



April 2009

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Recipient of Governor's Leadership Award

By Harold Smith, Program Manager

A very proud Cindi Holmstrom, Director of the Department of Revenue, advised us that Brad Flaherty will be awarded the **2009 Governor's Award for Leadership in Management**. The general announcement will come in the next few days. He will receive the award in a special ceremony with Governor Gregoire in May.

As most of you know, Brad is the Assistant Director of the Department's Property Tax Division. He joined our Division in 2006 after holding key management positions in the Audit Division and Taxpayer Services Division. Those of us that work with him believe the award was granted because he models

strategic thinking, informed decision-making, and outstanding ethics to everyone involved in the property tax system.



Brad Flaherty
Assistant Director
Property Tax Division

When Cindi Holmstrom was asked to comment on the nomination and the award, she observed: "Brad infuses the Property Tax Division with a critical perspective that

allows him to lead the division beyond entrenched ways of thinking. He uses his mastery of communication to build solid, lasting relationships based on mutual understanding of issues and information..."

Brad was a bit overwhelmed when informed about the award and immediately began to credit the 63 property tax staffers that he leads. We appreciate Brad's effort to share the award with us, that's just the way he is. However, today is Brad's day. The award is well-deserved, and we hope you will join us in saying....

Congratulations Brad!

2009 Legislative Session Comes to a Close

By Harold Smith, Program Manager

The 2009 Regular Session of the Washington State Legislature has ended. This 120-day session began back on January 12. Since the opening bell, over 200 bills were introduced that had a property tax connection. The

Property Tax Legislative Team analyzed about 140 of these proposals in detail and monitored their daily progress through the system as the bills were heard in committees, debated, amended, and voted on.

Our role in the process is to analyze proposals, help add up the costs, and determine if the proposal could be administered without unintended consequences. Ultimately, the policy decisions are made by the

(Continued on page 10)

Special points of interest:

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

This Quarter's Reminders

April 30

Personal property listing forms are due to the county assessor. Penalties apply. (RCW 84.40.020, 040, 060 and 130)

Taxes are due. If taxes are less than \$50, full payment is due. If taxes are \$50 or more, one half of the payment is due. Second half payment is due October 31. (RCW 84.56.020)

PUD Privilege Tax billings are issued.

May 1

Applications for forest land designation are considered approved unless assessor has notified the owner otherwise. (RCW 84.33.130)

Current use farm and agricultural land applications are considered approved unless assessor has notified owner otherwise. (RCW 84.34.035)

May 31

County assessors complete valuation on all property. Property may be added later (new construction and mobile homes) after giving written notice to the taxpayer. (RCW 84.40.040)

June 1

Three percent penalty assessed on the current year's delinquent taxes. (RCW 84.56.020)

PUD Privilege Tax is due.

June 30

(On or before) DOR prepares stumpage values for July through December 2009. (RCW 84.33.091)

DOR determines value of state assessed property and sends Tentative Value Notices.

July 1

Appeals to the County Board of Equalization must be filed by today or within 30 days of notification. County legislative authority may extend the deadline up to 60 days by adoption of local ordinance/rule. (RCW 84.40.038)

(Continued on page 3)

Current Use Parcels in Foreclosure

By Leslie Mullin, Current Use Specialist

Over the past couple of months, I have received many inquiries as to whether land in a current use classification must be removed by the assessor if it is in the process of being foreclosed on. Foreclosures usually occur because of delinquent property taxes and/or mortgage payments. In either case, a court may order the sale of the property to satisfy the delinquent taxes or the conditions of the mortgage.

RCW 84.34.108 is the law that addresses how property is removed from current use classification. This statute sets forth the specific circumstances when property is required to be removed from classification. Foreclosures are not among the list of circumstances that requires the assessor to remove land from classification.

If the land has not been removed from classification at the time of the foreclosure sale, the new owner can choose whether to sign a Notice of Continuance. If a Notice of Continuance is signed and all other conditions for classification are met, the land would be allowed to continue in its current use classification. If a Notice of Continuance is not signed or the conditions for classification cannot be met by the new owner, the land must be removed from classification and the additional tax, interest, and penalty become due at the time of sale. [RCW 84.34.108 (1)(c)]

If the foreclosure is initiated by the county because of delinquent property taxes, the county treasurer will place the property in foreclosure status. The county treasurer, following the guidelines of RCW 84.64.050, will then file certificates of delinquency for all taxes, interest, penalties, and costs due. These would include any lien held by the county for additional tax, interest, and penalty if the property was removed from classification.

