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Washington Department of Revenue Property Tax Division

2019 Clark County Levy Audit A Summary Report



Table of Contents

| | |
|--------------------------------------|----|
| Overview | 3 |
| Executive Summary | 4 |
| Requirements | 6 |
| Fire District No. 5 | 7 |
| Wholly Unimproved Parcels | 8 |
| Recommendations | 9 |
| Refunds..... | 10 |
| Levy Titles | 11 |
| Next Steps | 12 |
| Appendix – General Information | 13 |
| Regular Levy Limitations..... | 14 |
| Refunds..... | 19 |
| Excess Levy | 20 |
| Timber Assessed Value (TAV) | 21 |
| Assessor Guidelines | 22 |
| Appendix A..... | 23 |

Overview

Purpose

The primary purpose of this review by the Department of Revenue (Department) is to assist the Clark 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 2019 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 used the following information during the review:

- 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: Battleground, Camas, Ridgefield, and Washougal
- Fire Districts: 3, 5, 6, 10, 13, and East County
- Cemetery Districts: 5 and 6
- School Districts: Mt Pleasant No. 93, Hockinson No. 98, LaCenter No. 101, and Evergreen No. 114
- Port Districts: Ridgefield and Vancouver

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 two 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 apply the authorized dollar increase and percentage of change, as stated in a separate ordinance or resolution provided by the taxing district, to the previous year's levy amount.
2. The Assessor is required to determine whether there are any wholly unimproved parcels within a fire district's boundaries and remove those parcels from the district's taxable value for their general fund levy limit calculations.

Recommendations

1. The Department recommends the Assessor educate taxing districts requesting refunds to specify which fund to make the levy from in their levy certification to the county legislative authority.
2. The Department recommends the Assessor update reports and letters to display accurate titles for the county general and school district enrichment levies.

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.

Fire District No. 5

Requirement

The Assessor is required to apply the authorized dollar increase and percentage of change, as stated in a separate ordinance or resolution provided by the taxing district, to the previous year's levy amount.

What the law says

No increase in property tax revenue may be authorized without a public hearing and adoption of a separate 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, solar, biomass and geothermal facilities, improvements, state assessed property, and refunds. (RCW 84.55.120 and WAC 458-19-085)

What we found

Fire District No. 5 (FD) passed Resolution No. 18-11-01 on November 6, 2018, authorizing a 1.082167 percent increase above their previous year's levy. When the Assessor calculated the resolution limitation he used an increase of 1.82167 percent to calculate the percentage of change from the previous year's levy amount.

This resulted in an overlevy of \$65,998.90.

Action needed to meet requirement

The Assessor is required to take the following actions:

- Calculate the percentage of increase from the previous year's levy amount based on the percentage authorized in a taxing district's ordinance/resolution.
- Correct the overlevy of \$65,998.90.
- Notify the taxing district of the levy error. If the correction in the succeeding year will cause a hardship for either the taxing district 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 corrected 2019 levy rate, provided in Appendix A, when calculating the rate for the 2020 tax year as if the error had not occurred.

Why it's important

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

Wholly Unimproved Parcels

Requirement

The Assessor is required to determine whether there are any wholly unimproved parcels within a fire district's boundaries and remove those parcels from the district's taxable value for their general fund levy limit calculations.

What the law says

Physical inspection of all property in the county shall be accomplished on a proportional basis in cycle. The Assessor must determine any changes in the physical characteristics that affect value, at least once within a six-year time period. (WAC 458-07-015)

RCW 52.16.170 (1) states: *(1) If the lands are wholly unimproved, they shall be subject to forest protection assessments but not to fire protection district levies;*

RCW 76.04.005(23) defines unimproved lands;

(23) "Unimproved lands" means those lands that will support grass, brush and tree growth, or other flammable material when such lands are not cleared or cultivated and, in the opinion of the department, are a fire menace to life and property.

What we found

During this audit, the Department found that Fire District No. 6 (FD6) and East County Fire District (ECFD) had the same tax base for their general and EMS levies. Typically a fire district general levy and EMS levy does not share the same tax base since the general levy base does not include wholly unimproved parcels.

The Assessor stated he is working with the Department of Natural Resources (DNR) to determine which parcels are wholly unimproved and not subject to fire district general levies.

It is the duty of the Assessor to determine property characteristics, such as wholly unimproved parcels, and place values on all real and personal property within the county. When there are wholly unimproved parcels within a fire district, they are not subject to fire district general levies.

Action needed to meet requirement

The Assessor is required to take the following actions:

- Review the property characteristics to determine if there are wholly unimproved parcels, and remove their assessed value from the tax base for all fire district general levies within the county.
- If an incorrect taxable value base was used to determine the 2019 tax year levy limits, a levy error correction must be completed.

