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Washington Department of Revenue Property Tax Division

2016 Review of Property Tax Administration in Lewis County



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Overview

Introduction

This report contains the results of the Department of Revenue's (Department) review of property tax administration processes in Lewis County (County).

Purpose

The primary purpose of this review is to assist the Lewis County Assessor (Assessor) to successfully perform the duties associated with administration of the various property tax programs.

An effective review of the methods employed by the County in administering property tax will promote fair, timely, and uniform property tax assessments.

Scope of Review

The review is limited in scope. We reviewed the Assessor's role in property tax program administration. We did not review the internal fiscal controls or the internal management of the Assessor's office.

We reviewed selected administrative procedures for compliance with state statutes and regulations. We did not examine all parcels or accounts enrolled in the various programs or the assessed values of these accounts. The processes used to determine value are within the scope of this review and may be addressed in this report. However, the level of assessment for properties is not within the scope of this review. The Department's Ratio Study Program monitors and measures assessment levels.

Background

Duties of the Assessor

The Assessor is responsible for listing and valuing all real and personal property in the county. In addition to valuing property, the Assessor's office is responsible for a number of complementary functions, including:

- Maintaining record of ownership and legal description for each parcel of property
- Maintaining maps of all parcels and taxing districts
- Calculation of levy rates for the various taxing districts
- Administration of state-legislated tax exemption and deferral programs
- Providing property tax related information to the public and other governmental agencies

Overview, continued

Duties of the Department

The Department has the responsibility of general supervision and control over the administration of the assessment of property and the property tax laws of the state. The Department is authorized to direct and advise assessors, boards of equalization, county boards of commissioners, county treasurers, and county auditors as to their duties under the laws of the state relating to property taxation.

The Department has the authority to examine and test the work of county assessors at any time. The County Review Program is one of the Department's principal efforts to address these interests and promote fair, timely, and uniform property tax assessments.

As part of the Department's commitment to assisting the Assessor, this review is conducted with these general goals in mind:

- To ensure assessment administration is in compliance with state statutes and regulations
- To provide recommendations to improve assessment operations
- To identify efficiencies and cost-effective operational improvements
- To identify immediate and long-term resource needs in the Assessor's office

Information Reviewed

To complete our limited scope review, we gathered information about property tax program administration via interviews, documents provided by the County, as well as through independent verification. The areas we reviewed included (but were not limited to):

- New construction procedures
- New construction permits
- Current use removal procedures
- Riverside Fire Authority No.1 Levies
- Mass appraisal reports

We gathered information through staff interviews, documents provided by the Assessor's staff, as well as through independent verification. To complete our review, we interviewed:

- The Assessor
- The deputy assessor
- The chief appraiser

Acknowledgment

We thank the Assessor and staff for their cooperation throughout our review. We commend the Assessor for her willingness to look at opportunities to improve the uniformity and administration of property tax.

Executive Summary

About this Review

The Department conducted on-site visits to the Assessor's office. We interviewed the Assessor's staff about the processes and procedures used in administering the County's various property tax programs.

An administrative review of this type is prone to underscore problem areas even in a county that is doing well. Though we may have observed processes or procedures where the County is doing well, those items may not be reflected in this report.

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. We note recommendations as being in the best interest of all parties. We believe improvements in these areas can improve service to the public.

The Department based the requirements and recommendations contained in this report on our analysis 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 property tax administration in the County. A summary of these items follows.

Executive Summary, continued

Requirements

1. The Assessor is required each year to complete revaluation work by May 31 and new construction valuation by August 31.
2. The Assessor is required to make a physical appraisal of the building or buildings within twelve months of the permit issue date. County and city permit issuing departments are required to provide the Assessor with copies of all building permits issued by the respective jurisdiction.
3. The Assessor must assess new construction at its true and fair value as of July 31 each year regardless of its percentage completion.
4. When the Assessor discovers that the classified use of land has changed, the Assessor must notify the owner in writing by certified mail, return receipt requested using the *Notice of Intent to Remove Current Use Classification* form provided by the DOR.
5. The Assessor must review all levy limitations, including the taxing district's budget certification, when calculating the levy rate for the taxing district.
6. The Assessor must calculate the levy rate for the first year of an EMS levy based on the lesser of the maximum levy rate approved by the voters and the certified budget amount provided by the taxing district.