Through a foreclosure sale, ownership of classified land may be transferred to individual purchasers, a county, or a lending institution that repossesses the land because of delinquent mortgage payments. If ownership is transferred to a county, the land must be removed from classification because the transfer would result in the land becoming exempt from ad valorem taxation. [RCW 84.34.108(1)(b)]

If ownership is transferred to individual purchasers or a lending institution, a Notice of Continuance may be signed. The individual purchasers or lending institution is then responsible for the land being used according to its classification. Although a lending institution is not in the business of acquiring land for farming, commercially growing and harvesting timber, and land conservation, the land can be leased to someone who will use it as it is currently classified until it is sold or transferred. Ultimately, the assessor makes the decision on whether to grant continuance based on the information they are provided. ♦



Annual Revaluation Project

Residential Quality, Condition, & Effective Age Workshop Overview

By Vicky Carr, Real Property Analyst

I recently attended the Residential Quality, Condition, and Effective Age Workshop. It was offered by WSACA (Washington State Association of County Assessors) and the Department of Revenue. Instructed by Rick Stuart, CAE, of Topeka, Kansas, classes were held in both Olympia and Ellensburg. The students in the class I attended in Olympia were commenting on how good the class was throughout the two-day presentation.

The course material was divided into eight sections:

Sections 1 and 2 briefly covered USPAP and the Cost Approach.

Sections 3 and 4 covered Quality and Condition. Quality and condition are subjective fields; they are based on appraiser judgment. These sections focused on how to determine quality and condition ratings and how to achieve uniformity of ratings amongst appraisers. The quality and condition stratifications were based upon Marshall & Swift criteria (definitions). Developing both quality and condition picture guides is beneficial to training and achieving uniform ratings. A few counties have developed Data Standards Manuals, which have been beneficial in establishing uniformity amongst appraisers

The class manual reminds us, *“Quality refers to both the workmanship and the materials used.”* A major point that was made over and over was *“do not confuse quality with condition”* and *“do not confuse quality with location.”* The quality of a home remains the same regardless of its location and condition. Size is not the determining factor for quality but can be a contributor. The current trend in housing is to build smaller, better quality homes. Actual construction costs may assist in determining quality. Section 3 states, *“The selection of the appropriate quality rating is a major factor in the development of an accurate cost estimate.”* Verification of an accurate rating can be done by comparing replacement cost to actual cost. Cost data must be brought current to your local market; this requires market analysis. Several counties have developed quality checklists which are helpful in the field. If you are interested in additional information about the Quality Checklists or Data Standards Manuals, please contact Vicky Carr at (360) 570-5899 or VickyC@dor.wa.gov.

Condition was noted as *“a judgment of the depreciation of an improvement.”* Section 4 states, *“The determination of condition leads directly into calculations for effective age.”* Points to remember are landscaping does not affect the condition of the improvements and *“any influence for neighborhood is economic obsolescence and not related to condition.”*

Section 5 was Physical Deterioration using Effective Age. This section included a discussion of the age/life method, estimating total economic life and depreciation based on comparable sales, how to build depreciation tables from market data, and how to determine if the tables are correct using a ratio study. It was noted that remodeling can change the effective age of a home. The new effective age should be extracted from the market if sale data is available, otherwise, use appraisal judgment. One final reminder was, make sure depreciation is relational. For example, an average quality home with the same effective age as a good quality home should not have a lower depreciation rate than the good quality home.

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This Quarter's Reminders

(Continued from page 2)

July 15

County Boards of Equalization meet in open session. Minimum session is three days; maximum session is four weeks. They may meet earlier if authorized by county commissioners. (RCW 84.48.010)

(On or before the second Monday) County officials and local taxing districts begin preparing estimated budgets for submission to county auditor on or before the second Monday in August. (RCW 36.40.010)

Requests for hearings on state's assessment of public utility property are made. (RCW 84.12.340) (Ten working days after June 30.)