Why it's important

All taxpayers within a taxing district will pay an incorrect tax amount if the taxable assessed value is not accurate.

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.

Refunds

Recommendation

The Department recommends the Assessor educate taxing districts requesting refunds to specify which fund to make the levy from in their levy certification to the county legislative authority.

What we found

When a taxing district wishes to levy for a refund, they request a dollar amount for refunds on their levy certification to the county legislative authority. The Assessor's policy is to include the requested refund levy amount in the district's general levy.

Action recommended

The Department recommends the Assessor:

- Educate taxing districts to specify in their levy certification to the county legislative authority which fund or funds should include the requested refunds.
- Make the county legislative authority aware of the information provided to the taxing districts regarding their levy certifications for refund levies.

Why it's important

To provide taxpayers transparency in the levy process.

Levy Titles

Recommendation

The Department recommends the Assessor update reports and letters to display accurate titles for the county general and school district enrichment levies.

What we found

The Assessor's Certification to Tax Roll report lists the County General (CG), Mental Health (MH), and Veteran's Assistance (VA) funds and their levy rates.

It appears the Assessor is calculating and listing a levy rate for the County Current Expense (CE), MH, and VA funds, but labeling the CE as CG. The CG includes CE, MH, and VA funds, since these funds are listed separately, the CG fund should be labeled CE.

The Assessor's certification of assessed values letters to the school districts list Enrichment Levies, but show the type as M&O levies. Beginning in the 2019 tax year, M&O levies no longer exist for school districts, they are enrichment levies. (EHB 2242)

Action recommended

The Department recommends the Assessor:

- Relabel the CG fund with the correct title of CE, for the 2020 tax year.
- Relabel the school district enrichment levies type, in the Assessor's certification of assessed values letters, to show they are enrichment levies, for the 2020 tax year.

Why it's important

Correct titles for property tax levies provides taxpayers transparency in the levy process.

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 2020. 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
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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, chapter 3
- https://dor.wa.gov/sites/default/files/legacy/Docs/Pubs/Prop_Tax/LevyManual.pdf

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.

References and forms:

- 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.

The county legislative authority must certify the amount to levy or budget estimates 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 and forms:

- 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 levies)
- Port districts
- Public utility districts
- Conservation futures
- Criminal justice
- Emergency medical services
- Affordable housing
- 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
- Only school district enrichment levies are 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 |
| Enrichment | Schools | 2-4 years |
| Maintenance & Operational (M&O) | 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 standing timber were taxable as real property for all excess levy calculations.

Components of TAV

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

- Composite tax rate
- County Timber Assessed Value (TAV)
- Total County 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 Enrichment | 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 worksheets contain regular levy calculations for the districts with errors in this audit.

| Levy Limit Calculation for District: Fire District No. 5 | | | | | | | | | | | | |
|--|----------------|----------------------|---------------|---------------|--------------|---------------|------------|-------------------------|----------------|----------------|--------------------------|---------------------|
| Assmt Taxes | Highest | Limit | Highest | State Assd | Tax Added | Annexed | Tax Added | Levy | Assd | Stat | <input type="checkbox"/> | Annexed to Library? |
| Year Due | Lawful Levy | Factor | Lawful plus | New Const | for | Value | for | Limit | Value | Rate | <input type="checkbox"/> | Annexed to Fire? |
| | Since 1985* | | Increase | | State Assd | | Annex. | | | Max. | <input type="checkbox"/> | Firemen's Pension? |
| | | | | | New Const | | | | | | <input type="checkbox"/> | Lid Lift? |
| 2018 2019 | 11,474,783.94 | 1.00000% | 11,589,531.78 | 411,296,658 | 531,599.32 | 0 | 0.00 | 12,121,131.10 | 10,273,624,776 | 1.500000000000 | | |
| 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. | | | | Maximum | | Plus Refund | |
| | | | | New Const | | | | | | | | |
| 2018 2019 | 11,400,164.07 | 1.082% | 11,523,532.88 | 531,599.32 | 0.00 | 12,055,132.20 | 28,151.69 | 12,167,588.44 | 15,410,437.16 | 12,149,282.79 | 12,083,283.89 | |
| Assmt Taxes | Current Year's | Levy Correction | Total Levy | Actual | Actual Levy | Correct | Over/Under | | | | | |
| Year Due | Max Levy | | w/ Correction | Amount | Rate | Levy Rate | Levy | | | | | |
| | | | | Levied | | | | | | | | |
| 2017 2018 | | | | | 1.2924960796 | | | | | | | |
| 2018 2019 | 12,083,283.89 | \$0.00 | 12,083,283.89 | 12,149,282.79 | 1.1825702276 | 1.1761461175 | 65,998.90 | | | | | |