes levied for district purposes. (RCW 84.52.070)

December 01

- ▶ An additional penalty of eight percent will be assessed on the current year's taxes delinquent on December 1. (RCW 84.56.020)
- ▶ (First Monday) Board of County Commissioners may meet to hold budget hearings provided for in RCW 36.40.070. (RCW 36.40.071)

(Continued on page 3)

Allocated Costs vs. Historical Cost

By LaRetta Martin, Property & Acquisition Specialist



We've all seen it — the “lump sum” or “allocated cost” for a business that recently sold, where a buyer and seller allocate value between the personal property and real property during the escrow process. The buyer then uses the new allocated value of the personal property as the cost basis when filling out their annual listing of personal property.

So what should the county assessor do with this new dollar figure when a buyer lists the costs on their annual listing?

While each case should be taken on a case-by-case basis, the Department of Revenue (Department) generally recommends using original/historical costs, typically from the prior year personal property listing, rather than accepting an allocated or lump sum value. Although the new value might represent the fair market value in the year allocated, it is commonly less reliable as an indicator of market value and a cost basis for subsequent assessment years.

Property owners in Washington are required to file an annual listing of all their taxable personal property located in each county as of January 1st. The law also requires assessors to appraise all property at 100 percent of the true and fair market value (RCW 84.40.030). In the case of personal property, the courts have further ruled that the market value of assets in use in a business is to be assessed at the value-in-use level, sometimes called the “value in continued use.” Property valued using an allocated purchase price (or cost) at the time of sale seldom provides a good basis for determining the value-in-use of personal property when using the Department's annually published “*Personal and Guidelines*.” The do not reflect be driven by other benefits unrelated

Property owners in Washington are required to file an annual listing of all their taxable personal property located in each county as of January 1st.

Industrial Valuation allocated costs often market value and may tax implications or to market value.

The guidelines the Department publishes and recommends for counties to use work best when applied to the cost of new assets. Restating or allocating the cost from a lump sum sale has the potential to produce inequitable values when comparing those assets to other like property. This is especially the case when an allocated value of the used equipment is tied to the year the business is sold, which could distort the market value in future years by producing a different floor value due to restarting the acquisition year.

The Department recommends the new owner use the original/historical costs, along with the original acquisition year, when filing their annual personal property listing. This may involve working with the seller to determine the appropriate original costs or involve reviewing previous personal property listings. If the owner uses an allocated cost, the assessor is still required to value all property at 100 percent of true and fair market value, which should include using the historical cost and original year of acquisition for the equipment.

Using the original/historical costs and year of acquisition provide a better indication of market value, as well as provides a useful means for deletions and additions of the equipment. As the new owner disposes of existing equipment and adds new equipment, it can be easily tracked, rather than attempting to adjust a lump sum amount. This will further avoid double assessment.

In all cases, the Department urges the property owner to work proactively with the county assessor to ensure uniformity in the reporting of the equipment. This may involve an onsite inspection of the equipment to confirm what equipment is still in place. ♦

County Review Program

Current Use: Integral Home Sites

By Leslie Mullin, County Review Auditor

The eligibility requirements and valuation methodology of integral homesites in the farm and agricultural land classification of the Current Use Program is becoming an area of interest resulting from the Current Use Reviews being conducted by the Department of Revenue. Information about integral homesites can be found in RCW 84.34.020 and WAC 458-30-317. Listed below are some frequently asked questions and answers regarding this subject.



What is considered an integral homesite?

An integral homesite means the land on which the principal residence of a farm operator or owner of farm and agricultural land and/or the housing for farm and agricultural employees is situated if the residence and/or employee housing is central to the farming operation.

How is the integral homesite valued?

The integral homesite is valued by dividing the prior year's farm and agricultural land value in the county by

the prior year's total acreage in the farm and agricultural classification in the county then adding the value of land improvements used to serve the residence or housing, such as sewer, water, and power.

Can all integral homesites located on classified farm and agricultural lands qualify for the reduction in assessed value?

No. Only if the land on which the residence or housing stands is 20 or more acres or is comprised of multiple parcels that are contiguous, held by the same owner, and total 20 or more acres.

How is the homesite valued if the residence is not integral to the farming operation?

If the homesite is not integral to the farming operation it is valued at true and fair value.

