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Washington Department of Revenue Property Tax Division

2018 Chelan County Levy Audit A Summary Report



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Overview

Purpose

The primary purpose of this review by the Department of Revenue (Department) is to assist the Chelan County Assessor (Assessor) in their processes and procedures to ensure compliance with state statutes and regulations.

Method of Calculation

The Department calculated the levy limitations and levy rate for several of the taxing districts for the 2018 tax year. To determine whether an error occurred, the Department compared the amount levied for the district with the lesser of the levy limit, the statutory rate limit, the amount authorized by each district's resolution, and the levy amount certified by the district.

Information Reviewed

The Department reviewed the following information:

- Resolutions/Ordinances adopted by the districts
- Levy certification from the county legislative authority (RCW 84.52.070)
- Tax roll certification to the county treasurer and abstract of the tax roll to the county auditor
- Ballot measures
- Levy limit worksheets
- \$5.90 aggregate and 1 percent constitutional limits

We do not review every taxing district's levy. We audited approximately 40 percent of the taxing districts. The scope of the audit did not include the review of earmarked funds.

Taxing Districts Selected

The Department reviewed the following taxing district levies:

- City/Towns: Chelan and Wenatchee
- Fire Districts: No. 3, No. 6, and No. 8
- Hospital Districts: No. 1 and No. 2
- Cemetery Districts: No. 2 and No. 4
- School Districts: Azwell/Pateros No. 122, Entiat No. 127, Cashmere No. 222, and Cascade No. 228
- Port Districts: Chelan County Port District
- Manson Park and Recreation District

Executive Summary

Introduction

The primary purpose of a levy audit by the Department is to assist the county assessor in successfully performing the duties associated with levying property taxes for the districts within the county.

An effective audit of levy calculations consists of gathering information from the assessor's office to determine the level of compliance with laws and rules, the accuracy of levy calculations, and the effectiveness of record keeping.

Categories of Results

The Department has completed its review and grouped the results into two categories:

- The first category, *Requirements*, is of the greatest urgency for effective administration by the assessor. A change is required to adhere to the law.
- The second category, *Recommendations*, requires the attention of the assessor. The Department believes the assessor could improve their performance and service to the public by making voluntary changes in procedures.

The Department bases requirements and recommendations in our reports on our review of the administrative procedures employed, existing state statutes and regulations, and areas we saw opportunities to improve processes, procedures, and communication.

Results

The Department identified six requirements and two recommendations directed toward improving the accuracy of the levy process.

We have listed a summary of these items in the Requirements and Recommendation sections.

Executive Summary, continued

Requirements

1. The Assessor is required to certify the completed tax roll to the Chelan County Treasurer (Treasurer), with acknowledgement of receipt, on or before January 15.
2. The Assessor is required to:
 - Calculate the levy limitations using the budget request as certified by the county legislative authority.
 - Calculate the levy limit using the levy rate from the prior year or the last year the district levied property taxes.
 - Determine the district's levy limit based on the district's highest lawful levy since 1985 for collection in 1986.
 - Apply the dollar and percentage of change to the previous year's levy amount, as authorized in a separate ordinance/resolution by the taxing district, when calculating the levy limitation based upon a taxing district's dollar and percentage of change resolution.
3. The Assessor is required to calculate the regular levy rate for a park and recreation district using the levy rate approved by the voters within the district as the statutory maximum rate.
4. The Assessor is required to determine the statutory maximum rate for each taxing district. When a city or town is annexed to a fire and/or library district the calculation starts with a statutory maximum levy rate of \$3.60 per thousand dollars assessed value, less the actual rate of the fire and/or library district in the incorporated area, plus an additional rate of \$0.225 if the city or town has a firefighter's pension fund.
5. The Assessor is required to determine the statutory maximum rate for each taxing district. When a city or town is annexed to a fire and/or library district the calculation starts with a statutory maximum levy rate of \$3.60 per thousand dollars assessed value, less the actual rate of the fire and/or library district in the incorporated area, plus an additional rate of \$0.225 if the city or town has a firefighter's pension fund.

The Assessor is required to calculate the levy's increased levy capacity due to an annexation. To accomplish this, the Assessor must divide the dollar amount of the current year's levy limit by the district's assessed value, as if the annexation had not occurred. This levy rate is multiplied by the taxable value of the annexation to determine the dollar amount the district may collect to provide services to the newly annexed territory.

Executive Summary, continued

6. The Assessor is required to assign each parcel within the county to a tax code area based upon that parcel's geographical location.

The Assessor is required to calculate a levy rate for each taxing district's levy using the assessed value of the property within the district.

The Assessor is required to correct a levy error when all of the taxpayers within a taxing district pay an incorrect amount of property tax. The correction of a levy error cannot result in a levy that exceeds the levy's maximum levy rate.

Recommendations

1. The Department recommends the Assessor apply refund levies to a non-expired levy.
2. The Department recommends the Assessor provide education to the county legislative authority regarding the certification of budgets or budget estimates for each taxing district within the county wishing to levy for property tax.

Requirements

For the items listed as “Requirements,” the Assessor must make changes in procedure to comply with law.

This section contains the requirements we identified.

Tax Roll Certification

Requirement

The Assessor is required to certify the completed tax roll to the Chelan County Treasurer (Treasurer) on or before January 15, with acknowledgement of receipt, and provide the Chelan County Auditor (Auditor) with an abstract of the tax roll.

What the law says

The county assessor must deliver the tax rolls to the county treasurer, on or before the fifteenth day of January, taking a receipt from the treasurer. The assessor must also supply the county auditor with an abstract of the tax roll showing the total amount of tax collection for each taxing district. (RCW 84.52.080)

What we found

The extension of the tax roll the Assessor provided to the Treasurer did not contain a certification statement, the Assessor's signature and date, or proof of receipt by the Treasurer.

The Assessor did not provide the Chelan County Auditor with an abstract of the tax roll that listed the tax amounts for each taxing district levying property tax.

