



Property Tax Review

December 2003

Volume 4, Issue 3

Moving Forward

By Peri Maxey, Assistant Director

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Hello everyone. I'd like to take this opportunity to introduce myself as the new Assistant Director of the Property Tax Division. I know many of you, I've talked to others by phone over the years, but there are still some folks I haven't yet met.

I've worked in the Property Tax Division for the past 25 years. I've been involved in exemption, levy, current use, education, and the Boards of Equalization programs. I've conducted training, reviewed legislation and initiatives, and I've responded to many of your requests for information. While I've gained a lot of knowledge, there are still many questions that come to us as a matter of first impression. I find the work interesting and challenging. There is rarely a dull moment.

My vision for going forward is to continue to research and address issues brought to us by your offices and our taxpayers. Now more than ever before we are doing a better job of documenting our research and responses which leads to uniformity and consistency in application of the laws and rules we live by. The

refocusing of our efforts directed by Sandy Guilfoil has proven to be a successful transition into a new role. Our County Review Program is working in several counties helping to resolve long-standing issues. Our Levy Review Program has already undergone a metamorphosis into a program that looks to the future. We, like you, are committed to administering this complex property tax system in a fair and equitable manner while we are constantly looking for efficiencies.

"My vision is to continue to research and address issues brought to us by your offices and our taxpayers."

Very soon we will be deciding which advisory appraisals we can lend our assistance on to county assessors. We continue to work with the assessors' committees to find solutions to issues and, more importantly, to have the much needed discussions on various aspects

of our programs. Our 2004 training calendar will soon be available, and you will see that our staff continue to find education that is useful and relevant to your staff.

I would like to thank Gary O'Neil for his guidance this past year as he stepped in to oversee the operation of the Property Tax Division. He is now retired. I would also like to thank David Saavedra, our Program Coordinator, and Sheryl Campbell, our Administrative Assistant, for taking on additional responsibilities and ensuring that our customers did not feel any change to the services we provided during this time of transition. I will be contacting many of you to hear your ideas and comments. I welcome your thoughts and feedback. My phone number is (360) 570-5860. Please call.

I trust you will find the following articles interesting and instructive. If you have suggestions or issues you would like to see addressed in this newsletter, please let us know. ♦

Special points of interest:

- **Quarterly Reminders (see pages 4-5)**
- **Upcoming Training (see page 9)**

New Levy Forms

By Kathy Beith, Levy Supervisor



New Levy Certification and Resolution/Ordinance forms are available to taxing districts.

In response to a request from several assessors, the Department has created a standardized **Resolution/Ordinance** form that may be used by taxing districts that want to increase their property tax levies. The form, which has been sent electronically to all assessors, includes all the information required by RCW 84.55.120 (based on Referendum 47). The form is intended to be a tool that assessors and taxing district officials may opt to use to ensure the requirements of the statute are met. However, it is not mandatory that taxing districts use this form. Some districts already have a format they use in developing resolutions or ordinances. That's okay. Some districts may want to take some language from our new form and include it in their own format. That's okay, too. The important thing is to ensure taxing district officials know what information must be included in a resolution or ordinance in order to receive the property tax dollars they need.

We also developed a form that taxing districts may choose to use in certifying the amount of their levy. Again, the form is optional – taxing districts are not required to use this form. The main objective is to ensure taxing districts certify an amount to be levied. The levy certification is due to the county legislative authority each year by November 15. Both of these forms will be available on the Department of Revenue's web site located at the following link: http://dor.wa.gov/content/forms/forms_prop.asp. ♦

Revamped Levy Review Program

By Kathy Beith, Levy Supervisor

"We have made the decision to change the manner in which we are conducting our levy reviews."

It's now been 15 months since the Department of Revenue initiated a program to review levy calculations. During this time, we've discovered both benefits and pitfalls to our program. One issue that has arisen revolves around the verification of the correctness of the "highest lawful levy" -- the starting point for determining the 101% levy limit. After reviewing the statutes, our processes, and the data available on a statewide basis, we have made the decision to change the manner in which we are conducting our levy reviews and determining the accuracy of the 101% levy limit calculation.

