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Washington Department of Revenue
Property Tax Division

**2012 Review
of the
Current Use Program
in Snohomish County**



April 2013

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Overview

Introduction This report contains the results of the Department of Revenue's (Department) review of the Current Use Program in Snohomish County (County).

Purpose The primary purpose of this review by the Department is to provide the Snohomish County Assessor (Assessor) and the county legislative authority the information needed to perform the duties associated with the Current Use Program successfully. There are parts of the Current Use Program that are the responsibility of the Assessor and parts that are the responsibility of the county legislative authority. The Assessor and the county legislative authority may work closely together in administering the program or may administer their duties independently. Some administrative duties may be delegated to other units of county government (land use, planning, etc.).

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

We commend the Assessor, the Assessor's staff, the county legislative authority, and the Planning and Development Services (PDS) staff for their willingness to look at opportunities to improve the uniformity and administration of the Current Use Program.

Scope of Review The review is limited in scope. We reviewed:

- The Assessor's role in administering the program.
- The county legislative authority's role in administering the program.
- Administrative procedures for compliance with state statutes and regulations.

We did not review the internal fiscal controls or the internal management of the Assessor or county legislative authority offices.

We did not examine all parcels enrolled in the program or the assessed values of these parcels. 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.

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Overview, Continued

Information Reviewed

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

- Information provided or available to the public about the Current Use Program (forms, publications, and/or education efforts).
 - Administrative procedures for applications, removals, and continuances.
 - Homesites (reviewed how homesites are classified and valued).
 - Technology utilized in the program administration.
 - Audit process and audit correspondence used to ensure continued eligibility.
 - Resolutions adopted by the county legislative authority pertaining to current use.
 - Advisory committee (open space farm and agricultural land) processes, meeting notices, and meeting minutes.
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Executive Summary

About this Review

In September 2012, the Department conducted an on-site visit to the Assessor's office. We interviewed the Assessor's staff and the PDS staff (delegated by the county legislative authority to handle open space and timber land applications), about the processes and procedures used in administering the County's Current Use Program.

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 employed that could be considered "best practices," 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 and the county legislative authority. A change is required to adhere to the law.
- The second category, *Recommendations*, requires the attention of the Assessor and the county legislative authority. We note recommendations as being in the best interest of all parties. We believe if improvements in these areas can be made, it will 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 one requirement and five recommendations directed toward improving the administration of the County's Current Use Program. The items identified may be specific to the Assessor's duties, the county legislative authority's duties, or they may have shared components of responsibility. A summary of these items follows.

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Executive Summary, Continued

Requirements

- 1. The county legislative authority cannot place acreage restrictions or time deadlines on timber land classification parcels that are more restrictive or provide greater latitude than those already provided in Washington statute. 8**

Recommendations

- 1. The Department recommends the county legislative authority consider adopting a public benefit rating system (PBRs) for the open space classification and the farm and agricultural conservation land subcategory of the Current Use Program. 12**
- 2. The Department recommends the Assessor continue their audit program to ensure only those parcels meeting the statutory requirements are eligible to continue in the Current Use Program. 14**
- 3. The Department recommends the Assessor and the PDS staff continue to develop desk reference manuals for the Current Use Program duties. 16**
- 4. The Department recommends staff involved in administration of the Current Use Program (including county legislative authority and PDS staff) continue to maintain an adequate level of knowledge about the Current Use Program. 17**
- 5. The Department recommends the Assessor and county legislative authority verify Current Use Program/Designated Forest Land (DFL) forms and publications provided to the public are current. 18**

Requirements

Introduction

For the items listed as *Requirements*, the Assessor and/or county legislative authority must make changes in procedure to comply with law.

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Restrictive Ordinances

Requirement **The county legislative authority cannot place acreage restrictions or time deadlines on timber land classification parcels that are more restrictive or provide greater latitude than those already provided in Washington statute. (RCW 84.34.020, 84.34.041, WAC 458-30-210, 458-30-232)**

What is required The timber land classification is available for any parcel that is five acres or more or multiple parcels of land that are contiguous and total five acres or more that are devoted primarily to the growth and harvest of timber for commercial purposes. Timber land includes land used for incidental uses that are compatible with the growing and harvesting of timber, but no more than ten percent of the land may be used for such incidental uses. It also includes the land on which appurtenances necessary for the production, preparation, or sale of the timber products exist in conjunction with land producing these products.