Action needed to meet requirement

The Assessor is required to take the following actions

- Certify the completed tax roll to the Treasurer on or before January 15, including a certification statement, the date, the Assessor's signature, and acknowledgement of receipt from the Treasurer.
- Provide an abstract of the tax roll to the Auditor.

Why it's important

State law directs the county assessor to formally certify the tax roll to the county treasurer, with a receipt taken from the county treasurer. The use of this format enhances the transparency of levying property tax.

Port of Chelan

Requirement

The Assessor is required to:

- Calculate the levy limitations using the budget request as certified by the county legislative authority.
- Calculate the levy limit using the levy rate from the prior year or the last year the district levied property taxes.
- Determine the district's levy limit based on the district's highest lawful levy since 1985 for collection in 1986.
- Apply the dollar and percentage of change to the previous year's levy amount, as authorized in a separate ordinance/resolution by the taxing district, when calculating the levy limitation based upon a taxing district's dollar and percentage of change resolution.

What the law says

It is the duty of the county legislative authority of each county to certify to the county assessor the amount of taxes levied upon the property in the county for county purposes, and the respective amounts of taxes levied by the board for each taxing district, within or coextensive with the county, for district purposes. (RCW 84.52.070)

The assessor must calculate the new construction increase portion of the levy limit by multiplying the new construction assessed value by the levy rate for the preceding year or the last year the district levied taxes. (RCW 84.55.010 and WAC 458-19-020)

The highest lawful levy since 1985 can be increased by the district's levy limit factor and additional funds for increases due to new construction, increases in assessed value due to construction of wind turbines, biomass, and geothermal facilities, increases in state assessed utility values, and improvements to property. (RCW 84.55.010 and 84.55.092)

No increase in property tax revenue may be authorized without a public hearing and adoption of an ordinance or resolution that specifically states the increase in revenue, in both dollars and percentage of change. Exceptions to this requirement are increases of revenue due to the following additions: new construction, construction of wind turbines, solar, biomass and geothermal facilities, improvements, and state assessed property. (RCW 84.55.120)

Port of Chelan, continued

What we found

2015 Levy for 2016 Tax Year

The Assessor:

- Listed an incorrect current year's state assessed utility value in the levy limit calculation.
- Limited the levy amount to the resolution limit plus the refund amount instead of the certified budget request.

These errors resulted in a \$7,294.54 overlevy. (See Appendix A)

2016 Levy for 2017 Tax Year

The Assessor:

- Recalculated the 2015 levy limits after discovering the current year's state assessed utility value was incorrect.
- Listed an incorrect new construction assessed value in the levy limitations.
- Used an incorrect prior year's levy rate to calculate the dollar increase for new construction, construction of wind turbines, solar, biomass and geothermal facilities, improvements, and state assessed property.
- Implemented an incorrect overlevy error correction.

These errors resulted in a \$4,496.80 overlevy. (See Appendix B)

2017 Levy for 2018 Tax Year

The Assessor:

- Recalculated the 2016 levy limits after discovering the new construction assessed value was incorrect.
- Listed an incorrect highest lawful levy in the levy limit calculation. The highest lawful levy was not correct due to uncorrected levy errors in the previous two years.
- Used an incorrect prior year's levy rate to calculate the dollar increase for new construction, construction of wind turbines, solar, biomass and geothermal facilities, improvements, and state assessed property. The levy rate used by the Assessor was not correct due to uncorrected levy errors in the previous two years.
- Listed an incorrect previous year's levy amount when calculating the limit for the dollar and percentage of increase, as authorized by the taxing district in their ordinance/resolution.
- Implemented an incorrect overlevy error correction. The correction did not include uncorrected levy errors in the previous two years.

These errors resulted in a \$17,413.10 underlevy. (See Appendix C)

The resulting levy error for the 2016, 2017, and 2018 tax years is an underlevy of \$5,621.76.

Port of Chelan, continued

Action needed to meet requirement

The Assessor is required to take the following actions:

- Use the actual previous year's levy amount to calculate the dollar and percentage of change resolution limit. It appears the Assessor may have subtracted her correction amount from the previous year's actual levy amount, when determining the 2017 levy limits.
- Notify the taxing district of the levy errors. The Department interprets the statutes to give the taxing district the option of adjusting the following year's levy by the underlevy amount in the subsequent year.
- Include the underlevy amount in the 2019 tax year, as the district directs.
- If the correction in the succeeding year will cause a hardship for either the taxing district or taxpayers, the district may request the Assessor make the correction on a proportional basis over a period of no more than three years.
- Use the corrected highest lawful levy amount and levy rate, provided in Appendix C, for the 2019 tax year levy calculations as if the errors had not occurred.
- Use the actual amount levied in 2018, provided in Appendix C, in the levy calculations for the 2019 tax year. This amount includes any levy errors made and levy error corrections made.
- Complete levy calculation worksheets that show the levy error corrections made, to provide transparency in the correction process.
- Consider using the Department's highest lawful levy form when correcting levy errors to reduce the chance of making additional errors.

Why it's important

To ensure a taxing district is not levying more or less than statute allows and to provide transparency of property taxation to the taxpayers within a taxing district.

Manson Park and Recreation District

Requirement

The Assessor is required to calculate the regular levy rate for a park and recreation district using the levy rate approved by the voters within the district as the statutory maximum rate.

What the law says

A park and recreation district may impose a regular property tax in an amount equal to sixty cents or less per thousand dollars of assessed value, when authorized by the voters in the district, for a period of six consecutive years. The levy's growth limit (1 percent) does not apply to the first year of the voter-approved levy. (RCW 36.69.145)

What we found

The voters approved a three-year regular levy starting with the 2016 tax year and a maximum levy rate of \$0.23 per \$1,000 assessed value.

The Assessor incorrectly carried forward expired levy limitations, highest lawful levy from 2010 and the statutory maximum rate limit of \$0.25 per \$1,000 assessed value from the 2015 tax year, to the 2017 and 2018 tax year's levy calculations.

