

P. O. Box 47471
Olympia, WA 98504-7471

Washington Department of Revenue Property Tax Division

2016 Review of the Current Use Program in Thurston County



Table of Contents

Overview.....	3
Executive Summary.....	5
Recommendations.....	7
Data Collection	8
Rating Parcels using Public Benefit Rating System.....	10
Next Steps.....	11
Appendix A – Data Sources.....	12

Overview

Introduction

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

There are parts of the Current Use Program that are the responsibility of the Thurston County Assessor (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.).

Purpose

The primary purpose of this review is to provide the Assessor and the county legislative authority the information needed to perform the duties associated with the Current Use Program successfully.

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.

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.

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 include (but are 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.
- Homesite classification and valuation.
- Technology utilized in the program administration.
- Audit processes used to ensure continued eligibility.
- Resolutions adopted by the county legislative authority pertaining to current use.
- Advisory committee processes, meeting notices, and meeting minutes.

Acknowledgement

We commend the Assessor, the Assessor's staff, the county legislative authority, and the Thurston County Resource Stewardship (RS) staff for their willingness to look at opportunities to improve the uniformity and administration of the Current Use Program.

Executive Summary

About this Review

In September 2016, the Department conducted an on-site visit to the Assessor's office. We interviewed the Assessor's staff and the Resource Stewardship (RS) 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 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 improvements in these areas can improve service to the public.

The Department based the 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 no requirements, and two recommendations directed toward improving the administration of the 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. We have listed our recommendations in the next part of the report.

Executive Summary, continued

Recommendations

1. The Department recommends the Assessor collect additional data to appraise classified farm and agricultural land. (RCW 84.34.065, WAC 458-30-260 and WAC 458-30-345(3))
2. The Department recommends Resource Stewardship staff review all parcels approved into the Open Space program prior to 2004 to verify rating under criteria of the current Public Benefit Rating System (PBRS), as last amended in 2004. (RCW 84.34.037, 84.34.055, WAC 458-30-330(6))

Recommendations

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.

This section contains the items we identified following our interview.

Data Collection

Recommendation

The Department recommends the Assessor collect additional data to appraise classified farm and agricultural land. (RCW 84.34.065, WAC 458-30-260 and WAC 458-30-345(3))

What we found

The Assessor's staff determines land value through the net cash rental method using land rental information provided to them by the Agricultural Advisory Committee. The Assessor calculates the values each year using the net cash rental divided by a new capitalization rate provided by the Department. The Assessor's staff rates the land based on soil classification and assigns values for different soil classifications to the individual parcels.

Staff tries to collect leases during the application, continuance, and auditing processes. However, the staff indicated difficulty collecting sufficient lease information because there is limited leased land in Thurston County. Most land in the program is owner operated.

During our review of the Agricultural Advisory Committee's notes, it was unclear whether leases were available to committee members, or what other information was considered when the committee recommended a 5% increase in net cash rental amounts. Prior to the 5% increase in 2016, the land rents used for valuation had remained the same for several years.

When there is inadequate net cash rental information available to an assessor, crop production data can be used to determine land values. The Assessor has not collected data related to crop income, production expenses and crop yields for use in valuation of farm and agricultural land.

Action recommended

The Assessor should continue efforts to gather additional lease information. The audit program is a good method for routinely gathering information from farmers. Additionally, the Assessor should gather earning or productive capacity information that may include data related to crop income, expenses, and production information (see Appendix A – Data Sources).

When the Assessor meets with the Agricultural Advisory Committee, the Assessor should collect the supporting data the committee used to make their net cash rental recommendations. The Assessor should compare the data from the committee with what the Assessor has collected and determine the appropriate net cash rental rates.

Data Collection, continued

Why it's important

Gathering relevant data each year and using the data to update farm and agricultural land values ensures a more accurate valuation, and provides documentation to support the values. It also ensures other taxpayers are not paying a disproportionate amount of property taxes.

Rating Parcels using Public Benefit Rating System

Recommendation

The Department recommends Resource Stewardship staff review all parcels approved into the Open Space program prior to 2004 to verify rating under criteria of the current Public Benefit Rating System (PBRs), as last amended in 2004. (RCW 84.34.037, 84.34.055, WAC 458-30-330(6))

What we found

The County has a PBRs in place that was originally adopted in 1996, with amendments in 1998 and 2004. All parcels that have been approved since the 2004 revision have been rated using the most current PBRs. During the interview, RS staff were uncertain if parcels in the program prior to the 2004 revision have been rated with the current PBRs.