An application for timber land must include the elements that constitute a timber management plan (as listed in RCW 84.34.041):

- A legal description or assessor's parcel numbers for the land.
- The date or dates of acquisition of the land.
- A brief description of the timber on the land, or if the timber has been harvested, the property owner's restocking plan.
- Whether there is a forest management plan for the land, the nature and extent of implementation of the plan, and whether land is used for grazing.
- If the land has been subdivided or a plat filed with respect to the land.
- Whether the land and the applicant are in compliance with the restocking, forest management, fire protection, insect and disease control, weed control, forest debris provisions, and applicable rules under Title 76 RCW.
- Whether the land is subject to forest fire protection assessments pursuant to RCW 76.04.610.
- Whether the land is subject to a lease, option, or other right that permits it to be used for a purpose other than growing and harvesting timber.
- A summary of the past experience and activity of the applicant in growing and harvesting timber.
- A summary of current and continuing activity of the applicant in growing and harvesting timber and a statement that the applicant is aware of the potential tax liability when the land ceases to be classified as timber land.

A timber management plan means a plan prepared by a professional forester, or by another person who has adequate knowledge of timber management practices, concerning the use of the land to grow and harvest timber. (WAC 458-30-232)

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Restrictive Ordinances, Continued

What we found

Snohomish County Code 4.28.060 provides that the timber land classification shall not be applied to:

- Any parcel where more than 10 percent has been “improved” by clearing or other development (SCC 4.28.060(4)).
- Christmas tree farms (SCC 4.28.060(5)).

Snohomish County Code 4.28.070 provides that applications for timber land classification that contain:

- Less than 20 contiguous acres must be accompanied by a detailed forest management plan, prepared with the assistance of a professional forester whose signature and capacity is noted on the plan. (SCC 4.28.070(3)(a))
- 20 acres or more must be accompanied by a forest management plan, as detailed above, or a detailed statement by the owner addressing the same issues covered in a forest management plan. (SCC 4.28.070(3)(b))

Snohomish County Code 4.28.080(2)(b) provides that property classified as timber land must be reforested within 12 months of tree cutting in order to retain timber land classification.

These restrictions conflict with Washington statute.

Action needed to meet requirement

Non qualifying land

An option available to the county legislative authority is a partial approval of a parcel into timber land. The Assessor could administratively segregate or identify qualifying land, while non-qualifying land would not go into current use classification (i.e. the portion of a potential timber land parcel that includes a residence and appurtenances *not necessary* for the production, preparation, or sale of the timber products grown on the land). The remaining portion of land which otherwise qualifies, can then be classified and monitored for compliance with the timber land classification.

Timber management plans

Though applications for timber land must include the elements that constitute a timber management plan, there is no requirement in statute that a professional forester signs the timber management plan. Regardless of the size of the parcel (less than 20 acres or 20 acres or more), the county legislative authority should determine if the plan submitted by the property owner is complete and if the owner has the knowledge and experience necessary to grow and harvesting timber in accordance with the submitted plan.

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Restrictive Ordinances, Continued

Action needed to meet requirement

Restocking after timber harvest

Department of Natural Resources (DNR) issues cutting permits and regulates timber harvesting. DNR provides the owner three years to complete reforestation after a timber harvest. (RCW 76.09.070) DNR may authorize a longer period if seed or seedlings are not available or when DNR approves a natural regeneration plan. The Department recommends the county legislative authority consider these existing Washington statutes when determining a reforestation time limit.

The county legislative authority should review RCW 84.34.020, 76.09.070, WAC 458-30-210, and Property Tax Advisory (PTA) 16.1.2011 for additional guidance relating to timber land and restrictive ordinances.

The Department recommends the county legislative authority consult with the County's Prosecuting Attorney regarding the ordinances for timber land that conflict with Washington statute.

Why it's important

The county legislative authority must ensure provisions of ordinances do not conflict with Washington statute. The ordinance cannot be more restrictive or provide greater latitude than Washington statute.

Recommendations

Introduction

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

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Consider Adopting a Public Benefit Rating System (PBRs)

Recommendation **The Department recommends the county legislative authority consider adopting a public benefit rating system (PBRs) for the open space classification and the farm and agricultural conservation land subcategory of the Current Use Program. (RCW 84.34.055, WAC 458-30-330)**

Open space parcels are valued on the current use of the property (current use assessed value) rather than the highest and best use (market value). The valuation guidance provided in law only requires that the assessed value of open space land cannot be less than the lowest per acre value of classified farm and agricultural land in the County or the alternate way, based on a PBRs. (RCW 84.34.060) The county legislative authority customizes the PBRs criteria to what they think will be beneficial to the residents of the County. All open space parcels are valued based on identical criteria and awarded points that correspond to a percentage of market value.