The table below lists the highest lawful levy amounts the Assessor used and the correct highest lawful levy amounts:

Tax Year	Highest Lawful Levy Used in the Levy Limit Calculation	Correct Highest Lawful Levy
2017	\$379,929.82	\$158,732.82
2018	\$379,929.82	\$163,179.69

The use of the incorrect statutory maximum rate and highest lawful levy did not result in an over or under levy error.

Manson Park and Recreation District, continued

Action needed to meet requirement

The Assessor is required to take the following actions:

- When the district receives voter approval for a new levy, calculate the statutory maximum levy amount using the rate approved by the voters. The statutory maximum dollar amount will serve as the highest lawful levy in the following year.

Why it's important

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

City of Chelan

Requirement

The Assessor is required to determine the statutory maximum rate for each taxing district. When a city or town is annexed to a fire and/or library district the calculation starts with a statutory maximum levy rate of \$3.60 per thousand dollars assessed value, less the actual rate of the fire and/or library district in the incorporated area, plus an additional rate of \$0.225 if the city or town has a firefighter's pension fund.

What the law says

When a city or town is annexed to a fire and/or library district, the city or town's statutory maximum levy rate is \$3.60, less the actual levy rate of the fire and/or library district for that particular year, plus an additional \$0.225 per thousand dollars assessed value if the city or town has a firefighter's pension fund.
(RCW's 52.04.081, 27.12.390, and 41.16.060)

What we found

The Assessor did not calculate the statutory maximum rate for the City of Chelan (CC) as the statutes require for cities or towns annexed to a fire and/or library district.

The CC is annexed to the North Central Regional Library District and Fire District No. 7. The Assessor calculated the levy rate, for the CC, using an incorrect statutory maximum rate of \$3.60. The Assessor should have calculated the statutory maximum rate beginning with \$3.60 and subtracting the actual levy rates for the North Central Regional Library and Fire District No. 7. The correct statutory maximum rate is \$2.3016586983.

There was no over or under levy error as a result of the incorrect statutory maximum rate.

Action needed to meet requirement

The Assessor is required to take the following actions:

- Calculate the statutory maximum rate each year for the cities/towns annexed to a fire and/or a library district by beginning with the \$3.60 statutory maximum and deducting the actual rate levied by the fire and/or library district, and adding an additional \$0.225 per thousand dollars assessed value if the city or town has a firefighter's pension.

Why it's important

A correct statutory maximum levy rate for a city or town annexed to a fire or library district ensures the city is not levying more or less than the law allows.

City of Wenatchee

Requirement

The Assessor is required to determine the statutory maximum rate for each taxing district. When a city or town is annexed to a fire and/or library district the calculation starts with a statutory maximum levy rate of \$3.60 per thousand dollars assessed value, less the actual rate of the fire and/or library district in the incorporated area, plus an additional rate of \$0.225 if the city or town has a firefighter's pension fund.

The Assessor is required to calculate the levy's increased levy capacity due to an annexation. To accomplish this, the Assessor must divide the dollar amount of the current year's levy limit by the district's assessed value, as if the annexation had not occurred. This levy rate is multiplied by the taxable value of the annexation to determine the dollar amount the district may collect to provide services to the newly annexed territory.

What the law says

When a city or town is annexed to a fire and/or library district, the city or town's statutory maximum levy rate is \$3.60, less the actual levy rate of the fire and/or library district for that particular year, plus an additional \$0.225 per thousand dollars assessed value if the city or town has a firefighter's pension fund. (RCW's 52.04.081, 27.12.390, and 41.16.060)

The first levy for a taxing district following an annexation of additional property, the levy limit must be increased by an amount determined by multiplying the assessed valuation of the newly annexed property by the dollar rate that would have been used by the annexing unit in the absence of such annexation. (RCW 84.55.030)

What we found

The Assessor did not calculate the statutory maximum rate for the City of Wenatchee (CW) as the statutes require for cities or towns annexed to a fire and/or library district.

The CW is annexed to the North Central Regional Library District and Fire District No. 1, and has a firefighter's pension fund. The Assessor used an incorrect statutory maximum rate of \$1.825, when calculating the statutory maximum dollar amount for CW. It appears the Assessor calculated the statutory maximum rate using the statutory maximum rates allowed for a library district and a fire district, instead of the actual levy rates for those districts. The correct statutory maximum rate is \$2.0297661592.

The CW had an annexation included in the calculation of the levy limitations. The Assessor limited the levy rate used to calculate the additional levy capacity due to annexation to \$1.825. The statutes contain no language that allow for a limitation of this rate. The correct rate is \$2.04229208613.

The incorrect rate used in the calculation of the dollar amount to be levied for annexation resulted in an underlevy of \$306.76.

City of Wenatchee, continued

Action needed to meet requirement

The Assessor is required to take the following actions:

- Calculate the statutory maximum rate each year for the cities/towns annexed to a fire and/or a library district by beginning with the \$3.60 statutory maximum and deducting the actual rate levied by the fire and/or library district, and adding an additional \$0.225 per thousand dollars assessed value if the city or town has a firefighter's pension.
- When calculating the additional levy capacity due to an annexation, do not limit the levy rate to the levy's statutory maximum levy rate.
- Notify the CW of the underlevy error of \$306.76. The Department interprets the statutes to give the taxing district the option of adjusting the following year's levy by the underlevy amount in the subsequent year. If the CW wishes to levy for the underlevy, the levy error correction must start with the 2019 tax year.
- If the correction in the succeeding year will cause a hardship for either the CW or taxpayers, the district may request the correction be made on a proportional basis over a period of no more than three years.
- Use the Correct Levy Rate for CW highlighted in Appendix D of this report when calculating the 2019 levy limitations.

Why it's important

Accuracy in calculating the levy limits that include annexations and the statutory maximum levy rate ensures the city is levying and taxpayers are paying the correct amount of property tax.