July 16

Hearings on state assessment of public utility property begin, continuing through July 29. (Eleven working days after June 30.)

August 1

Most taxing district boundaries established for levy collection next year. (RCW 84.09.030)

Nonprofit property tax exemption determination completed by DOR. (RCW 84.36.830)

August 20

Final values of state assessed properties issued.

August 31

(On or before) DOR notifies county assessors of properties exempt from property tax. (RCW 84.36.835)

New construction placed on current assessment roll at the valuation assessed July 31. (RCW 36.21.070 through 36.21.090)

DOR estimates the number of acres of public forest land that are available for timber harvest for each county and for each taxing district. (RCW 84.33.089)

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 ◆

2009 Upcoming Training

(State/County Personnel ONLY)

May 20

Current Use — Basic
Ellensburg — \$75

May 21

Current Use Admin. Workshop
Ellensburg — \$50

June 16-17

Board of Equalization New Member
Training
Tumwater — *Free*

June 18

Board of Equalization Senior Member
Training
Tumwater — *Free*

June 23

Board of Equalization Senior Member
Training
Everett — *Free*

June 25

Board of Equalization Senior Member
Training
Ellensburg — *Free*

July 15

Senior Exemption/Deferral Training —
Basic
Ellensburg — \$75

July 16

Senior Exemption/Deferral Admin.
Workshop
Moses Lake — \$75

July 21

Senior Exemption/Deferral Training—
Basic
Olympia — \$75

July 22

Senior Exemption/Deferral Admin.
Workshop
Olympia — \$75

For further information, contact:

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Residential Quality Workshop Overview (cont.)

(Continued from page 3)

Section 6 was about Functional Obsolescence. He noted, “Use of a costing manual to develop replacement cost new, removes any functional obsolescence that may have been built at the actual construction date.” There are times when functional obsolescence is more than usual; when this occurs, the additional obsolescence will need to be measured from the market and added to the depreciation.

Section 7 was on Economic Obsolescence, which is also referred to as locational or external obsolescence. A “stigma” or a perception about the property may also impact economic obsolescence. Examples of this may include a property that was formerly contaminated but is now cleaned up or a property where a homicide was committed.

Section 8 covered Depreciation & Effective Age Extraction. This section had several depreciation exercises and included instruction on how to use the Marshall & Swift depreciation table. A discussion of seven alternative effective age calculation methods was included. In the recap, Stuart stated, “Depreciation is an analysis of market conditions and the actions of buyers and sellers. In order to build a good depreciation table, it requires a reasonable number of sales, extraction from the market, appraisal judgment, reasonableness, and consistency.”

At the end of class, ‘case studies’ were solved that required the application of the information presented in the various sections of this course. The course material provided definitions, theory, and hands-on training that allowed the student to leave with a good understanding of how to determine quality, condition, and effective age and achieve uniformity amongst appraisers. ♦

Attention Boards of Equalization

By Kathy Beith, County Performance & Administration Program Manager

The Department of Revenue has scheduled 2009 training for members of county boards of equalization (BOE), along with clerks, hearing examiners, and other BOE personnel. Training will be held during the third and fourth weeks of June. All BOE members are statutorily required to attend training within one year of appointment or re-appointment to the board.

New member training will focus on laws, rules, hearing procedures, valuation theory and processes, and other topics of importance as new members begin performing their duties. Senior member training will spotlight current issues, including 2009 legislative changes and valuation issues in the current economy. We will also spend time educating BOE members and staff about mass appraisal processes and reading mass appraisal reports. In order to effectively meet their responsibilities, it’s vital that BOE members understand processes used by county assessors.

Class information and registration forms have been sent to county boards of equalization. Questions regarding registration for these classes may be addressed to Patty Concepcion at PattyC@dor.wa.gov or Diann Locke at DiannL@dor.wa.gov. ♦

2009 Personal Property Electronic Filing Form Available

By Pete Levine, Personal Property Supervisor

The Property Tax Division recently updated the **2009 Electronic Filing of Personal Property Listing** form and posted it on the Department of Revenue's website. Business owners are required to file an annual listing of all their taxable personal property located in each county as of January 1st. As the Department's Microsoft Excel electronic form is an intended for use by those filing a listing for the first hard-copy format or another electronic format are property is located for an applicable listing form.