Initially, we attempted to verify the highest lawful levy for each taxing district since the 1985 assessment year. This meant recalculating the levy limit for each year since 1985. However, sometimes the data wasn't available to calculate all levies back that far. Sometimes errors were found in the early years, and those errors compounded over time to become a much larger error in the current year. There is no clear statutory mandate to correct errors that occurred prior to January 1, 2002 -- even if those errors result in an error in the current year. Therefore, we have decided to take a prospective approach to levy reviews and begin our reviews with levy calculations for the year in which we first visit a county.



Our goal is to review levy calculations in all counties within the next two years.

As an example, if we visit County A in 2004, we will review the calculations of levies to be collected in 2004. In this manner, we will not review or verify the accuracy of prior year calculations. Rather, we will accept the levy limit as calculated by the assessor for the years prior to our first review. Subsequent levy reviews will cover the time period between the year in which we visit a county and the year of our last levy review. Continuing with our example, if our next visit to County A was in 2007, we would review levy calculations for taxes collected in 2005, 2006, and 2007.

We believe this new approach to the levy review program will enable us to review levy calculations in all counties within the next two years. So, we'll see you soon! ♦

2002 Assessor Statistics Released

By Cindy Boswell, Revaluation Specialist

A compilation of survey data related to the operation of assessors' offices titled, ***A Comparison of County Assessor Statistics for 2002***, (Comparison Report) has recently been released. The purpose of the Comparison Report is to provide property tax assessment administrators and decision-makers with a uniform set of comparative statistics to assist in the analysis and evaluation of their assessment operations and the adequacy of assessment resources. The Comparison Report is designed to serve as a starting point for the administrator or decision-maker.

Each county assessor is required to maintain an active and systematic program of revaluation. The respective plans are filed with and approved/disapproved by the Department of Revenue's Property Tax Division. One of the methods used to monitor revaluation progress is through a review of each county's annual *County Revaluation Progress Report* to the Department. As required, a summary of revaluation progress is provided to the Legislature through the Comparison Report. Data compiled from the progress reports and other sources is considered reliable, yet not guaranteed.

Highlights of the Comparison for 2002

Washington's 39 county assessors operate within

unique local geographical, political, and economic environments that often influence the attributes of a county's assessment system and the level of services they provide. Consequently, making direct comparisons between statewide averages or individual counties may result in distorted or misleading conclusions unless additional information is considered or more in-depth analysis is conducted.

Parcel Count—The statewide real property parcel count has increased from a 2001 level of 2,779,861 to a 2002 level of 2,797,727 or a growth rate in parcels of 0.6 percent. Parcel count is based on taxable parcels. The count does not reflect exempt parcels that are also listed and valued.

Some counties continue to struggle with complete listing of all new construction on the tax rolls.

Assessment Roll Certification—Many counties have made progress in timeliness of submitting certification to the Department.

Budgets—Nearly 50 percent of counties are experiencing a flat or reduced budget level while many are managing continued growth in parcels and workload. Comparison of assessors' budgets (less central services) from 2001 to 2002 reflects a budget change for individual counties in the range of -9.6 to 20.5 percent

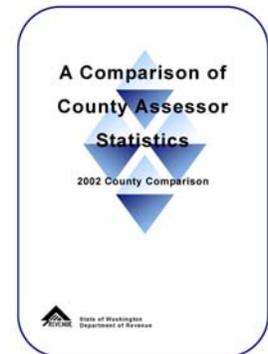
and a statewide simple average of 2.8 percent growth in budgets. Budgets (less central services) from 2002 to 2003 reflect a budget change for individual counties in the range of -15.6 to 18.3 percent and a statewide simple average of 0.8 percent growth in budgets.

Staffing—Level of staffing, as measured by FTE equivalents on a statewide basis, decreased 1.4 percent from 2001 to 2002.

Workload—Statewide the average number of parcels per appraiser was 6,137 parcels in cyclical counties, and 5,880 parcels in annual counties. The average number of inspections per appraiser per year was 1,612 inspections in cyclical counties, and 992 inspections in annual counties.

The current issue of ***A Comparison of County Assessor Statistics*** will soon be available through the DOR web site, together with the previous issues that are currently available. The internet address is: <http://dor.wa.gov> under the link "Statistical Reports."

Questions or comments regarding this survey should be directed to Cindy Boswell, Property Tax Specialist, County Review Program, at (509) 663-9747, e-mail: cindyb@dor.wa.gov. ♦



The new issue will soon be available through the Department of Revenue's web site.