Recommendations

1. The Department recommends the Assessor and permitting jurisdictions work cooperatively to make sure that permit information is transferred to the Assessor on a regular basis and that the permit information is accurate.
2. The Department recommends the Assessor compile a manual that provides written guidelines for staff that contains office procedures, assessment data definitions, guidelines and examples, as well as step-by-step instructions for data entry into the Sigma system for the items that the staff is responsible for entering into the system.
3. The Assessor should produce an annual written report that outlines and explains the appraisal and valuation process throughout the county. The Assessor should have a working file of each market area, the sales analysis associated with that area, and the final valuation adjustments made in each area.

Requirements

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

This section contains the items we identified following our interview.

Dates of Completion for Inspection and Valuation of Real Property

Requirement

The Assessor is required each year to complete revaluation work by May 31 and new construction valuation by August 31. (RCW 84.40.040 and 36.21.080)

What the law says

The Assessor must complete inspection and valuation of property by May 31 of each year, except for new construction and mobile homes that have an August 31 date for completion of listing on the assessment roll. The Assessor must notify the taxpayer of the change in value within 30 days of the appraisal. The Assessor must certify the assessed values to the county board of equalization by July 15, with certification to the Department of new construction values by September 15.

The courts have interpreted the date of May 31 as directory rather than mandatory. (Niichel v. Lancaster, (1982) 97 W2d 620, 647 P2d 1021) The courts may similarly interpret the new construction dates as directory rather than mandatory. There is one instance where a court ruled that being extremely late completing revaluation of property could invalidate the assessments. (Hillis v. Kittitas County, Docket No. 98-2-00187-1 (Kittitas County Superior Court, June 23, 1998))

Following statutorily prescribed dates for completing inspections and valuation work leads to timely completion of subsequent steps in the assessment process. The Department's publication, *Property Tax Calendar* outlines important dates and functions in the assessment and property tax process. Late completion of property inspections and valuation work may delay:

- Scheduling of board of equalization (BOE) hearings
- Completion of the Department's Ratio Study
- Distribution of centrally assessed values to counties by the Department
- Preparation of taxing district budgets
- Completion of the levy process
- Completion of county reports required by the Department for calculating the state school levy

Additionally, late completion of assessment work in one year usually results in a late start beginning work for the next year. The assessment and taxation process is dependent on following sequential steps and the process is most effective if each step is timely completed.

What we found

The Assessor was late completing revaluation and new construction work for the 2015 assessment year. This has not been an ongoing problem in previous years. For the three years prior to 2015, the Assessor signed the certification of real property values to the BOE by September 4. For new construction in the prior three years, the Assessor certified values prior to October 1.

The following table illustrates a four-year history of key dates:

Description	Required Date	Actual Completion Date			
		2012	2013	2014	2015
Real Property Inspection	5/31	7/24/12	6/13/13	6/13/14	11/2/15
Certification of RP Values	7/15	9/4/12	6/26/13	6/30/14	11/24/15
New Construction Valuation	8/31	9/26/12	9/23/13	9/12/14	11/2/15
Certification of NC Values	9/28	9/29/12	9/25/13	9/24/14	11/24/15
Deliver Tax Roll to Treasurer	1/15 next year	na	na	na	1/15/16

Source: Lewis County’s Revaluation Progress Reports and certifications annually submitted to DOR

The late completion of scheduled inspections and revaluation work for 2015 was due primarily to under staffing from vacancies and extended mass appraisal training.

Staffing

The Assessor’s office had six vacant positions over several years prior to and during 2015. This contributed to reduced staffing levels in key positions, such as chief appraiser and sales analyst, as well as several field appraiser positions. Due to the reduced staffing levels and new employees in training, the Assessor, chief appraiser and sales analyst stepped in to complete new construction inspections for 2015.

Training

The entire staff participated in a three-month mass appraisal training originally scheduled to last one month. This delayed the field appraisers from starting inspections until March of 2015. While the Assessor acknowledged the value of the training in improving consistency between appraisers, expanding mass appraisal techniques, and expanding the database to capture additional property characteristics necessary to improve valuation work, the time invested cost the office valuable time which was needed to accomplish their inspection and valuation work for 2015.

Destroyed Property

Lewis County experienced significant flooding in late 2015 and early 2016 that required approximately 500 flood inspections resulting in approximately 200 value changes. This contributed to the delay in starting revaluation work for 2016.