Filing of Personal Property Listing form, especially promote uniformity with the assessment of also sent directly to those county assessment staff working with personal property tax.



As counties transition to their own e-filing systems, the alternative for filing personal property listings and is time. Individuals choosing to file a listing in an alternate directed to contact the county assessor where the The Department recommends assessors use the **Electronic** for first-time filers of personal property, in order to personal property. An electronic copy of this form was

The form is available for download on the Department's website at this address:

<http://dor.wa.gov/docs/forms/PropTx/Forms/ElectrFilingPersPropList.xls> ♦

Property Tax Deferral Program Expected to Grow in 2009

In 2008, the Property Tax Deferral for Homeowners with Limited Income was introduced to help struggling homeowners pay their 2nd half taxes and/or special assessments. The program was designed as a tool to help taxpayers stay in their home and weather the mortgage crises. About 70 households used the program last year to get much needed relief from mortgage payments and property taxes.

Applications for the second year of the limited income property tax deferrals are expected to be filed with county assessors soon. Homeowners with household disposable incomes under \$57,000 per year are eligible to defer their second half property taxes or special assessments. Applicants must have owned the home for at least five years, reside in the home, and have a combined annual household disposable income of \$57,000 per year or less.

The first half property taxes must be paid in order to defer paying taxes on the second half due in October. The total amount homeowners can defer cannot exceed 40 percent of the equity in their homes.

Application forms are available at county assessor offices or online at the Department of Revenue's web site at this link:

<http://dor.wa.gov/Docs/forms/PropTx/Forms/LowIncomeDeferralProg.doc>. Applications must be filed by September 1 and are approved by county assessors.

The Department of Revenue administers the payment and repayment process. For more information, see our publication titled **Property Tax Deferral for Homeowners with Limited Income** available at this link:

http://dor.wa.gov/Docs/Pubs/Prop_Tax/LimitedIncomeDef.pdf. ♦



Personal Property Frequently Asked Questions for Leased Equipment

By Pete Levine, Personal Property Supervisor

We periodically receive questions regarding leased equipment – questions both from those who lease or rent equipment and from those who are in the business of leasing equipment. Because of some of the inquiries we received, we thought we would re-run a few FAQs from past newsletters and combine them with a few newer ones. Feel free to contact Pete Levine at (360) 570-5884 or PeteL@dor.wa.gov with your personal property questions.

When personal property is leased, which party is responsible for reporting and paying property tax – the lessor or lessee?

The simple answer is that the "owner" is responsible to report and pay property tax, but the question as to who is responsible for the property tax can get confusing because of the fact that there are several types of leases and several ways to own things. It can even get more confusing when sales of assets are structured as leases. The intention of this question is to be a "refresher" on how to know who to bill the property tax – the owner or lessee.

According to RCW 84.40.020, all personal property in this state subject to taxation shall be listed and assessed every year, with reference to its value and ownership on the first day of January of the year in which it is assessed. So the key word is "ownership." When substantial property rights are transferred by lease to the lessee, the lessee essentially becomes the owner for tax purposes.

RCW 84.40.185 also requires those who own, possess, or control taxable personal property to file a personal property listing with the assessor. As a result, the Department commonly advises that both lessor and the lessee need to list any leased equipment on their respective annual personal property listings. The assessor will then determine who should be assessed with only one needing to be assessed. The assessor needs to keep in mind criteria and details set forth in Property Tax Advisory (PTA) 10.1.2009, "True Lease' or Security Agreement" and may also need to communicate with both the lessor and the lessee in order to obtain more information.

The goal is both to avoid double assessment and omitted assessment for any personal property subject to taxation.

PTA 10.1.2009 provides further detail, guidance, and clarification to some of the issues involved in determining who is responsible for paying taxes in lease situations. The PTA can be accessed at http://dor.wa.gov/Docs/Pubs/Prop_Tax/PTA10_1_2009.pdf

What is the difference between a "True Lease" and "Security Agreement" (sometimes called a "capital lease")?

A "security agreement" is essentially a financing agreement, or installment contract and transfers substantial ownership of the property to the lessee and in most instances requires the lessee to pay personal property taxes. A "true lease" on the other hand, does not transfer ownership and the personal property taxes are the responsibility of the lessor (owner).