Nearly 50 percent of counties are experiencing a flat or reduced budget level while many are managing continued growth in parcels and workload."



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This Quarter's Reminders

December 1

An additional penalty of 8% shall be assessed on current year's taxes delinquent on December 1. (RCW 84.56.020)

December 1 (First Monday)

Board of Co. Commissioners may meet to hold budget hearings provided for in RCW 36.40.070. (RCW 36.40.071)

December 31

Last day to file application for designation of forest land on 2004 assessment roll. (RCW 84.33.130)

December 31 (On or Before)

Dept. of Revenue sets stumpage values for January through June, 2004. (RCW 84.33.091) Senior citizen & disabled persons property tax exemption claims filed with assessor. (RCW 84.36.385) Interest rate applicable to open space values shall have been set by the Dept. of Revenue. (RCW 84.34.065) Dept. of Revenue determines true & fair value of each grade of forest land and certifies values to county assessor. (RCW 84.33.120)

January 1

Date real & personal property subject to taxation & valuation for assessment purposes. (RCW 84.36.005 & RCW 84.40.020) Taxes are payable on & after Feb. 15 the following year. (RCW 84.56.020) Also first day to apply for open space assessment for Jan. 1, 2005. (RCW 84.34.030)

January 15

County assessor shall deliver tax roll to county treasurer and

(Continued on page 5)

PROPERTY IN MOTION

Personal Property Assessment Issues

By Neal R. Cook, MAI, Personal Property Specialist

The focus of this column is personal property valuation and administration issues. If you have topics or questions that you would like included in a future issue, please let me know. Contact me via e-mail at NealC@dor.wa.gov or by phone at (360) 570-5881.

Does the Business Inventory Exemption Apply to Mobile or Manufactured Home Dealers, and is a Mobile Home Located in a Mobile Home Park considered Real or Personal Property?

The business inventory of a mobile or manufactured home dealer is the mobile and manufactured homes they have for sale. Is this business inventory ever subject to property taxes?

RCW 84.36.477 exempts business inventories from property taxation. Business inventories, according to this statute, are defined as "all livestock, inventories of finished goods and work in process, and personal property not under lease or rental, acquired, or produced solely for the purpose of sale or lease or for the purpose of consuming the property in producing for sale or lease a new article of tangible personal property" Sounds like all the mobile homes held for sale by a dealer are exempt, doesn't it?

A mobile home dealer's inventory is specifically addressed in RCW 84.36.510. This statute says, in part, that "[a]ny mobile home which is a part of a dealer's inventory and held solely for sale in the ordinary course of the dealer's business and is not used for any other purpose shall be exempt from property taxation"

Combined, these two statutes seem to indicate that business inventories are personal property, and a dealer's mobile home can't be used for any other purpose such as an office or as a storage unit. Let's consider another statute — RCW 84.04.090. This statute defines real property and is quoted here in part:

The term "real property" for the purposes of taxation shall be held and construed to mean and include the land itself, whether laid out in town lots or otherwise, and all buildings, structures or improvements or other fixtures of whatsoever kind thereon The term real property shall also include a mobile home which has substantially lost its identity as a mobile unit by virtue of its being permanently fixed in location upon land owned or leased by the owner of the mobile home and placed on a permanent foundation (posts or blocks) with fixed pipe connections with sewer, water, or other utilities...

Considering these statutes, when a mobile home is set up as a model, it is exempt as long as it is still "personal property;" however, if the mobile home is placed on a permanent foundation and connected with fixed pipe connections with sewer, water, or other utilities, it is considered "real property."

The obvious question is — when a mobile home is considered real property, does that make it taxable even if it is for sale and part of the dealer's business inventory? The answer to this question is *yes*. Only personal property inventory is exempt from property taxes, so when a mobile or manufactured home loses its identity as personal property, it is considered real property and, therefore, taxable.