Action needed to meet requirement

The Assessor must continue to work towards timely completing inspection and valuation work.

Recommendations:

- Refer to the Department’s publication, [Property Tax Calendar](#). As closely as possible, realign completion of valuation and new construction work with required dates.
- Continue with the Assessor’s work plan to meet target dates for completing 2016 work. The Assessor developed a timeline with target dates for completing 2016 work. The management team tracks production on a weekly basis to measure actual production against target dates. Continue to use your plan and monitor the office’s progress completing work. The significant delay completing

work in 2015 reduced the amount of time available for the Assessor and her staff to complete work scheduled for 2016. The Assessor has set an August 31 target date for completing 2016 revaluation and new construction work. Completion of valuation work by mid-September would place the office ahead of completion dates for 2015 and better positioned for timely completion of work in 2017.

- Continue working with the county legislative authority to ensure adequate funding of the appropriate number of positions in the Assessor's office. Develop a contingency plan for completing work during periods of vacancies, and work to increase the depth of knowledge in the office for specialized appraisal functions. The office has filled several trainee positions and is now fully staffed according to the 2016 budget. The Assessor indicated the need for one additional appraiser position that would be available for both the commercial and residential workload. An adequate number of trained appraisers will also better prepare the office to maintain production during vacancies and training of new employees.
- Continue to review and refine work assignments within the office to ensure efficiencies and back-up for appraisal and other functions.
- Continue to provide mass appraisal training to the office staff as time allows. Provide staff cross training in specialized appraisal work and other office functions.

Why it is important

Completing work in alignment with the Property Tax Calendar promotes timely completion of each step in the valuation, assessment, levy, and taxation process. If assessment and valuation processes are not completed in a timely manner, those delays have significant impacts on the entire assessment process, including the work of other county officials such as the treasurer, county board of equalization, and the various local taxing districts.

Physical Appraisal within Twelve Months of Issued Permit

Requirement

The Assessor is required to make a physical appraisal of the building or buildings within twelve months of the date the permit was issued. (RCW 36.21.070)

County and city permit issuing departments are required to provide the Assessor with copies of all building permits issued by the respective jurisdiction. (RCW 19.27.140)

What the law says

All property is subject to assessment and taxation unless law has provided a specific exemption. New buildings and other improvements resulting from construction or alteration that required a permit under the State Building Code are subject to inspection, listing and assessment by the assessor. The assessor typically becomes aware of new construction through building permits issued by the permitting departments of the county and cities within the county. Some cities contract with the county for permit and inspection services. A copy of any permit obtained under the State Building Code for construction or alteration work of a total cost or fair market value in excess of \$500 must be sent by the issuing authority to the assessor. The permit must include the county assessor's parcel number. The assessor must, within 12 months of the date the permit was issued, inspect and appraise the building or buildings covered by the permit (RCW 36.21.070). Although cost may be incurred by the property owner and reflected on a permit, the assessor determines whether the "alteration" increases the value of the property. The assessor must value new construction as of July 31, and complete the valuation and list in the assessment roll by August 31.

The Assessor must inspect property within 12 months of the date a permit was issued. In some instances, the issue date of the permit and the valuation date of July 31 may result in an inspection period of less than 12-months or even several months past 12 months.

- The 12-month period begins at the time the permit is issued by the building or community development department, not at the time the assessor received the permit. Permits have various dates that range from application date, to open date, to issue dates, on through various stages until completion.
- Permits are issued throughout the year. When permits are issued in July, the construction work may not have started before the July 31 valuation date.
- Permits issued in late June or July typically would not be received by an assessor's office until the next month or even after the valuation date for that assessment year. In those cases, based on the date, the assessor may have until the next year to inspect and value the property.

What we found

There were a low number of instances when permitted new construction was not valued and listed in the assessment roll within 12 months from the issue date of the permit. The late listing of new construction was limited in the number of permits and parcels of property affected.

Review Process

We initially received over 3400 permits issued during 2013-2015 by the cities of Centralia, Chehalis, Napavine, Winlock/Toledo, and Lewis County. We gathered permit information directly from the issuing jurisdiction.