Action recommended

RS staff should review open space parcels to determine if there are parcels that have not been rated under the 2004 version of the PBRs. Staff must apply the amended PBRs criteria to *all* current parcels in the program, not just future applicants. It may be helpful to keep a record of which version of the PBRs was used to rate parcels. This could easily be maintained in the parcel record and useful for monitoring rating status of parcels.

If staff discover parcels not rated under the current PBRs, then staff should rate the parcel. The proposed ratings go before the granting authority for approval. The granting authority must hold a hearing to approve or deny the rating of open space under the PBRs as last amended, and then notify the Assessor of the approved rating(s) for assessed valuation purposes.

Why it's important

Applying the PBRs criteria to all land classified as open space provides uniformity of taxation and ensures other property owners are not paying a disproportionate amount of the property tax.

Next Steps

Prioritizing 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 recommendations in our report, please contact the contributing staff member listed below:

County Review Auditor	Julie Herr	julieh@dor.wa.gov	(360) 534-1363
Current Use Specialist	Jeri Lux	jeril@dor.wa.gov	(360) 534-1360
County Review Supervisor	Cindy Boswell	cindyb@dor.wa.gov	(509) 885-9842

For additional information contact:

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

Appendix A – Data Sources

The data sources below are examples of the many sources available to county assessors. Other data sources are available and the Department encourages assessors to locate, document, and use any reliable data sources available to them.

The websites and instructions provided below are current as of December 2016. The Department encourages assessors to become familiar with navigating the data sources and share any new sources they locate.

USDA National Agricultural Statistics Service - www.nass.usda.gov

To locate county/region data for cash rents, production, expenses, etc.

Step	Locate...	Then...
1.	<i>Data & Statistics</i>	Click on <i>By State</i>
2.	Select <i>Washington</i>	
3.	<i>Washington Statistics / Quick Stats</i>	
4.	Available data options (may open to a new window based on your browser settings)	Filter data by selecting appropriate options for available categories (see Note 1)
5.		Select <i>Get Data</i>
6.	Displayed results	Save results, print results, or export results to a spreadsheet
Example of data filtering for specific results		
	Production data: <ul style="list-style-type: none"> <input type="checkbox"/> Select <i>Crops</i>, then <i>County</i> <input type="checkbox"/> Select specific Crop in listing (winter wheat/spring wheat/etc; see Note 2) <input type="checkbox"/> Select <i>Get Data</i> <input type="checkbox"/> Locate bushels per acre on list of results 	Cash rent data: <ul style="list-style-type: none"> <input type="checkbox"/> Select <i>Economics</i>, then <i>Rent</i> <input type="checkbox"/> Select <i>County or Region</i> <input type="checkbox"/> Select <i>Years</i> (if applicable) <input type="checkbox"/> Select <i>Get Data</i> <input type="checkbox"/> Locate rent data on list of results

*Notes:

1. If data selections are too few, too much data is returned; if data selections are too many, necessary data may be excluded. It's a balance. You will find what you need through experience using the search tools.
2. Of the dry land small grain crops, winter wheat is the most useful. Spring wheat (a rotation crop) generally produces 50 to 70 percent of the bushels per acre of winter wheat. Combining the two crops will negatively affect the validity of your data.

Appendix A, continued

Department of Natural Resources data requests - www.dnr.wa.gov

DNR will provide cropland rents, if requested, by phone, email, or formal letter. Land rents are available by county or by region. There are five DNR regions and contact information is available on the website. When requesting rents include specific detail about what information you want included and excluded, and the format you would like to receive it.

Example of information request

Please provide the crop rents for DNR land in Thurston County (or multiple counties).

Excluding rents from leases for:

- Conservation
- Habitat
- CRP
- Public access
- Homesites

For each lease, please provide:

- Location of each property including county, section, township, range, and parcel number
- Type of land such as irrigated cropland, non-irrigated cropland, or grazing land
- Size of the parcel and the number of crop acres in the parcel
- Detail of parcel improvements such as trees, vines, an outbuilding or irrigation equipment
- If the rents include or exclude the Leasehold Excise Tax
- Start date and end date of each rental agreement and parcel
- Total rent per year
- Tenant's name

Washington State University

<http://ext.wsu.edu>

Enterprise Budgets - http://extecon.wsu.edu/pages/Enterprise_Budgets

Enterprise Budgets are authoritative studies of the cost, yield, and income from a particular crop in a particular part of the state (for example cherries in central Washington; or spearmint using rill or center systems). A team of local farmers or orchardists and a WSU agricultural economist conduct the studies. The studies are especially helpful when they include land rents, which can be used for data comparison of farm and agricultural land value calculations.