How is the land under other agricultural structures, such as barns, valued?

If the land is classified as farm and agricultural land and is at least 20 or more acres, the land under other agricultural structures, such as barns, storeyards, and machine sheds are valued as current use farm and agricultural land. These structures may be integral to the operation of the farm but are not considered the principal residence or employee housing.

How is the principal residence, housing for farm workers and the outbuildings valued?

The principal residence used by the farm operator or owner, building(s) used to provide shelter to farm and agricultural employees, and all outbuildings are valued at their true and fair value.

If the integral homesite is removed from classification because the residence no longer qualifies, are the additional tax, interest, and penalties due?

No. Additional tax, interest, and penalty are not imposed if an integral homesite is withdrawn or removed from classification.

Can there be more than one integral homesite?

Yes. WAC 458-30-317(2)(b) states, in part, "...the residence of the farm operator or owner *and/or* housing for farm employees must be the *place(s)* from which the farmer conducts his commercial agricultural business." (Emphasis added)

This Quarter's Reminders

(Continued from page 2)

December 31

- ▶ (On or before) DOR sets stumpage values for January through June 2008. (RCW 84.33.091)
- ▶ Last day to file application for designation of forest land on 2008 assessment roll. (RCW 84.33.130)
- ▶ Last day to apply for January 1, 2008 open space land, farm and agricultural land, or timberland assessment. (RCW 84.34.030)
- ▶ Senior citizen and disabled persons property tax exemption claims filed with assessor. (RCW 84.36.385)
- ▶ Interest rate applicable to open space values will be set by the DOR. (RCW 84.34.065)
- ▶ DOR determines true and fair value of each grade of forest land and certifies values to county assessor. (RCW 84.33.140)

For a complete version of the *Property Tax Calendar*, visit the Department of Revenue's website at this link:
http://dor.wa.gov/Docs/Pubs/Prop_Tax/PropCal.pdf ♦



...all outbuildings are valued at their true and fair value.

(Continued on page 4)

2008 Upcoming Training

(State/County Personnel ONLY)

October 20-24

IAAO Course 101: Fundamentals of Real Property Appraisal
Tumwater — \$300

October 20-24

IAAO Course 310: Application of Mass Appraisal Fundamentals
Tumwater — \$300

November 3-7

IAAO Course 500: Personal Property Dupont — \$300

November 3-7

Land Modeling Using SPSS
Ellensburg — \$200

For further information, contact:

Patty Concepcion
Education Coordinator
Washington Department of Revenue
Property Tax Division
PO Box 47471
Olympia, WA 98504-7471
Phone: (360) 570-5866
E-mail: PattyC@dor.wa.gov ♦

County Review Program

Current Use: Integral Home Sites (continued)

(Continued from page 3)

How large is a typical homesite?

The typical homesite area used by most assessors is one acre. Despite the fact that no statutory basis exists for a one-acre homesite, the Washington Board of Tax Appeals in Gralinger v. Rausch, BTA Docket No. 51609 (1998) made “official notice” of a one-acre homesite.

If land is classified as open space, timber land, farm and agricultural conservation land, or designated forest land, is a reduction in value allowed if there is a homesite?

No. The Legislature has not given any statutory allowance for a reduction in value for homesites located on land classified as open space, timber land, farm and agricultural conservation land, or designated forest land.

If a residence is located on land classified as open space, timber land, farm and agricultural conservation land, or designated forest land, how is the homesite valued?

The homesite (the land under the residence) would be valued at its true and fair value.

If the residence is occupied by the owner of the classified farm and agricultural land but the owner has leased the land to a third party who is commercially farming, would the homesite qualify for the reduced value?

No. The land on which the residence stands would not qualify for the reduced value because the use of the residence is not integral to the commercial agricultural purposes of the farm. ♦



Personal Property Guidelines — Annual Survey

By Pete Levine, Personal Property Supervisor

We are beginning the process to update the “*Personal and Industrial Property Valuation Guidelines*” for the 2009 assessment year, and we are soliciting your input. We will attempt to incorporate suggested ideas, keeping in mind the needs of all stakeholders for the 2009 assessment year, and for subsequent assessment years for areas that may need additional study or review. There have been several suggestions made over the past year. We will consider those in our updating process as well. If you would like to make any suggestions or provide feedback, please review the following questions below, and e-mail your responses to PeteL@dor.wa.gov by October 15, 2008.