Tax Code Areas

Requirement

The Assessor is required to assign each parcel within the county to a tax code area based upon that parcel's geographical location.

The Assessor is required to calculate a levy rate for each taxing district's levy using the assessed value of the property within the district.

The Assessor is required to correct a levy error when all of the taxpayers within a taxing district pay an incorrect amount of property tax. The correction of a levy error cannot result in a levy that exceeds the levy's maximum levy rate.

What the law says

A tax code area is a geographical area made up of one or more taxing districts, which is established for the purpose of properly calculating, collecting, and distributing taxes. Only one tax code area will have the same combination of taxing districts, with limited exceptions. (WAC 458-19-005)

When a taxing district levies a tax, the assessed value of the property of the district is considered the taxable value used to make the levy. (RCW 84.52.040)

Cities are limited to a levy rate of \$3.375 per thousand dollars assessed value, with a few exceptions. Fire districts are limited to a levy rate of \$1.50 per thousand dollars assessed value. Beginning with the 2019 tax year, school district enrichment levies are limited to the lesser of \$1.50 per thousand dollars of assessed value in the school district or the maximum \$2,500 per-pupil limit. (RCW 84.53.043, 52.16.130, 52.16.140, 52.16.160, and 84.52.0531)

If an error has occurred in the levying of property taxes that has caused all taxpayers within a taxing district to pay an incorrect amount of property tax, the assessor shall correct the error by making an appropriate adjustment to the levy for that taxing district in the succeeding year. (RCW 84.52.085(1))

A correction of an error in the levying of property taxes shall not be made for any period more than three years preceding the year in which the error is discovered. (RCW 84.52.085(1)(a))

Taxing districts, other than the state, may levy a tax upon all the taxable property within the district for the purpose of funding refunds paid as ordered by the county treasurer or county legislative authority within the preceding twelve months, and reimbursing the taxing district for taxes abated or canceled offset by any supplemental taxes collected. (RCW 84.69.180)

Tax Code Areas, continued

What we found

Prior to this audit, the Assessor notified the Department they incorrectly assigned three parcels, with an assessed value of \$79,636,220, to tax code area 60, for the 2018 tax year. The Assessor should have assigned the parcels to tax code area 804. The incorrect coding resulted in the Assessor using incorrect assessed values for the calculation of the levy rates, for the following taxing districts:

- City of Wenatchee
- Fire District No. 6
- Cashmere School District No. 222 (CSD)
- Wenatchee School District No. 246
- County Road*
- Fire District No. 1*
- Cemetery No. 3*

The inclusion of the \$79,636,220 assessed value in the tax base of Fire District No. 6 and CSD at the time the Assessor certified the tax roll resulted in an artificially decreased certified levy rate that was applied to all property within the district's boundaries. In other words, all taxpayers within the districts paid in incorrect amount of taxes to these districts.

If the Treasurer issued a refund on behalf of Fire District No. 6 and/or CSD to the taxpayer whose parcels were incorrectly coded, then those funds are eligible for a refund levy for the 2019 tax year. If the correction of the coding error resulted in a cancellation of taxes instead of a refund, those cancelled taxes are part of the formula to offset taxes supplemented to the certified tax roll and may be part of a refund levy. The net effect of the refund levy applied to the 2019 tax year will increase the district's levies, thus make up for the taxes the taxpayers should have paid during the 2018 tax year.

The exclusion of the \$79,636,220 assessed value from the tax base of the City of Wenatchee and Wenatchee School District No. 246, at the time the Assessor certified the tax roll, resulted in an artificially increased certified levy rate that was applied to all property within the district's boundaries. In other words, all taxpayers within the districts paid an incorrect amount of taxes to these districts.

The correction of the coding error would have resulted in a supplement of taxes for the City of Wenatchee and Wenatchee School District No. 246 after the 2018 tax year roll was certified. The supplemented taxes is part of the formula to offset taxes that were cancelled for these districts after the 2018 tax year roll was certified. Depending on the amount of taxes cancelled and supplements during 12 month period used by the Chelan County Treasurer to determine a district's refund levy, these supplemented taxes may be greater than the cancelled taxes, thus reducing a possible total refund levy the districts may make during the 2019 tax year. If the supplemented taxes during the 12 month period exceed the cancelled taxes (not refunded taxes), the supplemental taxes could be a windfall of taxes for the districts.

*These taxing districts were not a part of the levy audit.

Tax Code Areas, continued

Action needed to meet requirement

The Assessor is required to take the following actions:

- Update the three incorrectly coded parcel's tax code area to reflect 804.
- Recalculate the City of Wenatchee levy limits and levy rate for the 2018 tax year, as if the error had not occurred. The Department provides this calculation in Appendix D.
- Calculate the City of Wenatchee's levy limit for the 2019 tax year using a highest lawful levy of \$6,249,023.84 and prior year's levy rate of \$1.0860071524 as if the error had not occurred, as highlighted in Appendix D.
- Recalculate the Fire District No. 6 levy limits and levy rate for the 2018 tax year, as if the error had not occurred. The Department provides this calculation in Appendix F.
- Calculate the Fire District No. 6 levy limit for the 2019 tax year using a highest lawful levy of \$370,704.97 and prior year's levy rate of \$.4722399652 as if the error had not occurred, highlighted in Appendix F.
- Notify the CSD that an incorrect taxable value for the district was used when calculating their 2018 tax year levy rates. This error will result in the district receiving less revenue than anticipated for this tax year.
- Notify Fire District No. 6 and CSD that there is a possibility of levying a refund levy in the 2019 tax year; however, any enrichment levies must be within the \$1.50 statutory maximum rate.
- Recalculate the 2018 tax year levy limits for the County Road, Fire District No. 1, and Cemetery District No. 3, using the correct assessed values for those districts. Carry forward the correct highest lawful levy amounts and levy rates to the levy limit calculations for the 2019 tax year.
- Notify the County Road District there is a possibility of levying a refund levy in the 2019 tax year.