What we found The county legislative authority has not adopted a PBRs for rating and valuing these properties. At the time of our review, the County had 937 parcels in the open space classification and farm and agricultural conservation land subcategory. Determining the assessed value of these parcels can be difficult because the features of each parcel are unique and the benefit to the citizens of the County is subjective.

Action recommended The Department recommends the county legislative authority consider adopting a PBRs. The county legislative authority can implement a PBRs for the open space classification and farm and agricultural conservation land subcategory at any time. If a PBRs is implemented after parcels have been accepted into the program, the county legislative authority must apply the new criteria to *all* parcels in the program, not just future applicants. (WAC 458-30-330(6)) Adopting a PBRs:

- Simplifies the Assessor's work when valuing these unique properties.
- Gives the county legislative authority a way to award property owners a reduction in assessed value based on the individual features of the property, while balancing the benefit to the citizens they serve.
- In some cases, may provide owners of land classified as open space a one-time opportunity to leave the program without penalty.

To begin the process of developing a PBRs, the county legislative authority should review WAC 458-30-330 for guidance. The Department provides a listing of counties that have implemented a PBRs at the Property Tax Resource Center (PTRC).

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Consider Adopting a Public Benefit Rating System (PBRs), Continued

**Why it's
important**

With a PBRs, the reduction in assessed value given to the parcel is based on predetermined criteria and results in consistent and uniform assessment of open space parcels.

Continue Audit Program

Recommendation **The Department recommends the Assessor continue their audit program to ensure only those parcels meeting the statutory requirements are eligible to continue in the Current Use Program. (RCW 84.34.121)**

The criteria for classification continue to apply after the approval of classification. (RCW 84.34.108) Only those parcels meeting the statutory requirements are eligible to continue in the Current Use Program. The Assessor should request all the information necessary to determine if the land is eligible for continued classification. (WAC 458-30-270) The Assessor must then determine if all or a portion of land no longer meets the criteria for classification.

For open space and timber land parcels, the Assessor may request assistance from the granting authority (or their delegate) to determine if the land continues to meet the qualifications of the classification and the Open Space Taxation Agreement (OSTA). The granting authority (or their delegate) shall provide the assistance within 30 days of receipt of the request. (RCW 84.34.108)

What we found

The Assessor does have a formal audit program that includes all categories of the Current Use Program and Designated Forest Land (DFL). The Assessor's staff conducts audits of parcels at transfer and during physical inspections. During physical inspections, the Appraiser notes changes in the use of the land and parcels are added to an audit log. The office staff follow-up with an audit letter and parcels are tracked through the end of the audit process.

Farm and agricultural land

To collect additional information needed for audits, the Assessor's staff uses an in-house form, *Statement of Agricultural Activity* (to verify income and agricultural activities).

Timber land and open space

The county legislative authority does not note conditions for approval and/or restrictions on the executed OSTA. At continuance, the Assessor's staff review timber parcels to ensure compliance with timber management plans. It is unclear how open space parcels are audited for compliance with their OSTA.

Action recommended

In addition to the existing audit program, the Department recommends some random sample audits, where staff mail questionnaires to a random sample set of program participants.

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Continue Audit Program, Continued

**Action
recommended**
(continued)

Some of the relevant data or information the Assessor can collect includes:

- Receipts from sales of agricultural products produced on the classified land
- Federal income tax returns
- Rental or lease agreements/receipts
- Crop and livestock data
- Crop production or yield rates
- Government payments and subsidies
- Income/expense information related to the land
- Forest Management Plan review for compliance (for DFL)

Timber land and open space

The Department recommends the county legislative authority note any restrictions or conditions for approval or continued eligibility on the OSTA.

The Department recommends the Assessor and PDS staff work together to develop a plan and process for monitoring timber land and open space parcels to ensure owners adhere to their executed agreement and classification requirements.

**Why it's
important**

Monitoring all parcels in the Current Use Program on a periodic basis adds integrity to the assessment process and ensures other property owners are not shouldering a disproportionate amount of property tax.

Develop Desk Reference Manuals

Recommendation **The Department recommends the Assessor and the PDS staff continue to develop desk reference manuals for the Current Use Program duties.**

What we found The Assessor's staff stated they don't have specific manuals but that they use the materials provided by the Department for Current Use Program Training. The Assessor's staff provided brief documentation of the process they use, as well as the Snohomish County Codes that established the application process used.