- ▶ What needs to be fixed, deleted or added to the Personal and Industrial Property Valuation Guidelines? Why? What do you recommend?
- ▶ Are there any Business Activity or Type of Business Trend/Column recommendations in the 2008 Index to Personal Property Valuation Indicators that need to be reviewed and possibly changed for 2009? Why? What do you recommend?
- ▶ Are there any types of assets or business activities you believe need studying? Why?
- ▶ Are there any types of assets or business activities not listed in the index, that should be listed? If so, which ones?
- ▶ Do you have data about any assets, business activity or type of business that might help recalibrate the tables?

Please provide data or studies you have, as it is useful and may be beneficial in working together to collect data for study. If you have any additional questions or comments, please do not hesitate to contact me directly at 360-570-5884 ♦

New Faces and New Places at Property Tax

Velinda Brown, our Education and Current Use Specialist, recently retired after several years of county and state service. We were always suspicious about her claim that she started that service at the age of 11. However, no one disputes that she has earned the right to kick back and live the good life. Thanks, Velinda, for your great service.



Velinda Brown

Peggy Davis accepted an appointment as our new Exemption and Deferral Specialist in June. Peggy is acknowledged by counties, legislators, and her co-workers as an expert in the administration of property tax programs that benefit seniors, the disabled, and those with limited incomes. As our Specialist, she will continue to advise, teach, train, and share her knowledge about the administration of these programs and help the Division respond as these programs grow and change. Peggy can be reached at PeggyD@dor.wa.gov or (360) 570-5867



Peggy Davis

Michael Dahle has joined the Annual Revaluation Project within the County Performance and Administration Program. Michael brings his knowledge and experience in property appraisal, computer assisted mass appraisal systems, and use of technology and GIS in assessment offices to the project. Most recently, he has worked with the Department of Revenue's Ratio Program out of the Everett office. Michael may appear to be in two places at once for a while, but will soon transfer to the Olympia office. Currently, he can be reached in the Everett office at (425) 356-4871 or MikeD@dor.wa.gov.



Michael Dahle

Beulah Holman In August, Beulah Holman accepted an appointment as an Exemption and Deferral Administrator. Beulah will administer the Senior and Disabled Deferral, the Limited Income Deferral, and the Veteran's Grant Assistance Programs as well as help audit nonprofit exemptions. Additionally, she will provide technical advice and guidance to county assessors and their staff on the administration of Senior Citizen and Disabled Persons Property Tax Exemptions. Beulah joins us from the Ratio Valuation Program and has a broad range of experience, including working with the Department's Legislation & Policy and Interpretations & Technical Advice Divisions. Beulah can be reached at (360) 570-5874 or BeulahH@dor.wa.gov.



Beulah Holman

LaRetta Martin joined us on May 1st as a new Property & Acquisition Specialist 3 in our Ratio Program. LaRetta comes to us from the Thurston County Assessor's Office, where she had been for over 17 years. LaRetta is stationed in our Olympia office and can be reached at LaRettaM@dor.wa.gov or (360) 570-5903.



LaRetta Martin

Leslie Mullin has accepted an appointment as our new Current Use and Education Specialist. Leslie has been with the Department of Revenue since April 2002 and with the Property Tax Division since June 2005. While in the Property Tax Division, she has worked with levies, personal property, and the administration of the current use programs. Leslie is an experienced trainer and has outstanding communication skills. She will quickly move down the hall in the Olympia office and begin her new duties on October 13th. Leslie can be reached at (360) 570-5865 or LeslieMu@dor.wa.gov.



Leslie Mullin

Linda Thomas has joined our Ratio Valuation Section staff as a Property & Acquisition Specialist 3 as of July 1st. Linda comes to us with nearly 18 years of experience in assessment. Most of those years were spent with Umatilla County, starting with residential assessment and progressing to commercial and industrial properties. Linda brings great experience and a can-do attitude to her home base at the Richland field office. Welcome her to Property Tax at LindaTh@dor.wa.gov or (509) 734-7548.