Based on the permit value and/or type of improvement, we narrowed the sample size to those permits with construction that typically increases property value, including single-family residences, commercial new construction, and significant additions or detached structures. We also reviewed those parcels submitted by the Lewis County Board of County Commissioners (BOCC) as examples of new construction that may have been omitted from the assessment roll, which are included in our summary. We compared the permit issue date and either construction completion dates or occupancy dates against the parcel/property record information provided on the Assessor's website or through an in office Computer Assisted Mass Appraisal system verification. After verifying new construction information, there were approximately 150 parcels that required further review to determine whether the new construction had been picked up timely.

The inspection dates and listed value of new construction for the final 150 permits (including the BOCC list) were reviewed in the Assessor's office using various appraisal and note screens within their assessment system database.

Summary of new construction not listed timely and several causes we were able to identify:

1. There were 19 parcels that had permits listed in the Assessor's Sigma system that showed construction in progress, or completed construction by the community development offices. This new construction was not listed in the assessment roll. The Assessor noted that one of the parcels had been inspected, but was not listed in the assessment record due to a data entry error, which has been corrected.
2. There were 16 new construction parcels that were not timely listed because of a policy related to level of completion at time of inspection. In most instances, an inspection was completed in a timely manner, but the improvement was not valued and listed due to an older policy that directed listing only after a roof was in place. (See requirement #3)
3. In addition, some new construction (10 parcels) was inspected and listed more than one year after the date of the permit issuance. In most cases, this was due to late new construction inspections in 2015.

Action needed to meet requirement

The Assessor has processes in place for tracking permits, inspections, and listing new construction. Enhancements to those processes, such as those listed below, will help ensure that within twelve months of an issued permit, the Assessor will inspect the new construction and list the value for the current assessment year.

- The Assessor and other county departments must continue their work to ensure that all permits are timely transferred to the Assessor.

- The Assessor should continue work with the permit issuing department of cities to maintain a consistent schedule for transfer of permit information, by either paper or electronic means. Promptly sending permits to the Assessor means the permit will be entered into the assessment system and be ready for review and inspection.
- The Assessor should continue developing a tracking system that records both the permit issue date and the date received from all permitting jurisdictions to confirm that permits are transferred according to an agreed upon schedule.
- The Assessor should conduct a review of all parcels with known new construction permits each year before change of value notices are printed and mailed. System queries and testing may identify parcels with missed new construction or parcels with data entry and value calculations not completed properly in the Sigma system.

Why it is important

One of the major functions of the Assessor's office is placing new construction on the assessment roll. New construction that is valued and listed each year by an assessor directly influences the tax base for the county and local taxing districts. The assessment of new construction provides an important source of funding for the county and local taxing districts, and ensures equity in taxation between property owners. The growth in property tax revenue is limited to one percent each year. Taxing districts are authorized additional revenue in excess of the one percent levy limit based on the value of new construction. This added revenue carries forward in future levy authority. When the value of new improvements as of July 31 (2016) is not listed by an assessor until the following assessment year (2017) that value should be added to the roll as omitted property. Omitted property will increase the tax base, but it should not be considered new construction for determining the highest lawful levy.

Procedure for Adding New Construction at Percent Complete to the Assessment Roll

Requirement

The Assessor must assess new construction at its true and fair value as of July 31 each year regardless of its percentage completion. (RCW 36.21.070)

What the law says

Under the provisions of RCW 36.21.070 and 36.21.080, and defined in WAC 458-19-005(2)(p), new construction must be assessed at its true and fair value as of July 31 each year regardless of its percentage of completion. The Assessor is authorized to place new construction on the assessment rolls up to August 31 each year. 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 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 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)(d), located on leased public land, for which a building permit was issued or should have been issued. The Assessor must notify the owner, or person responsible for payment of taxes, of the value of any new construction that has been assessed.
(RCW 36.21.070, RCW 36.21.080, WAC 458-19-005(2)(p), WAC 458-12-342)

What we found

The Assessor's current written policy states "If a house, under construction, has a roof on it, assess it if not complete assess at percent complete. Conversely, if a house does not have a roof on it, do not assess it. However, you need to keep the permit open so that a recheck will take place and a note should be entered in the note screen as to the amount of construction complete at the time of the last inspection."

In our discussion in the Assessor's office on April 26, 2016, the Assessor stated this policy verbally, while the chief appraiser further commented that policy had recently changed. Our review showed that most appraisers had adopted the new policy, but there were limited instances where the improvement was inspected but not valued and listed in the early stages of construction as it should have been.