Consider another situation. A county assessor places mobile homes on leased or rented lots, such as in a mobile home park, onto the personal property roll. This is in error. Mobile homes on a

Does the Business Inventory Exemption Apply to Mobile or Manufactured Home Dealers, and is a Mobile Home Located in a Mobile Home Park considered Real or Personal Property? (cont.)

permanent foundation with fixed pipe connections are considered real property, whether or not they are located within a mobile home park or on land owned by the mobile home owner. The exemptions provided by RCW 84.36.477 and 84.36.510 only apply to personal property inventory. Thus, these exemptions do not apply to any mobile home that a dealer has placed on a leased or rented lot, regardless of whether the assessor places the mobile home on the personal property roll, where the mobile home has substantially lost its identity as a mobile unit by virtue of its being permanently fixed in location upon land owned or leased by the dealer and placed on a permanent foundation of posts or blocks with fixed pipe connections with sewer, water, or other utilities.

What about park models (commonly referred to as park trailers or park model trailers)? RCW 84.36.595 indicates that park models, as defined in RCW 46.04.622, are considered real property and subject to property taxation when they have substantially lost their identity as a mobile unit by virtue of their being permanently sited in location and placed on a foundation of either posts or blocks with connections with sewer, water, or other utilities for the operation of installed fixtures and appliances.

Mobile homes and park model trailers that have lost their identity as mobile units are real property. As a result, the exemption for business inventory does not apply when a dealer places these units on rented or owned lots and sets them up in a way that makes them permanent with utility connections. In these situations, the property is not exempt regardless of which roll the assessor lists and values the property. ♦

Electronic Filing is Here — Where? Answer: Your County

Substitute House Bill 1278 as passed by the 2003 Legislature allows for the electronic filing of personal property listings by amending RCW 84.40.040, 84.40.060, 84.40.070, and 84.40.190. This law also removes the signature requirement of the personal property listing, formally known as the Personal Property Affidavit. The result is that the listing now does not require a signature and should no longer be referred to as an "affidavit." It is now simply considered a "personal property listing."

Since RCW 84.40.040 no longer requires that a personal property listing be signed and verified under penalty of perjury by the person listing the property, several questions arise. For instance, may the assessor and treasurer be assured that the listings and statements filed are accurate? Who is accountable if there is an error or fraudulent listing filed? Can collection actions be brought against a party or parties who may deny any responsibility for the listing or tax obligation? Can a lien be enforced against an unsigned personal property listing? This article will attempt to answer these questions.

Other states have implemented similar electronic filing provisions with no difficulty in enforcement or collections. This is mainly due to other administrative requirements such as those that compel the assessor to notify the taxpayer of record of the change in assessed value. This notification provides for due process and serves as the means to make corrections to the record for errors discovered or fraudulency to the listing by parties other than those responsible for listing and payment of the taxes due. Initial concerns that taxpayers would be less likely to "tell the truth" have proven to be unfounded. Nevertheless it is important to develop forms and practices that educate and remind taxpayers of their legal obligation to list property in an accurate and timely manner. On-line filing systems do not preclude the inclusion of some form of "declaration" in which the person completing the listing provides:

This Quarter's Reminders

(Continued from page 4)

provide county auditor with abstract of the tax rolls showing total amount of taxes collectible in each taxing district. (RCW 84.52.080)

February 1

2004 county timber assessed value (TAV) worksheets are due to Forest Tax Division of Dept. of Revenue.

February 15

Property taxes can be paid on & after this date. These taxes are based on assessments made in previous year. There are certain exceptions relative to personal property as set forth in RCW 84.56.070. (RCW 84.56.020)

March 1

Most taxing district boundaries must be established to permit levy for collection following year. (RCW 84.09.030) For exceptions, see RCW 84.09.030-035. Also, changes in district boundaries must be submitted to Dept. of Revenue in order to receive proper apportionment of values of state assessed properties. (WAC 458-50-130)

March 15

Utility company annual returns on standard form must be filed with the Dept. of Revenue. Penalties prescribed (RCW 84.12.230, 260).

March 31

Applications for exemption from the property tax must be received by the Dept. of Revenue to avoid \$10/mo. Penalty. (RCW 84.36.815 & 825) Newly incorporated cities may establish boundaries. (RCW 84.09.030) ♦

Electronic Filing is Here – Where? Answer: Your County (cont.)



Other states have implemented similar electronic filing provisions with no difficulty in enforcement or collections.

- Name of owner or agent
- Name of the person completing the filing
- Phone number and e-mail address of the filer
- Date stamp that is automatically entered when the filer sends the information

These kinds of procedures make it clear who is responsible and gives the assessor the opportunity to contact the filer to ask questions and clarify the information. After the information is submitted and checked or reviewed by the assessor, the assets are valued and the notice of value is sent, giving the taxpayer an opportunity to appeal or make corrections.