Why it's important

An accurate assessed value ensures taxing districts do not levy more or less than their maximum levy amount the law allows and taxpayers pay the correct amount of property tax.

Recommendations

For the items listed as “Recommendations,” the Department believes the Assessor could improve by making voluntary changes in procedure.

This section contains the recommendations we identified.

Cashmere School District No. 222

Recommendation

The Department recommends the Assessor apply refund levies to a non-expired levy.

What we found

The Assessor calculated a rate and levied property tax for the Cashmere School District No. 222 (CSD) capital projects fund, after the capital projects levy had expired.

The CSD certified a property tax refund levy of \$521.47, for capital projects. The CSD does not have the authority to levy property tax for capital project purposes, for the 2018 tax year, because the voters did not authorize a capital projects levy for that year. (See Appendix E)

It has been the Department's longstanding interpretation that a refund is made by a district not a specific fund. The refund levy for the capital projects fund could have been included with the maintenance and operations or bond levies for the CSD.

Action recommended

The Department recommends the Assessor:

- Add a refund levy to any valid levy made by the district; refunds are not specific to a particular levy.

Why it's important

To ensure taxing districts are levying and taxpayers are paying the correct amount of property as authorized by the voters.

Certification of Budget Amounts by County Legislative Authority

Recommendation

The Department recommends the Assessor provide education to the county legislative authority regarding the certification of budgets or budget estimates for each taxing district within the county wishing to levy for property tax.

What we found

The Department requested the county legislative authority's certification of budget requests. The Assessor provided the Department with Resolution 2018-13, Certification of 2017 Levies for 2018 Tax, dated February 2, 2018. This document states it is prepared pursuant to RCW 84.52.080, the tax roll statute, and is certified by the Assessor to the county legislative authority. The document contains a listing of the taxing districts within Chelan County and the amount of funds levied by the Assessor.

The Assessor did not supply the Department with the county legislative authority's certification of budget requests to her office as required in RCW 84.52.070. While the actual certification was not provided, it appears the requirements in this statute were substantially met. The Assessor provided copies of the individual taxing district's certified budget requests with a date stamp indicating the county legislative authority received the requests prior to November 30, 2017. It remains unclear as to how these requests were forwarded to the Assessor without the county legislative authority's official certification.

Action recommended

The Department recommends the Assessor:

- Continue to educate the county legislative authority regarding the certification of each taxing district's budget or budget estimate to the Assessor. This should include the requirement to list each taxing district's budget or budget estimate that is levying property tax and the November 30 deadline.
- Provide the county legislative authority with RCW 84.52.070.

Why it's important

When assessors timely certify the assessed values to the taxing districts, and the county legislative authority does not timely certify the individual taxing district's budget requests, the assessor is limited to levying no more than the district's budget requests from the prior year.

Next Steps

Follow-up

The Department is committed to the success of the Assessor by ensuring the levies comply with state statutes and regulations.

The Department will conduct a follow-up review in February 2019. This will give the Assessor an opportunity to implement the required changes, recommended changes, and to provide information to the Department about any issues they encountered during the implementation process.

Questions

For questions about specific requirements or recommendations in our report, please contact the Property Tax Division at (360) 534-1400.

For additional information contact:

Washington State Department of Revenue
Property Tax Division
PO Box 47471
Olympia, WA 98504-7471
(360) 534-1400
<http://dor.wa.gov>

Appendix – General Information

Introduction

General information provided to assist all assessors and taxing districts.

Contents

This section contains the following topics:

- Regular Levy Limitation
- Refunds
- Excess Levy
- Timber Assessed Value (TAV)
- Assessor Guidelines

Regular Levy Limitations

What are the statutory limitations?

Regular property tax levies are generally considered to be those levies that are subject to several statutory limitations.

The assessor must adhere to the following statutory limitations:

- Levy limit (a.k.a., 101 percent)
- Statutory dollar rate limit
- Amount authorized by resolution/ordinance
- District budget
- \$5.90 aggregate limit
- 1 percent constitutional limit

Levy Limit

The amount of regular property taxes a taxing district can levy, other than the state and port district industrial development levies, is limited to an amount that will not exceed the amount resulting from the following calculation:

- The highest amount that could have been lawfully levied by the taxing district in any year since 1985 for 1986 collection, multiplied by the limit factor; plus
- A dollar compensation calculated by multiplying the district's levy rate for the preceding year, or the last year the district levied taxes, by the increase in assessed value of the district from the previous year attributable to:
 1. New construction
 2. Increases in assessed value due to wind turbine, solar, biomass, and geothermal facilities (if the facilities generate electricity)
 3. Improvements to property
 4. Any increase in assessed value of state assessed property.

If an error occurred or an error correction was made in the previous year, use the levy rate that would have been levied had no error occurred.

The limit factor used in calculating the levy limit is defined in RCW 84.55.005 and WAC 458-19-005.

Regular Levy Limitations, continued

If the district's population is...	Then the limit factor is...
less than 10,000	101 percent.
greater than 10,000 and a finding of substantial need was made	the lesser of the substantial need factor or 101 percent.
for all other taxing districts	the lesser of 101 percent or 100 percent plus inflation.

Reference:

- RCW 84.55.010
- RCW 84.55.0101
- WAC 458-19-020

Statutory Rate Limit

The statutory rate limit varies by district. These limits are found in the various statutes for each type of district and in the *Property Tax Levies Operations Manual*. The levy amount for each district cannot exceed the statutory maximum rate. The statutory dollar rate limits for senior taxing districts can be found in RCW 84.52.043(1). The statutory dollar rate limits for all taxing districts can be found in the levy manual, chapter 3.

Reference:

- RCW 84.52.043
- Property Tax Levies Operation Manual,
https://dor.wa.gov/sites/default/files/legacy/Docs/Pubs/Prop_Tax/LevyManual.doc, chapter 3

Truncating Levy Rates

The final certified levy rate cannot result in a levy amount that exceeds the statutory limitations. To ensure that the final levy rate results in a levy amount at or below the statutory levy limit for each taxing district the assessor must truncate the rate at the last digit (not round).