Action needed to meet requirement

The Assessor must value new construction based on the value as of July 31. When the construction is incomplete, the value should reflect the market value for that level of completed construction. The Assessor should amend the existing written new construction guidelines to include the newer verbal policy requirement for listing value as of July 31. Providing written guidelines for appraisers estimating value of incomplete construction helps ensure consistency between appraisers.

Methods for determining percent complete and value of incomplete construction:

- Percentage of completion can be estimated based on the contribution of each component of construction as compared to the completed project. For example, a home with only the site work

and foundation completed as of July 31 would be considered 14% complete using the Percent Completion Guide in Marshall and Swift appraisal cost manuals.

- For parcels in the very early stages of construction, after inspection the appraiser might consider applying a percentage of the permit value to the parcel until such time that the new improvement can be measured more accurately.
- Another option would be to attach a flat value to a parcel in the early (i.e. foundation) stages, which would be a fair cost estimate for groundwork, utility installation, and foundation work.
- Photos would be an excellent addition to the file to show taxpayers visual evidence of what was found at the time of the inspection.

Why it is important

One of the major functions of the Assessor's office is placing new construction on the assessment roll. It is important to capture the new construction value each year regardless of the percentage of completion, so that the added value is part of the assessment roll calculation for the appropriate year. The assessment of new construction provides an important source of funding for the county and local taxing districts, and ensures equity in taxation between property owners.

Current Use Removal Notification to the Taxpayer by Certified Mail

Requirement

When an assessor discovers that the classified use of land has changed, the assessor must notify the owner in writing by certified mail, return receipt requested using the Notice of Intent to Remove Current Use Classification form provided by the DOR.

What the law says

If the assessor determines that the land is not being used for a qualifying use, the assessor must send the owner, by certified mail, return receipt requested, a written notice regarding this determination; e.g., the *Notice of Intent to Remove Current Use Classification* form. (WAC 458-30-295) The owner must respond, in writing, to the assessor's inquiry about the use of the classified land within thirty calendar days of the postmarked date of the notice. Unless the owner demonstrates to the assessor that the classified use of the land has not changed, the assessor will remove the land from classification and impose additional tax, interest, and penalty. (RCW 84.34.080 and 84.34.108)

What we found

The *Notice of Intent to Remove* was not sent by certified mail, return receipt requested. The Assessor stated that sending correspondence by certified mail is cost prohibitive. Most property owners apparently receive the *Notice of Intent to Remove* when sent by standard mail. However, one property owner did raise the issue of not receiving proper notice of intent to remove during a landowner's appeal with County Board of Equalization.

The Assessor pointed out that while WAC 458-30-295 does state that notification must be sent by certified mail, the related RCW 84.34.108 does not specifically require mailing by certified mail. The Department holds that both RCW's and WAC's are binding laws in the State of Washington, therefore compliance is required.

Action needed to meet requirement

The Assessor must mail Notifications of Intent to Remove by certified mail and request a return receipt. The Assessor stated that they perform approximately 2500 current use audits each year resulting in the removal of 300-500 parcels from the program. While this number of mailings could result in a significant cost to the county, not following the certified mail requirement could result in a significant number of potential removals that could be at risk for reversal or nullification.

The Department recommends the Assessor work with the county legislative authority to ensure adequate funding to allow for proper notification by certified mail to taxpayers when required.

Why it is important

This is important in order to ensure the County is providing due process to their landowners. Providing adequate notice by certified mail ensures that property owners know they must respond to the Assessor. Failure to provide proper notice may place the removal of non-qualifying parcels at risk, which could unfairly cause other county taxpayers to share an increased tax burden.

Riverside Fire Authority No. 1 General

Requirement

The Assessor must review all levy limitations, including the taxing district's budget certification, when calculating the levy rate for the taxing district.

What the law says

RCW 84.52.010 states that all taxes must be levied or voted in specific amounts and the county assessor must calculate the levy rate within the limitations provided by law.

What we found

The Assessor limited the district's general levy to the previous year's levy amount, plus an amount authorized in Resolution No. 15-07. This amount did not include additional revenue available to the district resulting from increases in new construction, increases in assessed value due to construction of wind turbines, solar, biomass, and geothermal facilities, if such facilities generate electricity, improvements to property, and any increase in the value of state assessed property.