PTA 10.1.2009, "True Lease' or Security Agreement" provides much of the details, stemming from a 1981 Court of Appeals case setting forth criteria for determining whether an agreement was intended to be a true lease or an installment contract. The criteria cited in the case identifying a lease as a security agreement included:

- (1) whether the lessee is given an option to purchase the equipment, and, if so whether the option price is nominal;
- (2) whether the lessee acquires any equity in the equipment;
- (3) whether the lessee is required to bear the entire risk of loss; or
- (4) pay all charges and taxes imposed on ownership;
- (5) whether there is a provision for acceleration of rent payments, and
- (6) whether the property was purchased specifically for lease to this lessee.

The PTA further goes on to expand each of the six factors from the court case, and is accessible at: http://dor.wa.gov/Docs/Pubs/Prop_Tax/PTA10_1_2009.pdf

In summary, whether a lease agreement constitutes a "true lease" or merely a disguised sale of the property is determined by the intent of the parties as evidenced by the provisions of the agreement between them and, when necessary, by the facts and circumstances surrounding the transaction. The criteria as set out in the PTA will help to make this determination.

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Personal Property Frequently Asked Questions for Leased Equipment (cont.)

(Continued from page 6)

So if an exempt public entity, such as a government entity, leases a copy machine, is the copy machine taxable or exempt personal property?

The lease agreement dealing with personal property leased to a government entity (or a nonprofit organization) must be read carefully to determine whether it is a true lease or a security agreement. Property that is the subject of a security agreement may be considered to be owned by the lessee where it meets the criteria set forth in the PTA 10.1.2009. If the government entity is the lessee, and the lease is a security agreement, the property – in this case a copy machine – would be entitled to an exemption, under the provisions in RCW 84.36.010. However, if the lease is arranged as a true lease, then the copy machine would be taxable to the lessor.

Again, see PTA 10.1.2009, “*True Lease’ or Security Agreement*” for complete details.

I lease a copy machine, where my lease contract has the leasing company paying the personal property tax. They then bill me for the property tax to pay. However, I see that the leasing company charges me sales tax on the property tax they bill me. Is this correct – can they do that?

Yes, sales tax is collected on all costs of the transaction including the cost of the property tax. Leasing companies owe property tax on personal property leased to other persons, where many lease agreements allow the leasing company to bill the lessee for personal property tax. So in those cases, it looks like a tax on a tax but the sales tax is really a tax on the gross amount of the transaction, as the leasing company is merely recovering a cost of doing business. Specifically, under RCW 82.08.010(1), the definition of the term “selling price” includes taxes as part of the total consideration.

As a result, and because the selling price of leased property includes taxes, leasing companies must collect sales tax when billing a lessee for property tax. The property taxes are part of the consideration paid for the equipment and are therefore part of the “selling price” for purposes of retail sales tax.

When the assessor is valuing leased equipment, should assessor use the acquisition date or the in service date?

Some leasing companies provide personal property listings to assessors showing the year the assets were acquired and the year the assets were put into service, usually no more than a one or two year’s difference. This difference leads to the question of “what year should be used to estimate the value?”

In answering this question, we need to look at how personal property is valued in Washington State, which generally is a reproduction cost approach. The specific method we recommend in Washington State is “Trended Investment Method.” Essentially, the historical cost is trended to current cost and then depreciated. The Department annually publishes *Personal and Industrial Valuation Guidelines* which includes a Combined Table (table), incorporating two factors – trend and depreciation.

Using the table, the historical cost is converted into an estimate of value by multiplying the historical cost by a percent good factor. The trend is intended to recognize the change in price from the time the property was manufactured or first acquired to the value estimate date. The table can be found as part of the Department’s *Personal and Industrial Valuation Guidelines* at: http://dor.wa.gov/content/findtaxesandrates/PropertyTax/prop_PsnlPropValSched.aspx

Property owners who have taxable personal property are required to list the original cost and the date acquired for taxable assets. The guidelines provided by the Department are the most accurate when applied to the historical cost using the year the asset was first acquired, that is when purchased new. “Historical cost” is the cost when the first owner acquired the asset, whereas “original cost” is the cost to the current owner. Historical cost and original cost are the same for the first owner. However, for used equipment, current owners might not have knowledge of historical cost, but should know the original cost and then would report the original cost.