The simplest form of electronic filing is to allow taxpayers to e-mail listings to a specific e-mail address. Requirements are minimal, but the data must be provided using a software package that allows the assessor to manipulate the data so that the necessary information can be copied from the attachment into the county's valuation software. Program files in Excel, Access, and other database forms are all acceptable as long as the data can be manipulated and copied.

On-line filing and e-mail attachments of asset listings have substantially reduced errors in listing and the administrative time required to process records. By

working with software vendors, many jurisdictions have developed reliable systems that serve the public well and reduce the data entry time required.

The new language found in RCW 84.40.190 requiring taxpayers to list their personal property now reads in relevant part:

Every person required by this title to list property shall make out and deliver to the assessor, or to the department as required by RCW 84.40.065, either in person, by mail, or by electronic transmittal if available, a statement of all the personal property in his or her possession or under his or her control, and which, by the provisions of this title, he or she is required to list for taxation, either as owner or holder thereof. When any list, schedule, or statement is made, the principal required to make out and deliver the same shall be responsible for the contents and the filing thereof and shall be liable for the penalties imposed pursuant to RCW 84.40.130.

As you can see, the taxpayer is still required to list personal property and is responsible for the correctness of the listing. The taxpayer now has more ways to report, making the administration of the assessment of personal property easier for the taxpayer and assessor.

What Effect Will Electronic Filing Have on Tax Collection or Creating a Personal Property Lien?

As for the effect of electronic filing on the collection of taxes, there is nothing in statute that conditions the creation of a personal property tax lien on the signing of a personal property listing form. RCW 84.60.020 provides that:

The taxes assessed upon each item of personal property assessed shall be a lien upon such personal property except mobile homes as above provided from and after the date upon which the same is listed with and valued by the county assessor, and no sale or transfer of such personal property shall in any way affect the lien for such taxes upon such property. The taxes assessed upon personal property shall be a lien upon each item of personal property of the person assessed, distrained by the treasurer as provided in RCW 84.56.070, from and after the date of the distraint and no sale or transfer of such personal property so distrained shall in any way affect the lien for such taxes upon such property. The taxes assessed upon personal property shall be a lien upon the real property of the person assessed, selected by the county treasurer and designated and charged upon the tax rolls as provided in RCW 84.60.040, from and after the date of such selection and charge and no sale or transfer of such real property so selected and charged shall in any way affect the lien for such personal property taxes upon such property.

Thus, the lien for personal property taxes attaches to the specific property assessed at the time the property is assessed. In addition, the treasurer is allowed

On-line filing and e mail attachments of asset listings have substantially reduced errors in listing ..."



Files in Excel, Access, and other database forms are all acceptable as long as the data can be manipulated and copied.

Electronic Filing is Here — Where? Answer: Your County (cont.)

to distraint other personal property of the taxpayer, other than the specific property assessed, in order to insure the collection of all of the personal property taxes owing by a taxpayer. Upon distraint, a lien is created in the amount of delinquent taxes. For example, a taxpayer lists a computer and a fax machine. Separate tax liens attach to the computer and fax machine at the time that the assessor values them. These liens are superior to any pre-existing chattel mortgages. If the treasurer distrains the computer and fax machine to collect delinquent personal property taxes from the taxpayer, another lien for the total amount due attaches to the computer and fax machine at the time of distraint. This lien is not superior to pre-existing chattel mortgages on the property distrained.

This distinction is somewhat confusing. Take the previous example. If a financing company had an existing lien on the computer and fax machine at the time that they are listed with and valued by the assessor (i.e., at the time the personal property tax lien attaches), the treasurer could distraint the computer and fax machine and the lien created at the time of assessment would be prior to the financing company's

lien. The lien created at the time of distraint didn't add anything to the lien that was created at the time of assessment. A different result would apply if the financing company had only an existing lien against the computer. When the treasurer distrains both the computer and the fax machine, the lien that attaches at the time of distraint against the computer and fax machine for the total amount due is not superior to existing liens on the distrained property. Thus, the financing company could tender the amount of property taxes due on the computer to protect its security interest.

It should also be mentioned that a lien for personal property taxes can be placed on the taxpayer's real property under RCW 84.60.020. The lien attaches to the real property at the time that the county treasurer designates and charges such real property upon the tax rolls.