If truncating the levy rate for a bond levy results in a levy amount less than the amount requested by the district, the levy rate must be rounded up to ensure sufficient funds are levied for the repayment of the debt.

Regular Levy Limitations, continued

Resolutions/Ordinances

The amount authorized by a district in its resolution or ordinance is another limitation on taxation. If a district does not adopt a resolution/ordinance compliant with RCW 84.55.120, the district cannot levy more than it received in the previous year, other than the increase amount resulting from the following:

1. New Construction
2. Improvements to property
3. Wind turbines
4. Solar, biomass, and geothermal facilities (if the facilities generate electricity)
5. Increases in state-assessed property

The resolution or ordinance must state the increase over the previous year's levy in terms of percentage and dollars. The resolution is separate from the budget certification.

Reference:

- RCW 84.55.120

<https://dor.wa.gov/legacy/Docs/forms/PropTx/Forms/OrdinanceResolution.doc>

Regular Levy Limitations, continued

Levy Certification (Budget)

Taxing districts that wish to levy must certify a budget or budget estimate to the county legislative authority by November 30 of the assessment year. (**Note:** the November 30 deadline does not apply if the assessor has not certified assessed values to the taxing district at least twelve working days prior to November 30).

The county legislative authority must certify the amount to levy for each of the taxing districts, including the county, to the assessor on or before November 30 of each year. However, the county legislative authority may elect to conduct its budget hearing on the first Monday in December, as permitted by RCW 36.40.071.

Reference:

- RCW 84.52.020
- RCW 84.52.070
- <https://dor.wa.gov/legacy/Docs/forms/PropTx/Forms/LevyCertf.doc>

\$5.90 Limit

The \$5.90 limit applies to the total of most regular levies in each tax code area. The aggregate of the junior and senior taxing districts (excluding the state levy and a few others) cannot exceed \$5.90 per \$1,000 of assessed value.

RCW 84.52.010 provides the order in which taxing districts rates are prorated, in order to bring the aggregate rate down to \$5.90. The \$5.90 limitation does not apply to levies made by or for:

- The support of common schools (state levy)
- Port districts
- Public utility districts
- Conservation futures
- Criminal justice
- Emergency medical services
- Affordable housing
- Metropolitan parks (if voters protect a portion of the levy from this limit)
- County ferry districts
- County transit
- Regional transit authority

Reference:

- RCW 84.52.043

Regular Levy Limitations, continued

1 Percent Constitutional Limit

The 1 percent constitutional limit is based on true and fair value, unlike the \$5.90 limit, which is based on assessed value.

In 1972, the voters adopted a constitutional limit of 1 percent. This limits the amount of property taxes that may be imposed on an individual parcel (real or personal) of property without voter approval of 1 percent of its true and fair value.

The 1 percent limit applies to all regular levies (except port and public utility district levies). It does not apply to excess levies approved by the voters.

Reference:

- RCW 84.52.050
- RCW 84.52.010
- Article 7, Section 2 of Washington Constitution

Refunds

Types of Refunds

There are two types of refunds:

- Adjudicated (court ordered)
- Administrative

Use this table to decide how to levy for a refund

If the refund is an...	Then...	And...
Adjudicated refund	the district is required to levy the refund	the refund is added to the district's levy.
Administrative refund	the refund levy is optional	the refund may be added to the levy only if the district requests the refund in its levy certification or budget.

Note: the statutory limit cannot be exceeded when adding a refund to the levy.

Reference:

- RCW 84.68.040 (adjudicated refund)
- RCW 84.69.180 and RCW 84.69.020 (administrative refund)
- WAC 458-19-085 (adjudicated and administrative refunds)

Excess Levy

What is an Excess Levy

Excess levies are over and above the regular property tax levies.

- Excess levies require voter approval
- Duration of excess levies is subject to limitations
- Excess levies are not subject to the statutory limitations placed on regular levies

Type of Levy	Taxing District	Duration
Bond	Most districts	Long term debt, usually 15-20 years
Maintenance & Operational (M&O)	School and fire districts	2-4 years
General	Most districts except school and fire districts	1 year
Technology	School	2-6 years
Transport Vehicle	School	2 years
Construction/Modernization/Remodeling	School and fire districts	2-6 years

Reference:

- RCW 84.52.052
- RCW 84.52.053
- RCW 84.52.056
- RCW 84.52.130

<https://dor.wa.gov/get-form-or-publication/ballot-measure-requirements>

Timber Assessed Value (TAV)

What is Timber Assessed Value?

Timber assessed value determines each taxing district's share of the timber excise tax revenue and in setting property tax levy rates. It serves as a substitute for the value that would be carried on the assessment roll if timber were taxable as real property for all bond and excess levy calculations.

Components of TAV

Based on taxes levied, acreage, and assessed value of property in the Designated Forest Land Program (DFL) from the prior tax year, and the estimated public acreage available for timber harvesting (RCW 84.33.089), the assessor calculates the following values:

- Composite tax rate
- Forest land assessed value (FLAV)
- Average assessed value per acre on privately owned DFL

After making these calculations, the assessor has all the information necessary to complete the Timber Tax Distribution Priority 1, 2, and 3 worksheets. The priority worksheets list the individual taxing district's TAV that is to be added to the district's taxable value for levy calculations.

Tax Base

The assessor must ensure that the appropriate amount of TAV is included in the tax base for calculating excess levies.

If the levy type is...	Then use this percentage of TAV in the tax base...
Bond	100 percent
Capital Project	100 percent
Transportation Vehicle	100 percent
School M&O	50 percent of TAV or 80 percent of the 1983 timber roll, whichever is greater
All other excess levies	100 percent

Reference:

- RCW 84.52.080(2)

Assessor Guidelines

Introduction

The assessor generally calculates the property tax levy rate necessary to collect the amount of taxes levied for each district, within the limitations provided by law (WAC 458-19-010). Listed below are some of the guidelines for the assessor based on the taxing district's adopted documentation.