Depreciation is intended to recognize loss in value. Several things cause depreciation but mostly wear and tear caused by use and obsolescence as a result of advances in technology or improvements to products. Our guidelines look at depreciation as a factor reflecting an annual loss in value based on the expected useful life of the asset. So, both the trend and the depreciation are based on time that we measure in annual increments.

When the trend indicates prices of a product are (typically) increasing and depreciation recognizes a decline in value, a combined factor is created by multiplying the trend factor by the depreciation factor. This results in a factor, or multiplier, taking into account both trend and depreciation.

(Continued on page 8)

Personal Property Frequently Asked Questions for Leased Equipment (cont.)

(Continued from page 7)

In answer to the original question of which year should be used to estimate the value – acquisition year or in-service year? From a purely valuation standpoint, the trend should be based on the year acquired and the depreciation should be based on the in-service date. *However*, the combined table does not allow for that kind of application, not to mention that the administration for these situations would be complicated. Therefore, the Department recommends for these situations that the acquisition year be used as the basis for valuation.

When a business leases equipment, then exercises a buyout option, paying a lump sum amount at the end to purchase the equipment, what cost should be used to value the equipment – the buyout price or the historical cost?

The Department recommends to retain and use the historical cost and the acquisition year at the time initially leased – not the buyout price and year. The *Personal and Industrial Valuation Guidelines* work well when applied to the cost of used equipment; however, the guidelines work best to value equipment that was acquired new at the historical cost. In the case of leases where there is a buyout option, the buyout price generally does not reflect a market value cost. This is especially the case for leases that are in effect a security agreement, where buyout represents minimal (or nominal) value and would not any relationship to true and fair value of the equipment. ♦

New Faces, New Places

Tim Harrington was just promoted as a PAS4, Auditor/Appraiser in our Ratio Program. Tim has been with Property Tax since 2007, coming to us with 12 years experience with the Compliance Division and four years with the Audit Division. Tim's tri-fecta of Revenue experience gives him a unique perspective on tax issues for a variety of businesses. As a WSU grad (Go Cougs) he will continue to provide balance and sanity to our Everett Field Office. Congratulations Tim!



Tim Harrington

In March, **Judy Wells** was promoted to a Property & Acquisition Specialist 4 in the County Performance & Review Section. Judy joined Property Tax last year and helped with the implementation of the Limited Income Deferral program and audits within the Exemption & Deferral Section. Adding to her 14 years experience with other Divisions of DOR, including Special Programs, Judy will now focus on reviews of assessor processes. These on-site reviews result in recommendations to enhance performance and/or compliance with laws. She will also use the on-site reviews to watch for especially strong practices or an effective process that can be shared with other counties through a best practice report. Initially, Judy will focus on the area of current use administration and conduct the current use land audits in counties with high levels of participation in the Current Use Program. Judy has already proven her skills in dealing with a variety of people in highly charged situations. She is also experienced in developing and presenting educational programs to tax professionals. More importantly, Judy has already shown that she can keep us organized here in the Olympia office. Well done, Judy!



Judy Wells

Stan Harris completed a one year rotation with the Property Tax Division in March. He originally came to us from the Department's Compliance Division where he worked extensively on the agency's data warehouse. Stan made contributions in every corner of our Division. He designed programs, analyzed processes, and taught us how to get the most out of our existing data collection systems. He also worked with other agencies and county assessors on our behalf. Stan developed methods to discover unlisted personal property, extract valuable information from Exemption programs, and developed a new legislative tracking and analysis tool. The products and enhancements he created will help us for several years to come. Stan is back with the Compliance Division and is working with the Information Services Division to continue the development of the Agency's Data Warehouse. Thanks Stan! ♦



Stan Harris

Property Tax Special Notices

Property Tax 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 will go 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 the ListServ. This can be done by going to www.dor.wa.gov, clicking "Find Taxes and Rates," then clicking "Property Tax," and one more click to "Join E-mail Service." A notice will usually provide a contact for more information on the topic.

