

August 25, 2020

## Adding New Value to the Assessment Rolls

This special notice replaces the notice dated September 29, 2008, "*Adding New Value to the Assessment Rolls*." It addresses how and when new value is added to the assessment rolls and how it is used in the levy process. It has been updated to reflect changes due to the passing of HB 1283, which took effect July 23, 2017. This bill repealed the requirement to pay an advance tax deposit to cover anticipated taxes prior to recording any document that divides, alters, or adjusts real property boundary lines.

### Adding new value to the assessment rolls

There is a distinction between "improvements to property" and "new construction."

#### Improvements to property

Per [RCW 84.55.010](#), the value of "new construction" multiplied by the levy rate of the taxing district for the preceding year, is allowed to be added to a taxing district's levy amount outside (or in addition to) the 101% levy limit. Other values, such as "improvements to property, increases in the assessed value of state assessed property," and "increases in assessed value due to construction of wind, solar, biomass, or geothermal electric generation facilities classified as personal property" are also allowed to be added to a taxing district's levy amount outside the 101% levy limit.

"Improvement" is defined, for levy purposes, in [WAC 458-19-005\(2\)\(i\)](#), as "...any valuable change in or addition to real property, including the subdivision or segregation of parcels of real property or the merger of parcels of real property."

Valuable changes include: Segregations, merges, and new subdivisions.

Valuable additions include:

- New construction (when tracking and reporting be careful not to double count as new construction and improvements to property).
- Other additions to property that may not meet the definition of new construction (requiring a building permit). These include: new subdivision infrastructure and new improvements to land, such as: well, septic, utility infrastructure, and machinery and equipment classed as real property.

#### New construction

New construction is defined in [RCW 36.21.080](#) and [WAC 458-12-342](#). The rule provides as follows:

- (1) New construction covered under the provisions of [RCW 36.21.070](#) and [36.21.080](#), and defined in [WAC 458-19-005\(2\)\(c\)](#), shall be assessed at its true and fair value as of July 31st each year regardless of its percentage of completion. In instances when new construction continues after July 31 of any year, the increase in value of the property due to the new construction that occurs between August 1 of that year through July 31 of the following year is added to the assessment roll as 'new construction' in the following year. New construction as used in this section refers only to real property, as defined in [RCW 84.04.090](#) and further defined in [WAC 458-12-010](#), and also to improvements, as described in [WAC 458-12-005\(2\)](#), located on leased public land, for which a building permit was issued or should have been issued pursuant to chapter [19.27](#), [19.27A](#), or [19.28](#) RCW or other laws providing for building permits.
- (2) The assessor is authorized to place new construction on the assessment rolls up to August 31st each year and shall notify the owner, or person responsible for payment of taxes, of the value of any new construction that has been assessed. The notice shall advise the owner, or person responsible for

payment of taxes, that such owner or person has thirty days from the date of mailing of the notice, or up to sixty days when the county legislative authority has adopted a longer time period, whichever is later, to appeal the valuation to the county board of equalization as provided in [WAC 458-14-056](#).

All values, except “new construction” value ([RCW 84.40.020](#)) and the value of mobile homes not previously assessed within the state ([WAC 458-07-035](#)), are added to the assessment rolls using the value as of January 1<sup>st</sup> of the year of revaluation.

#### **Omitted property and omitted value**

[RCW 84.40.040](#) requires property to be listed each year. When property or value has been omitted from the assessment roll it is not considered “new construction” with respect to the valuation date. Therefore, it is not considered “new construction” for levy calculation purposes. Omitted property should not be tracked as improvements to property or new construction and is not allowed to be added to a taxing district’s levy amount outside the 101% levy limit. Omitted property and omitted value are further explained in [WAC 458-12-050](#).)

#### **Recent law changes regarding subdivided property**

The passing of HB 1283, repeals [RCW 58.08.040](#) and amends [RCW 84.56.345](#) and [RCW 84.40.042](#), eliminating the requirement to pay an advance tax deposit to cover anticipated taxes prior to recording any document that divides, alters, or adjusts real property boundary lines .

However, all current and delinquent taxes must still be paid prior to recording any document that divides, alters, or adjusts real property boundary lines, per [RCW 84.56.345](#).

#### **Listing and valuation of subdivided property**

Assessors will continue to have until October 30 of the year after the plat is recorded to value lots at market value, per [RCW 84.40.042](#). The Department of Revenue (Department) encourages counties to create and list new parcels promptly, so that new valuation notices and tax statements can be sent to the appropriate property owners.

The “closing of the assessment roll” is the date the assessor certifies the assessment roll to the board of equalization. Whether an assessor creates and lists the new parcels before or after “closing of the assessment roll” will determine if new parcels are listed at a new true and fair market value or an allocated value of the parent parcel.

Lots created before closing the current assessment roll are valued at market before lots created after closing the roll. For properties created after closing the roll, allocated values are used which allows the assessor to list new parcels while maintaining certified values for other functions, such as the calculation of levies.

In addition, the assessor must determine the new value to add to the assessment roll as “improvements to property” This is the difference between the market value of the original parent parcel and the combined market values of the newly created child parcels. The difference in market value is the “improvement” value which is used in the levy calculation as provided in chapter [84.55 RCW](#).

#### ***Example: A plat is recorded in 2017 after the effective date of HB 1283 (July 23, 2017):***

If the assessor creates and lists the new parcels **before closing** the 2017 assessment roll:

- For Assessment Year 2017, value the child parcels at market value.
  - Taxes payable in 2018 are calculated based on the market value.

If the assessor creates and lists the new parcels **after closing** the 2017 assessment roll:

- For Assessment Year 2017, value the child parcels at a mathematical split or other appropriate allocation of the parent parcel’s market value for AY 2017.
  - Taxes payable in 2018 are calculated based on the allocated value.
- For Assessment Year 2018, establish the market value of the child parcels.
  - Taxes payable in 2019 are based on the market value.

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**NOTE:** The example also applies in subsequent assessment years when the assessor creates and lists new parcels **before or after** closing the assessment roll for that year.

## Ratio Issue

The lots of a new subdivision cannot be part of the Department's ratio valid sales study until the assessor has valued the lots at true and fair market value. [WAC 458-53-080](#) provides numerical code 26: "Current year segregations that have not been appraised." These may not be used in the ratio valid sales study, but should be included in the invalid sales report. However, sales of lots that were not timely assessed, based on the statutory requirement, are considered valid sales for purposes of the ratio program. The inclusion of such sales in the study could significantly impact the county ratio.

## Notice

When the assessor establishes the true and fair market value of the new lots, he/she must notify the taxpayer of those values ([RCW 84.40.045](#)). "The assessor shall give notice of any change in the true and fair value of real property....." Since allocated values are not changes in the true and fair value of real property (they are merely based on the previous true and fair valuation of the parent parcel), the assessor is not required to notify the owners of the new parcels of a change in value until the true and fair valuation for those new lots is changed. (See also, [RCW 84.40.038](#)).

## Appeal rights

The owner of a new subdivided lot may appeal the assessed value to the board of equalization (BOE) based on the value used to set taxes due and payable the next year. When allocated values are used to value the child parcels, the assessed value is the same as the value on the parent parcel; the "assessed value" for that real property did not change. The taxpayer has a right to appeal the value used to determine his/her taxes, even if it is an allocated value. If an appeal is filed by a taxpayer with an allocated value, the BOE must issue an order determining the market value of the new parcel.

## Questions?

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