Determine the authorized levy amount

Use the table below to determine the authorized levy amount given certain situations.

When the taxing district submits...	Then...
a certified levy request to the county legislative authority, but does not adopt a resolution/ordinance authorizing an increase over the prior year's levy	the district's levy is the lesser of the following: <ol style="list-style-type: none"> 1. Previous year's levy plus <i>any</i> increase resulting from new construction, improvements to property, wind turbines, solar, biomass, and geothermal facilities (if the facilities generate electricity), and the increased value of state-assessed property. 2. Current year's certified levy request. 3. Levy limit (with a 100% limit factor). 4. Statutory maximum amount.
a resolution/ordinance authorizing an increase over the prior year's levy, but no certified levy request to the county legislative authority	the assessor does not have the statutory authority to levy on behalf of the taxing district.
a certified levy request to the county legislative authority and a resolution/ordinance authorizing an increase over the prior year's levy	the district's levy is the lesser of the following: <ol style="list-style-type: none"> 1. Previous year's levy <i>plus</i> the percentage increase authorized by the resolution <i>plus</i> any increase resulting from new construction, improvements to property, wind turbines, solar, biomass, and geothermal facilities (if the facilities generate electricity), and the increased value of state-assessed property. 2. Current year's certified levy request. 3. Levy limit (with a limit factor up to 101% depending on the district's population). 4. Statutory maximum amount.
neither a certified levy request nor a resolution/ ordinance authorizing an increase over the prior year's levy	the assessor does not have the statutory authority to levy on behalf of a taxing district.

Appendix A

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

Levy Limit Calculation for District: Port of Chelan - 2016												
Assmt Taxes Year Due	Highest Lawful Levy Since 1985*	Limit Factor	Highest Lawful plus Increase	State Assd New Const	Tax Added for State Assd New Const	Annexed Value	Tax Added for Annex.	Levy Limit	Assd Value	Stat Rate Max.	<input type="checkbox"/> Annexed to Library? <input type="checkbox"/> Annexed to Fire? <input type="checkbox"/> Firemen's Pension? <input type="checkbox"/> Lid Lift?	
2015 2016	2,791,119.72	1.00000%	2,819,030.92	135,326,915	37,579.57	0	0.00	2,856,610.49	9,709,253,746	0.450000000000		
Actual Levy:							Refund	Summary of Levy Limits:				
Assmt Taxes Year Due	Previous Year's Levy	Lesser of Resolution's \$ or %	Previous Yr's Levy plus Increase	Tax Added for State Assd New Const	Tax Added for Annex.	Authorized Levy by Res.	Refund	Certified Budget	Limit Per Stat. Rate Maximum	Levy Limit Plus Refund	Authorized Levy By Res. Plus Refund	
2015 2016	2,533,231.78	1.000%	2,558,564.10	37,579.57	0.00	2,596,143.67	9,906.77	2,602,933.20	4,369,164.19	2,866,517.26	2,606,050.44	
Assmt Taxes Year Due	Current Year's Max Levy	Levy Correction	Total Levy w/ Correction	Actual Amount Levied	Actual Levy Rate	Correct Levy Rate	Over/Under Levy					
2014 2015					.277694715							
2015 2016	2,602,933.20	\$0.00	2,602,933.20	2,610,227.74	.2688391722	.2680878745	7,294.54					

Appendix B

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

Levy Limit Calculation for District: Port of Chelan - 2017														
Assmt Taxes Year Due	Highest Lawful Levy Since 1985*	Limit Factor	Highest Lawful plus Increase	State Assd New Const	Tax Added for State Assd New Const	Annexed Value	Tax Added for Annex.	Levy Limit	Assd Value	Stat Rate Max.	<input type="checkbox"/> Annexed to Library?	<input type="checkbox"/> Annexed to Fire?	<input type="checkbox"/> Firemen's Pension?	<input type="checkbox"/> Lid Lift?
2016 2017	2,856,610.49	1.00000%	2,885,176.59	152,632,955	40,919.04	0	0.00	2,926,095.63	10,358,133,863	0.450000000000				
Actual Levy:								Summary of Levy Limits:						
Assmt Taxes Year Due	Previous Year's Levy	Lesser of Resolution's \$ or %	Previous Yr's Levy plus Increase	Tax Added for State Assd New Const	Tax Added for Annex.	Authorized Levy by Res.	Refund	Certified Budget	Limit Per Stat. Rate Maximum	Levy Limit Plus Refund	Authorized Levy By Res. Plus Refund			
2016 2017	2,610,227.74	\$26,102.27	2,636,330.01	40,919.04	0.00	2,677,249.05	11,423.22	2,698,807.22	4,661,160.24	2,937,518.85	2,688,672.27			
Assmt Taxes Year Due	Current Year's Max Levy	Levy Correction	Total Levy w/ Correction	Actual Amount Levied	Actual Levy Rate	Correct Levy Rate	Over/Under Levy							
2015 2016					.2680878745									
2016 2017	2,688,672.27	\$0.00	2,688,672.27	2,693,169.07	.2600052389	.2595711066	4,496.80							