The Department of Revenue will be providing an electronic personal property form available to the public

on its web site, <http://dor.wa.gov/>, by mid-December which will be placed under the Property Tax "forms" button. The Department's electronic form will initially be an Excel-based spreadsheet in which the taxpayer may list their personal property. Upon filling out the form, the taxpayer may either electronically submit the listing via e-mail or send a diskette via regular mail to the appropriate county. This option should provide a simpler and easier way to submit personal property listings.

Please address any questions or comments to Neal Cook at nealc@dor.wa.gov or by phone at (360) 570-5881. ♦



Upon filling out the form, the taxpayer may either electronically submit the listing via e-mail or send a diskette via regular mail to the appropriate county.

On-Line Personal Property Filing

On-line filing systems do not preclude the inclusion of some form of "declaration" in which the person completing the listing provides:

- Name of owner or agent
- Name of the person completing the filing
- Phone number and e-mail address of the filer
- Date stamp that is automatically entered when the filer sends the information

2004

Upcoming Training Courses

(State/County Personnel ONLY)

February 17-18

BOE/BTA Appeal Preparation & Presentation
Tumwater \$75

February 24-25

Introduction to Personal Property
Ellensburg -- \$75

February 26

Advanced Personal Property
Ellensburg -- \$35

March 9 10

Land Valuation
Tacoma \$75

March 16

Intermediate Legal Descriptions
Lacey \$35

March 22-26

Fundamentals of the Assessor's Office
Tumwater \$100

March 30-31

Land Valuation
Moses Lake — \$75

For further information, contact Linda Cox, Education Coordinator, at (360) 570-5866 or by e-mail at LindaC@dor.wa.gov. ♦

Techno-Appraiser Meets Techno-Assessor

By Patrick M. O'Connor, ASA, patmoc@swbell.net, Real Estate Automated Service Associates, LLC

(Reprinted with permission.)

The Cold War has ended and the Berlin Wall was torn down in 1990, but the appraisers including their representative professional societies continue to down play the contribution of assessors to the appraisal profession. On the other hand Assessors believe that their appraisal technology far exceeds the technology level of single-property appraisers. The only hope for appraisers and assessors getting together professionally in the next twenty years may be the Techno-Appraisers and the Techno-Assessors. These two subgroups' interest in improving the appraisal profession and their understanding of the capability to estimate real estate value through the use of technological advances may be the common interest that will bring these two branches of the same profession together.

Recently the Appraisal Institute's Valuation Insights and Perspectives (first quarter 2003) contained an article "The Evolution of the Modern Techno-Appraiser." In the bold print introduction to the article the author states "The timesaving technologies range from digital cameras and high-speed Internet and wireless connections to custom software "plug-in" products and automated valuation models." The Techno-Assessor has been using computers for over twenty-five years to both manage data and produce property value estimates. I was privileged to be part of the

large-scale reappraisal (1976) in Cuyahoga County (Cleveland, Ohio) that was the first to employ statistical models (multiple regression analysis) as the primary method to value residential properties. Today, the Techno-Assessor has computer-assisted mass appraisal systems that have three or more valuation approaches, pictures of all properties (digital cameras), full integration with geographic information systems and digital sketches of all properties. All of this information is available to the public over the Internet. Techno-Assessors have over twenty years historical experience with hand-held computers (today's tablet computer).

During my first ten years in the appraisal profession I worked in assessment offices that regularly shared information with the real estate industry. Many professional appraisers and brokers used the government data and occasionally provided corrections to the assessor's office when they found an error in the government data. This helped both the appraisers and the assessors to provide better appraisal services. Unfortunately, most appraisers, while willing to use government data, are not willing to recognize the professionalism of the assessors. Many appraisers continually criticize government assessors, while they are reluctant to criticize or report their own associates' poor quality single-property

appraisal reports to state oversight agencies.

Assessors have found that their appraisal courses and years of experience are not acceptable for professional qualifications even if they are the most Techno-Assessor in their state. Computer software vendors that service Techno-Assessors have not yet begun marketing to single-property appraisers. Software vendors who provide software to Techno-Appraisers do not acknowledge the experience and expertise available from Techno-Assessors. A simple example is the development of the term "Automated Valuation Models" (AVM) rather than use the government assessor's term "Computer-Assisted Mass Appraisal" that has been in existence for thirty years. AVM providers and the Techno-Appraiser's software vendors never discussed appraisal computerization with the International Association of Assessing Officers (IAAO) or leading Techno-Assessors before developing their systems. This communication gap exists to this day. There is no communication between Techno-Appraisers and Techno-Assessors just as there is no communication about technology or value issues between the appraisal societies or their respective software vendors.