The district's lesser levy limitation is the statutory maximum rate limit, \$2,867,276.62. The Assessor levied \$2,763,082.66, resulting in an underlevy of \$104,193.96.

The Department reviewed the following information provided by the Assessor for the 2016 tax year for the Riverside Fire Authority No. 1 general levy.

- Resolutions adopted by the district
- Levy certificates (budgets)
- Administrative and adjudicated refunds
- Ballot measures
- Levy limit worksheets

Action needed to meet requirement

The Assessor must take the following actions:

- Notify the taxing district of the levy error. 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 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.
- Include the actual certified levy request when determining the lesser of the levy limitations.
- Carry forward the levy rate that should have been levied in the 2016 tax year to the subsequent year's levy limit calculations. You may wish to refer to the *Correction of Levy Errors*, section

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6.10 of the levy manual, available on the Department’s website (dor.wa.gov) for additional information regarding the correction of a levy error.

Why it is important

The Assessor must acknowledge the taxing district’s levy amount as specified in their budget or levy certificate, to ensure the correct amount of taxes are levied for each taxing district.

Levy Limit Calculation for District: Riverside Fire Authority												
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	3,571,672.25	1.00%	3,607,388.97	96,329,361	144,494.04	0	0.00	3,751,883.01	1,911,517,749	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
2015	2016	2,730,455.00	\$27,304.55	2,757,759.55	144,494.04	0.00	2,902,253.59	5,323.11	3,140,023.00	2,867,276.62	3,757,206.12	2,907,576.70
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					1.5						
2015	2016	2,867,276.62	\$0.00	2,867,276.62	2,763,082.66	1.445491500901	1.5	(104,193.96)				
Excess Levy Calculation:												
Type & Yr	Budget	Refund	Total Levy	Real & Personal Taxable Value	TAV	Total Value	DOR Levy Rate	Total County AV x DOR Rate	County Levy Rate	County Levy	Over/Under Levy	
0	0	0.00	0.00	0.00	0.00	0.00	#DIV/0!	#DIV/0!	0.000000000000	0.00	#DIV/0!	

Riverside Fire Authority No. 1 Emergency Medical Services

Requirement

The Assessor must calculate the levy rate for the first year of an Emergency Medical Services (EMS) levy based on the lesser of the maximum levy rate approved by the voters and the certified budget amount provided by the taxing district.

What the law says

RCW 84.52.069 states that a taxing district may impose additional regular property tax levies in an amount equal to fifty cents or less per thousand dollars of the assessed value of property within the taxing district. The statute also states the limitations in RCW 84.55.010 do not apply to the first year of a voter approved EMS levy.

What we found

The voters within the Riverside Fire Authority No. 1 approved a new six –year EMS levy authorizing collection starting in the 2016 tax year at a maximum levy rate of \$.50 per thousand assessed value. This levy rate generates a levy amount of \$975,884.05, which is less than the district’s certified budget request of \$1,069,814.00.

The Assessor incorrectly limited the levy to a one percent increase over the expired prior year’s EMS levy. This resulted in an underlevy of \$36,308.32.

EMS levies are governed by RCW 84.52.069. As provided in RCW 84.52.069(9), new EMS levies are not subject to the limitation in RCW 84.55.010 that allows for a 1% increase over the previous year’s budget amount. Additionally, the Department’s interpretation is that the requirements of RCW 84.55.120 do not apply to the first year of a new EMS levy. This law requires a resolution to allow an increase of either the implicit price deflator, or 1%, whichever is less, over the previous year’s budget. Our interpretation relies on the fact that the prior EMS levy expired in 2014 for collection in 2015. Thus, the 2015 levy for collection in 2016 does not have a prior year’s amount to apply a percentage increase/dollar increase amount to when determining the new levy’s limitations in 2015 for collection in 2016.

The Department reviewed the following information provided by the Assessor for the 2016 tax year for the Riverside Fire Authority No. 1 EMS levy.

- Resolutions adopted by the district
- Levy certificates (budgets)
- Administration and adjudicated refunds
- Ballot measures
- Levy limit worksheets

Action needed to meet requirement

The Assessor must take the following actions:

2016 Review of Property Tax Administration in Lewis County

- Notify the taxing district of the levy error. 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 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.
- Calculate the levy rate according to the voter approved ballot, including the certified budget request as one of the limits.
- Carry forward the levy rate that should have been levied in the 2016 tax year to the subsequent year's levy limit calculations. You may wish to refer to the *Correction of Levy Errors*, section 6.10 of the levy manual, available on the Department's website (dor.wa.gov) for additional information regarding the correction of a levy error.