Appendix C

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

Levy Limit Calculation for District: Port of Chelan- 2018											
Assmt Taxes Year Due	Highest Lawful Levy Since 1985*	Limit Factor	Highest Lawful plus Increase	State Assd New Const	Tax Added for State Assd New Const	Annexed Value	Tax Added for Annex.	Levy Limit	Assd Value	Stat Rate Max.	<input type="checkbox"/> Annexed to Library? <input type="checkbox"/> Annexed to Fire? <input type="checkbox"/> Firemen's Pension? <input type="checkbox"/> Lid Lift?
2017 2018	2,926,095.63	1.00000%	2,955,356.59	192,436,183	49,950.87	0	0.00	3,005,307.46	11,083,349,991	0.450000000000	
Actual Levy:							Summary of Levy Limits:				
Assmt Taxes Year Due	Previous Year's Levy	Lesser of Resolution's \$ or %	Previous Yr's Levy plus Increase	Tax Added for State Assd New Const	Tax Added for Annex.	Authorized Levy by Res.	Refund	Certified Budget	Limit Per Stat. Rate Maximum	Levy Limit Plus Refund	Authorized Levy By Res. Plus Refund
2017 2018	2,693,169.07	\$26,931.69	2,720,100.76	49,950.87	0.00	2,770,051.63	6,557.00	2,778,810.98	4,987,507.50	3,011,864.46	2,776,608.63
Assmt Taxes Year Due	Current Year's Max Levy	Levy Correction	Total Levy w/ Correction	Actual Amount Levied	Actual Levy Rate	Correct Levy Rate	Over/Under Levy				
2016 2017					.2595711066						
2017 2018	2,776,608.63	\$0.00	2,776,608.63	2,759,195.53	.2489495985	.2505207028	(17,413.10)				

Appendix D

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

Levy Limit Calculation for District: City of Wenatchee												
Assmt Taxes	Highest	Limit	Highest	State Assd	Tax Added	Annexed	Tax Added	Levy	Assd	Stat	<input checked="" type="checkbox"/>	Annexed to Library?
Year Due	Lawful Levy	Factor	Lawful plus	New Const	for	Value	for	Limit	Value	Rate	<input checked="" type="checkbox"/>	Annexed to Fire?
	Since 1985*		Increase		State Assd		Annex.			Max.	<input checked="" type="checkbox"/>	Firemen's Pension?
					New Const						<input type="checkbox"/>	Lid Lift?
2017 2018	6,147,317.40	1.00000%	6,208,790.57	20,479,808	22,797.11	27,419,989	55,999.63	6,287,587.31	3,078,691,510	2.029766159200		
Actual Levy:							Summary of Levy Limits:					
Assmt Taxes	Previous	Lesser of	Previous Yr's	Tax Added	Tax Added	Authorized	Refund	Certified	Limit Per	Levy Limit	Authorized	
Year Due	Year's	Resolution's \$ or %	Levy plus	for	for	Levy by Res.		Budget	Stat. Rate	Plus Refund	Levy By Res.	
	Levy		Increase	State Assd	Annex.	New Const			Maximum		Plus Refund	
2017 2018	3,220,000.00	\$32,200.00	3,252,200.00	22,797.11	55,999.63	3,330,996.74	18,136.00	3,343,481.00	6,249,023.84	6,305,723.31	3,349,132.74	
Assmt Taxes	Current Year's	Levy Correction	Total Levy	Actual	Actual Levy	Correct	Over/Under	Original Assessed Value + Correction Amount = Total Assessed Value				
Year Due	Max Levy		w/ Correction	Amount	Rate	Levy Rate	Levy					
2016 2017					1.11315042							
2017 2018	3,343,481.00	\$0.00	3,343,481.00	3,343,174.24	1.1147424494	1.0860071524	(306.76)	\$2,999,055,290 + \$79,636,220 = \$3,078,691,510				

Appendix E

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

Excess Levy Calculation: Cashmere School District No. 222												
Ballot Data Type & 1st Year	Budget	Refund	Total Levy	Real & Personal Taxable Value	TAV	Total Value	Levy Rate	Total County AV x Rate	County Levy Rate	County Levy	Over/Under	
Bond	2017	1,820,000	8,509.15	1,828,509.15	836,954,521.00	948,680.00	837,903,201.00	2.182243900987	1,828,509.15	2.181987763800	1,828,509.15	0.00
Cap Proj		0	521.47	521.47	836,954,521.00	948,680.00	837,903,201.00	0.000622351125	521.47	0.000622278100	521.47	0.00
M & O	2015	2,630,000	13,369.98	2,643,369.98	836,954,521.00	474,340.00	837,428,861.00	3.156530785007	2,643,369.98	3.156160082800	2,643,369.98	0.00
Correct Levy Rates - Highlighted				Assessed Value Correction \$837,052,880 - \$98,359.25 = \$836,954,520.75								

Appendix F

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

Levy Limit Calculation for District: Fire District No. 6															
Assmt Taxes Year Due	Highest Lawful Levy Since 1985*	Limit Factor	Highest Lawful plus Increase	State Assd New Const	Tax Added for State Assd New Const	Annexed Value	Tax Added for Annex.	Levy Limit	Assd Value	Stat Rate Max.	<input type="checkbox"/> Annexed to Library?	<input type="checkbox"/> Annexed to Fire?	<input type="checkbox"/> Firemen's Pension?	<input type="checkbox"/> Lid Lift?	
2017 2018	349,853.79	1.00000%	353,352.33	36,568,355	17,352.64	0	0.00	370,704.97	786,240,317	1.500000000000					
Actual Levy:								Summary of Levy Limits:							
Assmt Taxes Year Due	Previous Year's Levy	Lesser of Resolution's \$ or %	Previous Yr's Levy plus Increase	Tax Added for State Assd New Const	Tax Added for Annex.	Authorized Levy by Res.	Refund	Certified Budget	Limit Per Stat. Rate Maximum	Levy Limit Plus Refund	Authorized Levy By Res. Plus Refund				
2017 2018	351,321.06	\$3,513.21	354,834.27	17,352.64	0.00	372,186.91	589.13	381,116.72	1,179,360.48	371,294.10	372,776.04				
Assmt Taxes Year Due	Current Year's Max Levy	Levy Correction	Total Levy w/ Correction	Actual Amount Levied	Actual Levy Rate	Correct Levy Rate	Over/Under Levy								
2016 2017 2017 2018	371,294.10	\$0.00	371,294.10	371,294.11	.4745262196 .4288072192										
									\$865,876,537 - \$79,636,220 = \$786,240,317						