The PDS staff stated that though they do not have an actual manual, they have documented the steps in the process (flow chart).

Action recommended To ensure consistency and continuity, the Department recommends that the Assessor's staff and the PDS staff develop desk reference manuals for the program administrator's duties. Desk reference manuals should include policy information and specific step-by-step procedures on how to administer the Current Use Program.

A detailed desk reference manual can serve as a backup for the employee and assist their coworkers, in the event of a short-term (or long-term) staff absence.

Why it's important Desk reference manuals are useful for training staff and a good tool in preventing the loss of institutional knowledge.

Continue Training

Recommendation	The Department recommends staff involved in administration of the Current Use Program (including county legislative authority and PDS staff) continue to maintain an adequate level of knowledge about the Current Use Program.
What we found	The Assessor's staff and PDS staff regularly attends current use training offered by the Department (most recently in 2011). PDS staff also attended Forest Management Plan Review training in 2012, which should be useful in processing applications for timber land.
Action recommended	<p>The Department recommends staff involved in the application and approval process continue to maintain an adequate level of knowledge about the Current Use Program through formal training or other learning opportunities.</p> <p>The Department offers current use training courses each year to assist staff involved in current use administration. The schedule of course offerings is available at the Department's Property Tax Resource Center (PTRC).</p> <p>The Washington State Association of County Assessors' Education Committee annually awards scholarships to Assessor's office employees to assist with the cost of attending various assessment-related training. For information about these scholarships, contact the Department's Education Specialist at (360) 534-1424.</p>
Why it's important	Attending training provides an opportunity to gain information about the Current Use Program and encourages discussion with other counties about their administrative processes.

Verify Forms and Publications

Recommendation **The Department recommends the Assessor and county legislative authority verify Current Use Program/Designated Forest Land (DFL) forms and publications provided to the public are current.**

The Department must prepare and make available to the Assessor's office the necessary forms, publications, and applications for the Current Use Program and DFL. The Assessor and county legislative authority are required to publicize the qualifications and provide the forms to property owners who want to apply for classification. (chapter 84.34 RCW)

What we found The Assessor provides information about the Current Use Program and DFL through personal contact with property owners via phone calls and visitors to the Assessor's office. Additionally, the Assessor provides information through speaking engagements, targeted education, and the County website.

A review of the Assessor and county legislative authority websites showed the current *Open Space Taxation Act* publication and a paragraph about the Current Use Program on the Assessor's website.

Action recommended The Department recommends the Assessor and county legislative authority continue to utilize available resources to advertise the Current Use Program and DFL.

The Department updates forms and publications on a regular basis. The Department encourages the Assessor and the county legislative authority to utilize existing forms and publications intended for the public by linking to the Department's website whenever possible. This can be more effective by including a brief explanation with each link, providing the user information about what they can expect to locate by following the link.

The Department recommends including links to the Department's forms and publications with the information already on the County's website. The Department further recommends the county legislative authority and PDS include brief information on their websites about the open space and timber land classifications with a referral to their delegates (PDS and the Assessor's staff) for more information.

Property Tax forms intended for the public are available on the Department's website at
dor.wa.gov/content/getaformorpublication/formbysubject/forms_prop.aspx.

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Verify Forms and Publications, Continued

**Action
recommended**
(continued)

Property Tax publications intended for the public are available on the Department's website at
dor.wa.gov/content/GetAFormOrPublication/PublicationBySubject/#property.

If the County has limited resources for website updates, we recommend providing a brief explanation of each category of classified land with a link to the Department's website at
dor.wa.gov/Content/FindTaxesAndRates/PropertyTax/.

**Why it's
important**

Utilizing updated forms and publications by linking to the Department's website ensures the use of materials that reflect recent changes in regulation and/or procedure.

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Next Steps

Prioritizing Requirements and Recommendations

Once the Assessor and the county legislative authority receive a final copy of this review, the Department will (if requested) consult with them to help prioritize the work they must complete.

Questions

For questions about specific requirements or recommendations in our report, please contact the contributing staff member listed below.

County Review Auditor	Judy Wells	(360) 534-1360
Current Use Specialist	Leslie Mullin	(360) 534-1424
County Review Supervisor	Cindy Boswell	(509) 885-9842

Follow-up

The Department will follow-up in six months to review the changes implemented. This will give the Assessor and the county legislative authority an opportunity to provide information to the Department about any issues they encountered during the implementation process.

For Additional Information Contact

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