Linda Thomas

Judy Wells Our most recent addition is Judy Wells, who joined us in August as an Exemption and Deferral Auditor. Judy will help administer the Senior and Disabled Deferral, the Limited Income Deferral, and the Veteran's Grant Assistance Programs in addition to auditing nonprofit exemptions. She brings a wealth of experience in tax policy and administration, including 14 years with the Department of Revenue. Judy comes to us from Revenue's Special Programs Division. We are excited to welcome her to the Property Tax Division. Judy can be reached at (360) 570-3217 or JudyW@dor.wa.gov.



Judy Wells

Erin Valz has left the Property Tax Division and the Annual Revaluation Project, but she didn't go far. She parks in the same place here at Capitol Plaza, but now goes upstairs where she works for the Research Division as a Tax Policy Specialist. Yes, she will work on property tax issues from time to time. ♦



Erin Valz



Property Tax Special Notices

Beginning July 15, 2008, the Property Tax Division has revised its format for sharing information about current property tax issues. Our **Property Tax Special Notices** will take the place of a variety of memos and letters that we've used in the past. It's our goal that the notices will be consistent in format and readily available to all taxpayers, government officials, and tax professionals that have an interest in property tax issues.

Special Notices are generally sent to assessors, treasurers, and those stakeholders that we can identify with a specific interest in the particular topic. Prior to being issued, each Special Notice goes through an internal review process. Special Notices are posted on the Department's website at www.dor.wa.gov under Property Tax Publications. You may also receive a copy of a Special Notice by adding your name to our ListServ distribution list. This can be done by going to www.dor.wa.gov, click on "Find Taxes and Rates," then click "Property Tax," and then click "Join E-mail Service." You will automatically receive an e-mail message when a new Special Notice is issued.

We will regularly list recently issued notices in this newsletter. You may also request a copy of a notice by e-mailing us at harolds@dor.wa.gov. The first three notices issued under the new format are reviewed below:

July 15, 2008

Taxing District Levy Certification

Discusses how a taxing district must certify their property tax levy request to the County Assessor.

http://dor.wa.gov/Docs/Pubs/SpecialNotices/2008/sn_08_LevyCert.pdf

August 27, 2008

2008 Legislation Updates – Levy Lid Lift, Establishing Taxing Districts Boundaries, Beach Management Districts & Binding Site Plans

Discusses the implementation of several legislative measures passed in the 2008 legislative session related to property tax districts and their levies, including ESB 6641, ESB 6663, SB 6950, E2SHB 3186 & HB 1149.

http://dor.wa.gov/Docs/Pubs/SpecialNotices/2008/sn_08_PropLegUpdate.pdf

September 15, 2008

Building Permits in Relation to Adding Value of New Construction

Discusses whether an Assessor can put new construction on the tax rolls when a building permit has not been issued by the city/county.

http://dor.wa.gov/Docs/Pubs/SpecialNotices/2008/sn_08_BuildingPermits.pdf ♦



"Working together to
fund Washington's future"



Join Our Property Tax Special Notice Distribution List . . .

To be notified when a new Property Tax Special Notice is issued, simply visit the link below and join our e-mail distribution list. While you're there, check out the other distribution lists available from the Department of Revenue. You might find other topics of interest. ♦

<https://fortress.wa.gov/dor/efile/SecureForms/content/contactus/email/listservemail.aspx>

Sharing Their Community Spirit on A Day of Caring

State employees find a variety of ways to give back to their communities. On a recent Friday in September, a handful of intrepid Department of Revenue Property Tax Division staffers volunteered as a part of the United Way's "Day of Caring." Their project was to assist a couple elderly neighbors with clean-up and fix-up of their homes on Olympia's west side. The volunteers spent most of the day cleaning, weeding, hauling, painting, organizing, and beautifying. Department of Revenue employees do this sort of thing on their days off or they take annual leave to participate.

A great time was had by all of the exhausted volunteers. Only one volunteer suffered minor injuries – that being Mike Braaten, who narrowly escaped a close encounter with an angry yellow jacket. ♦



Front (l to r): Vicky Carr, Linda Smith, Judy Wells, Beulah Holman; **Back (l to r):** Mike Braaten, Mark Baca, Harold Smith; **Not pictured:** Peggy Davis

If opportunity doesn't knock, build a door.