March 6, 2009

NEW

Property Tax Exemption for Nonprofit Hospitals

Discusses the proposed changes to WAC 458-16-270 and the property tax exemption provided to nonprofit hospitals. Invites stakeholders to participate in the formal rule making process which should begin shortly after the 2009 Legislative Session is complete.

http://dor.wa.gov/Docs/Pubs/SpecialNotices/2009/sn_09_ExemptionforNonprofitHospitals.pdf

April 22, 2009

NEW

Determining the Limit Factor for Increases in Property Tax Levies

Discusses the effect that deflation (a decline in the Implicit Price Deflator) may have on the calculation of property tax levy limit factors and the growth of property tax levies.

http://dor.wa.gov/Docs/Pubs/SpecialNotices/2009/SN_09_LimitFactorInPropertyTaxLevies.pdf ♦

Property Tax Advisories

Property Tax Advisories (PTAs) are formal, interpretive statements authorized by RCW 34.05.230. The following PTAs were updated or introduced in 2009. The complete list of active Property Tax Advisories can be found on the Department's website under *Property Tax Publications* or follow this link: http://dor.wa.gov/content/FindTaxesAndRates/PropertyTax/prop_RnLs.aspx. For additional information about these interpretations, please contact the appropriate Property Tax Division staff listed on the attached Property Tax Division Contact List.

PTA 14.2.2009 - Transfer or removal of land owned by a federally recognized Indian Tribe classified under chapter 84.33 or 84.34 RCW.

This advisory concludes that compensating tax or additional tax is not due when land owned by a federally recognized Indian Tribe is transferred or removed from designation under chapter 84.33 RCW or classification under chapter 84.34 RCW.

http://dor.wa.gov/Docs/Pubs/Prop_Tax/PTA14_2_2009.pdf

PTA 15.1.2009 – Low Income Housing Valuation

This PTA was finalized in February 2009 and provides guidance to assessors in determining the effects of government restrictions on the value of low income housing properties enrolled in state or federal programs.

http://dor.wa.gov/Docs/Pubs/Prop_Tax/PTA15_1_2009.pdf ♦



Join Our Distribution Lists . . .

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>



2009 Legislative Session Comes to a Close (cont.)

(Continued from page 1)

Legislators and the Governor. Most measures do not gather enough support to pass all the way through the legislative process to reach the Governor's desk. As the session closed, only 16 of the property tax related bills appear to have passed.

Property Tax Exemptions & Deferrals

About 40 of the introductions affected property tax exemptions and deferrals. In recent sessions, exemption bills seemed to focus on adjusting existing exemptions to improve the benefit to the individual or organization or provide flexibility in the use of exempt properties. Only one bill actually passed in this category. It provides that Performing Arts & Museum properties can be used for additional community events and a few more days of business activity each year.

Property Tax Levies, Relief and Reform

In recent sessions, there have been dozens of bills and constitutional amendments introduced to make major changes in the property tax system or give widespread property tax relief. Valuation caps, homestead exemptions, limits on the increases in individual tax

bills, and other significant changes are proposed each year. In our budget-based property tax system, these major changes often shift the tax burden from one group of taxpayers to another. Ideas that actually provide taxpayer relief come with a cost in lost revenue or an expensive administrative burden. No major reforms passed this year. These measures appeared to take a back seat as Legislators focused on the budget crisis. None of the major changes proposed in this category were passed in this Session.

Valuation and Assessment

We know that a lot of valuation limit ideas and public cries for property tax reform come from valuation "sticker shock" experienced when a taxpayer receives their valuation notice from the assessor. This effect is even more dramatic in cyclical counties, where only a portion of the county's properties (usually one quarter) are updated to market value in any one year. The appeal rate in cyclical counties is often twice that found in annual counties. The taxpayer dollars may be higher, and emotion can be doubled as well. The Legislature has concluded that converting all counties to annual revaluation is the correct next step to make the property tax system more uniform and fair statewide. Senator Prentice's bill to assist counties in that conversion by 2014 has passed, with the support of county officials and the Department.

Successful Legislation

The bills listed below have passed both houses of the Legislature and have been sent to Governor Gregoire for her action. We've included the legislative website link so you can review the legislation itself and its history as it moved through this process.

HB 1208 Concerning property tax administration.