Why it is important

The Assessor must acknowledge the taxing district's levy amount as *specified in* their budgets or levy certificate and implement any voter *approved limits to ensure* the correct amount of taxes are levied for each taxing district.

Levy Limit Calculation for District: Riverside FA - EMS												
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?	
2015 2016	0.00	0.00%	0.00	0	0.00	0	0.00	0.00	1,951,768.094	0.500000000000		
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								
2015 2016	0.00	\$0.00	0.00	0.00	0.00	0.00	0.00	1,069,814.00	975,884.05	0.00	0.00	
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								
2014 2015				0								
2015 2016	975,884.05	\$0.00	975,884.05	939,575.73	.481397217676	.5	(36,308.32)					
Excess Levy Calculation:												
Type & Yr	Budget	Refund	Total Levy	Real & Personal	TAV	Total Value	DOR	Total County AV x	County	County	Over/Under	
				Taxable Value			Levy Rate	DOR Rate	Levy Rate	Levy	Levy	
0 0	0.00	0.00	0.00	0.00	0.00	0.00	#DIV/0!	#DIV/0!	0.000000000000	0.00	#DIV/0!	

Recommendations

For the items listed as *Recommendations*, the Department believes the Assessor could improve program compliance and service to the public by making voluntary changes in procedure.

This section contains the items we identified following our interview.

Procedures for Permit Tracking

Recommendation

The Department recommends the Assessor and permitting jurisdictions work cooperatively to make sure that permit information is transferred to the Assessor on a regular basis and that the permit information is accurate.

What we found

1. There were eight parcels where no recent permit information was included in the assessment record. The Assessor may not have received the permit from the issuing jurisdiction. The Assessor pointed out in our meeting that they were aware of approximately 80 permits that they had not received from the County permitting office in 2014. Those permits were not included in the monthly reports from the County due to a programming error and whether a permit is labeled as “open” or “issued.” The Assessor’s Office and the County were already addressing this issue at the time of our review.
 - a. The Assessor receives only the County permits electronically. Other permits are sent to the Assessor in paper format and there is not a regular schedule for this process. Some of the smaller jurisdictions wait until there are a number of permits before sending them to the Assessor, which could affect the timeliness of the inspections.
2. There were two instances (2 parcels) where the permit issued listed the wrong parcel number and the Assessor did not add the new construction value within a year of the permit issue date. When this occasionally happens, the Assessor corrects the parcel number and verifies, during the inspection process, that the improvement has been placed on the correct parcel. This occurs, for example, when a property owner owns multiple contiguous parcels and may mistakenly apply for the permit on the wrong parcel. For most permits with the wrong parcel number, the Assessor corrected the number and the new construction value was added timely.

Action recommended

The Assessor has processes in place for tracking permits. Enhancements to those processes, such as those listed below, will help ensure that within twelve months of an issued permit the Assessor will inspect the new construction and list the value for the current assessment year.

- The Assessor and other county departments must continue their work to ensure that all permits are timely transferred to the Assessor.
- The Assessor should continue work with the permit issuing department of cities to maintain a consistent schedule for transfer of permit information, by either paper or electronic means. Promptly sending permits to the Assessor means the permit will be entered into the assessment system and be ready for review and inspection. It is important for the permitting jurisdictions to educate staff on the importance of accuracy and timeliness in transmitting permit information to the Assessor.

- The Assessor should continue developing a tracking system that records both the permit issue date and the date received from all permitting jurisdictions to confirm that permits are transferred according to an agreed upon schedule.
- The Assessor should conduct a review of all parcels with known new construction permits each year before change of value notices are printed and mailed. System queries and testing may identify parcels with missed new construction or parcels with data entry and value calculations not completed properly in the Sigma system.

Why it is important

The assessment of new construction provides an important source of funding for the county and local taxing districts, and ensures equity in taxation between property owners. Cooperation and communication between permitting jurisdictions and the Assessor's office helps ensure that permit information is transmitted accurately and timely.