— Milton Berle



Washington Department of Revenue, Property Tax Division

Property Tax Division
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Olympia, WA 98504-7471

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The Property Tax Review is published quarterly by the Department of Revenue's Property Tax Division. Comments and suggestions for featured topics should be forwarded to our newsletter editor.

DESCRIPTION OF PROGRAM OR SERVICE	CONTACT	PHONE NUMBER	E-MAIL ADDRESS
Property Tax Administration/Policy	Brad Flaherty Assistant Director	(360) 570-5860	BradF@dor.wa.gov
Property Tax Program Coordinator	David Saavedra	(360) 570-5861	DavidS@dor.wa.gov
General Information FAX	Receptionist	(360) 570-5900 (360) 586-7602	
SPECIFIC TOPICS			
Accreditation	Leslie Mullin	(360) 570-5865	LeslieMu@dor.wa.gov
Accreditation Testing	Patty Concepcion	(360) 570-5866	PattyC@dor.wa.gov
Advisory Appraisals	Howard Hubler	(425) 356-4850	HowardH@dor.wa.gov
Appraisals & Audits for Ratio Study	Rick Bell Dave McKenzie	(509) 663-9748 (360) 256-2125	RickB@dor.wa.gov DaveM@dor.wa.gov
Annexation/Boundary Change Rules	Diann Locke	(360) 570-5885	DiannL@dor.wa.gov
Boards of Equalization	Diann Locke	(360) 570-5885	DiannL@dor.wa.gov
County Performance & Admin. Program	Kathy Beith	(360) 570-5868	KathyB@dor.wa.gov
Current Use/Open Space Assessment	Leslie Mullin	(360) 570-5865	LeslieMu@dor.wa.gov
Designated Forest Land	Leslie Mullin	(360) 570-5865	LeslieMu@dor.wa.gov
Destroyed Property	Kathy Beith	(360) 570-5868	KathyB@dor.wa.gov
Education & Training for County Personnel	Patty Concepcion	(360) 570-5866	PattyC@dor.wa.gov
Exemption & Deferral Program	Harold Smith Mike Braaten	(360) 570-5864 (360) 570-5862	HaroldS@dor.wa.gov MichaelB@dor.wa.gov
Forest Tax General Information		1-800-548-8829	
Forms	Leslie Mullin	(360) 570-5865	LeslieMu@dor.wa.gov
Governmental & Miscellaneous Exemptions	Mike Braaten	(360) 570-5862	MichaelB@dor.wa.gov
Industrial Property Valuation	Howard Hubler	(425) 356-4850	HowardH@dor.wa.gov
Legislation	Harold Smith	(360) 570-5864	HaroldS@dor.wa.gov
Levy Assistance	Diann Locke	(360) 570-5885	DiannL@dor.wa.gov
Mobile Homes	Pete Levine	(360) 570-5884	PeteL@dor.wa.gov
Nonprofit/Exempt Organizations	Sindy Parshall	(360) 570-5870	SindyP@dor.wa.gov
Personal Property	Pete Levine	(360) 570-5884	PeteL@dor.wa.gov
Railroad Leases	Bill Johnson	(360) 570-5882	BillJ@dor.wa.gov
Ratio Study	Deb Mandeville	(360) 570-5863	DebM@dor.wa.gov
Real Property	Howard Hubler	(425) 356-4850	HowardH@dor.wa.gov
Revaluation	Cindy Boswell	(509) 663-9747	CindyB@dor.wa.gov
Senior Citizens/Disabled Homeowners, Exemption/Deferral	Peggy Davis	(360) 570-5867	PeggyD@dor.wa.gov
Utilities Management	Neal Cook	(360) 570-5877	NealC@dor.wa.gov
<input type="checkbox"/> Certification of Utility Values to Counties	Ha Haynes	(360) 570-5879	HaH@dor.wa.gov
<input type="checkbox"/> Code Area/Taxing District Boundary Changes & Maps	Jane Ely	(360) 570-5894	JaneE@dor.wa.gov
<input type="checkbox"/> Public Utility Assessment	Jay Fletcher	(360) 570-5876	JayF@dor.wa.gov
<input type="checkbox"/> PUD Privilege Tax	Paul Hutt	(360) 570-5869	PaulHu@dor.wa.gov