<http://apps.leg.wa.gov/billinfo/summary.aspx?bill=1208&year=2009>

HB 1295 Annexing areas used for agricultural fairs.

<http://apps.leg.wa.gov/billinfo/summary.aspx?bill=1295&year=2009>

HB 1484 Regarding habitat open space.

<http://apps.leg.wa.gov/billinfo/summary.aspx?bill=1484&year=2009>

Property Tax Bills Recent Legislative Sessions			
Year	Bills Considered	Bills Passed	Session
2000	118	12	Short
2001	152	15	Long
2002	98	12	Short
2003	161	15	Long
2004	170	14	Short
2005	163	24	Long
2006	94	13	Short
2007	150	20	Long
2008	179	11	Short
2009	219	16 *	Long

* 16 bills have passed both the House & Senate, a few remain to be signed by the Governor to become law.

(Continued on page 11)



2009 Legislative Session Comes to a Close (cont.)

(Continued from page 10)

HB 1619 Concerning the use of capital projects funds by school districts.

<http://apps.leg.wa.gov/billinfo/summary.aspx?bill=1619&year=2009>

HB 1733 Concerning the property tax current use valuation programs.

<http://apps.leg.wa.gov/billinfo/summary.aspx?bill=1733&year=2009>

EHB 1815 Concerning current use valuation under the property tax open space program.

<http://apps.leg.wa.gov/billinfo/summary.aspx?bill=1815&year=2009>

HB 2331 Concerning the existing document recording fee for services for the homeless.

<http://apps.leg.wa.gov/billinfo/summary.aspx?bill=2331&year=2009>

SB 5045 Regarding community revitalization financing.

<http://apps.leg.wa.gov/billinfo/summary.aspx?bill=5045&year=2009>

SB 5355 Regarding initial levy rates for rural county library districts.

<http://apps.leg.wa.gov/billinfo/summary.aspx?bill=5355&year=2009>

SB 5368 Making provisions for all counties to value property annually for property tax purposes.

<http://apps.leg.wa.gov/billinfo/summary.aspx?bill=5368&year=2009>

SB 5401 Expanding the riparian open space program to include lands that contain critical habitat of threatened or endangered species.

<http://apps.leg.wa.gov/billinfo/summary.aspx?bill=5401&year=2009>

SB 5426 Authorizing certain areas in cities or towns to annex to a fire protection district.

<http://apps.leg.wa.gov/billinfo/summary.aspx?bill=5426&year=2009>

SB 5433 Modifying provisions of local option taxes.

<http://apps.leg.wa.gov/billinfo/summary.aspx?bill=5433&year=2009>

SB 5680 Modifying the property tax exemption for nonprofit artistic, scientific, historical, and performing arts organizations.

<http://apps.leg.wa.gov/billinfo/summary.aspx?bill=5680&year=2009>

SB 5688 Expanding the rights and responsibilities of state registered domestic partners

<http://apps.leg.wa.gov/billinfo/summary.aspx?bill=5688&year=2009>

SB 5901 Modifying provisions of the local infrastructure financing tool program.

<http://apps.leg.wa.gov/billinfo/summary.aspx?bill=5901&year=2009>

The Department is already working on plans for the bills where we have a role in their implementation. The Department may be directly involved in the administration or simply advise and support county staff who have to do the hard work. In our next issue of the Newsletter, we will describe the passed legislation in detail and outline how they will be implemented. If you have any questions about these measures, contact me at (360) 570-5864 or harolds@dor.wa.gov and I'll connect you with the Department's expert on that topic. ♦

Personal Property Discovery Tools For Assessors

The Property Tax Division recently distributed to county assessors new and closed business lists from 2008. Business owners are required to file with their county assessor an annual listing of all their taxable personal property used for business purposes located in the county as of January 1st. As part of the discovery of business personal property, the Property Tax Division annually sends each county assessor's office a list of businesses that were newly formed or closed in their county during the previous year. These lists were sent recently to all county assessors for new and closed businesses in 2008, to each respective county. The list includes business owner names and addresses, and is an option for the assessor to educate new business owners regarding personal property tax, as well as a tool for discovery of unreported business assets in the county. For businesses that have ceased operation during the previous year, assessors can use the list to confirm that the business has closed. ♦



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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.

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