It is time for the wall between the appraisers and assessors to come down. The Techno-Appraiser has a great deal to learn from the experience of the Techno-Assessor.

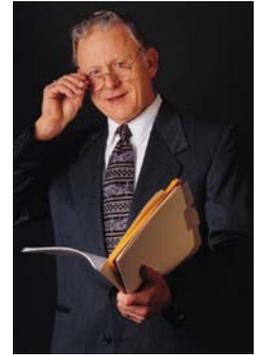
Techno-Appraiser Meets Techno-Assessor (cont.)

Communication can start on an individual basis and expand to various appraisal technology conferences. For years the IAAO and the Urban and Regional Information Systems Association (URISA) have sponsored technical conferences on the integration of geographical information systems and computer-assisted mass appraisal (AVM) systems. Over the last few years this conference committee has tried to reach out to the Techno-Appraiser community to share information. Last year one brave Techno-Appraiser attended. This year several Techno-Appraisers attended the conference. Meanwhile, some Techno-Appraisers and their software vendors are attempting to sponsor their own appraisal technology conference. Techno-Appraisers and Techno-Assessors have only limited time to attend conferences. Please let's

start to combine these technology conferences. The IAAO and URISA conference has several technology tracks and could easily accommodate the interests of Techno-Appraisers.

The same appraisal technologies are being used by Techno-Appraisers and Techno-Assessors. Why continue to reinvent technology in a vacuum, Techno-Appraisers and Techno-Assessors along with their respective software providers should get together to share knowledge and experiences. One possible future step for the appraisal industry is the uniting of local assessors and appraisers sharing common electronic relational databases and valuation technology.

Techno-Appraisers could use tablet computers to manage their business and perform all appraisals, portions of which will be connected to a common electronic databases shared with Techno-Assessors. There are experiences, training, equipment, and valuation methods that should become the basis for a common dialog between Techno-Appraisers and Techno-Assessors. Technology oriented appraisers and assessors must find common ground for discussions and understanding if the two branches of the same appraisal profession are ever going to unite. Let's tear down the wall that separates Techno-Appraisers from Techno-Assessors in the hope that we can bring the appraisal profession closer and more harmoniously together in the 21st Century. ♦



“There are experiences, training, equipment, and valuation methods that should become the basis for a common dialog between Techno-Appraisers and Techno-Assessors.”

Interest Rates on Refunds

By Peri Maxey, Assistant Director

When a taxpayer receives a refund on a property tax payment, what interest rate will be applied to the tax amount? That question was recently posed to us by a person who represents taxpayers in several different counties.

The answer to the question may be found in the WAC rules on refunds, chapter 458-18. The interest rate is determined by the year the taxes to be refunded were paid. The interest rate remains the same throughout the refund period.

Example: A taxpayer files a request in 2003 and is approved for an administrative refund of taxes paid in 2000 and 2001. The

interest rate applied to the refund of the taxes paid in 2000 is 4.96 percent. The interest rate applied to the refund of the taxes paid in 2001 is 5.98 percent.

Interest will be paid on the refund from the time the taxes were paid until the refund by the county is made.

It is important to mention there are two types of refunds— administrative refunds governed by chapter 84.69 RCW and adjudicated refunds governed by chapter 84.68 RCW. Both types of refunds are subject to interest. However, if a

refund is done on a state, county or district wide basis, the interest does not begin to accrue until six months following the date of the final order of the court.

To find out how the interest rate is calculated and to see what the rates are for each tax year, please read WAC 458-18-220. The Department of Revenue amends this rule each year to include the interest rate for the following year. The updated rule, which includes the interest rate for the 2004 tax year, will be adopted soon. ♦

Interest will be paid on the refund from the time the taxes were paid until the refund by the county is made.”



“To find out how the interest rate is calculated and to see what the rates are for each tax year, please read WAC 458-18-220.”