Appraisal Procedures Manual

Recommendation

The Department recommends the Assessor compile a manual that provides written guidelines for staff that contains office procedures, assessment data definitions, guidelines and examples, as well as step-by-step instructions for data entry into the Sigma system for the items that the staff is responsible for entering into the system. Providing guidelines in writing helps to achieve and maintain consistency and uniformity between staff members and provides a ready reference for use in the field.

What we found

The Assessor has procedural documents relating to individual subjects, such as new construction; however, this documentation has not been compiled into one comprehensive document that can be used as a written guideline for staff. In addition, changes to policy that were noted verbally in our review have not been documented in writing.

Action recommended

We recommend that the Assessor develop a comprehensive appraisal procedure manual that contains information that is useful to the appraisers in performing their duties. Recommended items might include:

1. Assessment data definitions, including photographic examples from Lewis County, standard guidelines related to building quality, condition, detached structures, attached structures, land characteristics, etc. Examples are available from the Department.
2. Instructions for data entry.
3. Required forms to be used for such things as; new construction, additions to improvements, destroyed property, sales verification, etc.
4. Helpful information or links to available information on the Department's websites, which may be helpful to both staff and taxpayers.
5. Appeal procedures.
6. Current Use inspection guidelines.
7. Exemption and deferral inspection guidelines.
8. Property Tax Calendar.
9. We recommend that the Assessor continue to refine and improve the written procedures for use by the appraisal staff.

Why it is important

Having a written appraisal procedure manual helps achieve consistency and uniformity among staff members by providing the following benefits:

1. Information is in writing which provides an excellent training tool for new appraisers or those transitioning to utilization of mass appraisal techniques.
2. The manual can be readily used in the field as a reference tool.
3. Information can be easily updated or amended as necessary.

Annual Mass Appraisal Report for the Entire County

Recommendation

The Assessor should produce an annual written report that outlines and explains the appraisal and valuation process throughout the county. The Assessor should have a working file of each market area, the sales analysis associated with that area, and the final valuation adjustments made in each area.

What we found

The Assessor published the mass appraisal report, *Residential and Commercial Revaluation 2016 Annual Report East County Reval* (2015 assessment year/2016 tax year). The report explains valuation work for the East County inspection area. The report includes a description of the area, an analysis of the area prior to and post inspection, and measures of level of assessment and uniformity.

The Assessor's mass appraisal report does not include a summary of updates for those non-inspection areas subject to statistical update. The Assessor did provide to us the analysis for the non-inspected areas subject to statistical updates of values, for the 2015 assessment year/2016 tax year. A report should include an analysis summary of the statistical updates that explains what the statistics mean and how those statistics led to market adjustments in the valuation process.

Action recommended

The Assessor should expand the mass appraisal report to include the property valuation process and conclusions for valuation work for the non-inspected areas subject to statistical update of values. A report should summarize:

1. Market Conditions
2. Sales Analysis / Statistics
3. Observations & Conclusions
4. Valuation Changes (or lack thereof)

Why it is important

A mass appraisal report can be utilized in a number of ways by an assessor's office. The Assessor might utilize the mass appraisal report for:

1. USPAP Compliance – Uniform Standards of Professional Appraisal Practice Standard 6, Mass Appraisal - Developing and reporting appraisal processes and conclusions.
2. Board of Equalization Presentations - General education on market trends, assessment levels, and valuation conclusions. The report can also be used for defense of values in appeals.
3. Service to the Taxpayers – The report provides general information and an explanation of the appraisal process. The report may be posted on the assessor's website. It is useful for providing public education and for questions during the appeal period.
4. Reporting Valuation and Analysis Results to the DOR – Useful for reporting consistency and uniformity in property tax valuations.
5. Appraisal Staff Training and Consistency – The report is a useful tool for staff training, staff discussions on market trends, and helping to develop direction or focus for future years.

Next Steps

Prioritizing Requirements and Recommendations

The Department is committed to assisting the County in the implementation of the recommendations contained in this report. Once the Assessor receives a final copy of this review, the Department will (if requested) consult with the Assessor to help prioritize the work that must be completed.

Follow-up

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

The Department will follow up in six months to review the changes implemented. This will give the Assessor an opportunity 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 contributing staff member listed below:

Revaluation Specialist	Marilyn O'Connell	(360)534-1364
County Review Auditor	Marc Leverington	(360)534-1421

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