Leasehold Tax Compared to Property Tax

By Lennard Ball, Leasehold Excise Tax Manager



The leasehold excise tax rate is 12.84 percent of the contract rent.

Publicly owned property is exempt from property tax. Private users of publicly owned property receive the same governmental services as all other property owners in the state. To pay for these governmental services, private users of publicly owned property pay a leasehold excise tax.

The leasehold excise tax rate is 12.84 percent of the contract rent. The contract rent should reflect the market rent for the property.

RCW 82.29A.120 provides that, to the extent the leasehold tax exceeds what the property tax would be on the leased property, a credit is due.

The property tax computation is performed using the valuation the county assessor has established for the property. County valuations not reflecting the market value of the property will result in a lessee receiving a refund that they might not have been entitled to if the property valuation reflected a market value.

Example:

City-owned office building rents for \$36,000 per year. The amount of leasehold tax collected would be (\$36,000 x 12.84%) \$4,622.

Property Valuation	<u>Assessor Valuation</u>	<u>Market Valuation</u>
Land	50,000	150,000
Improvements	<u>50,000</u>	<u>250,000</u>
Total Valuation	100,000	400,000

Assume a levy rate of .013

Property tax if privately owned — using county valuations (100,000 x .013)= \$1,300

Leasehold tax paid	\$4,622
Property tax due if privately owned	<u>\$1,300</u>
Amount leasehold tax exceeds property tax	\$3,322

Lessee is entitled to a refund of \$3,322.

If the property were valued at the current market value, the results would be:

Property tax on fair market value -- (400,000 x .013) = \$5,157

Leasehold tax paid	\$4,622
Property tax on fair market value	\$5,157

Leasehold tax does not exceed the property tax, and the lessee is not entitled to a refund.

Forty-eight percent of the leasehold tax remitted to the Department of Revenue is returned to the local jurisdictions in which the leased property is located. Any leasehold tax refund reduces both the state and local leasehold tax collections. ♦

Contract rent should reflect the market rent for the property.



...leasehold tax does not exceed the property tax....

Legislation Implementation: Biodiesel & Alcohol Fuel Manufacturing and Wood Biomass Fuel

A memo was recently sent to all assessors explaining the 2003 Legislature's Biodiesel/Biomass legislation which went into effect July 1, 2003. This legislation provides tax benefits for manufacturers of biodiesel fuel, alcohol fuel, biodiesel feedstock, and wood biomass fuel. The benefits include property tax and leasehold excise tax exemptions for qualifying buildings, machinery and equipment, other personal property, and land.

Qualifying Property

The exemption extends to buildings, machinery and equipment, and other personal property of either a new manufacturing facility or property that constitutes a new addition to an existing manufacturing facility. The exemption also extends to land that is reasonably necessary for the

manufacturing of these products. The land used to grow crops does not qualify for this exemption. If the property consists of a new addition to an existing manufacturing facility, only the additional new personal and real property as well as a proportionate amount of land reasonably needed for the manufacturing process qualify for the exemption.

To qualify for the exemption, the property must be operational and manufacturing alcohol, biodiesel or wood biomass fuels, or biodiesel feedstock (qualified products). The qualifying property must be operational on or after July 1, 2003.

Application & Filing Date

Exemptions must be claimed on forms developed by the Department of Revenue and must be filed with the county

assessor in the county in which the property is located, by December 31st. The exemption is applied to taxes in the following year. The assessor must verify and approve the claim for exemption. No claims may be filed after December 31, 2009. If an owner fails to file an exemption claim in the first year of operation, a claim for exemption may be filed retroactively. No claims for exemption will be allowed for manufacturing facilities which were operational before July 1, 2003.

Please direct any questions you may have to David Saavedra at (360) 570-5861 or by e-mail at davids@dor.wa.gov. Application forms, including a set of instructions and definitions, will soon be available on the DOR's web site at <http://dor.wa.gov/>. ♦



...benefits include property tax and leasehold excise tax exemptions...

"The qualifying property must be operational on or after July 1, 2003."

Washington Department of Revenue, Property Tax Division

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<input type="checkbox"/> Code Area/Taxing District Boundary Changes & Maps	Jane Ely	(360) 570-5894	JaneE@dor.wa.gov
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<input type="checkbox"/> PUD Privilege Tax	Chuck Boyce	(360) 570-5878	ChuckB@dor.wa.gov