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# Washington Department of Revenue Property Tax Division

## **2021 Tax Year Yakima County Levy Audit A Summary Report**



# Table of Contents

Overview.....	3
Executive Summary.....	4
Requirement – Annexation levy limit calculations.....	6
Requirement – Flood control zone district statutory maximum rate limit.....	8
Requirement – Certification of assessed value to taxing districts.....	9
Recommendation – Taxing district education.....	10
Next Steps.....	12
Appendix A.....	13

# Overview

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## Purpose

The primary purpose of this review by the Department of Revenue (Department) is to assist the Yakima 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 2021 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: Selah, Mabton, Yakima, Granger, Tieton, and Zillah
- Fire Districts: 2, 3, 5, 7, and 11
- Yakima Valley Library District
- County General, Road, EMS, and Flood Control Zone
- Port of Sunnyside
- Selah Park and Recreation Service Area
- Naches Park and Recreation

# Executive Summary

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## 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 three requirements and one recommendation 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

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### **Requirements**

1. The Assessor is required to determine additional revenue capacity due to new construction, increases in assessed value due to certain types of green energy, improvements to property, and the increase in assessed value of state-assessed property as if the annexation had not occurred.
2. The Assessor is required to calculate a flood control zone district's maximum statutory rate limit using the district's maximum rate limit of \$0.50 per \$1,000 assessed value.
3. The Assessor is required to certify both locally assessed and state assessed values to the taxing districts once they have received and distributed the certified state assessed values from the Department to the taxing districts.

### **Recommendations**

1. The Department recommends the Assessor continue his education efforts with taxing districts regarding property tax resolutions.

## Requirement – Annexation levy limit calculations

### Requirement

The Assessor is required to determine additional revenue capacity due to new construction, increases in assessed value due to certain types of green energy, improvements to property, and the increase in assessed value of state-assessed property as if the annexation had not occurred.

### What the law says

For the first tax levy after a district annexes territory into their district, the levy limit increase due to new construction, increases in assessed value due to certain types of green energy, improvements to property, and an increase in assessed value of state-assessed property is completed as if the annexation had not occurred. This levy amount is divided by the taxable value of the district, as if the annexation had not occurred, resulting in a levy rate that is then applied to the taxable value of the annexed territory for additional levy capacity (RCW 84.55.030 and WAC 458-19-458-19-035).

### What we found

The voters in the City of Union Gap (City) approved a ballot measure to annex into the Yakima Valley Library District (Library) starting with the 2021 tax year.

When calculating the levy limit and increase due to the annexation for the Library, the Assessor did not:

- Deduct the state-assessed utility value located in the City from the Library's total current year's state-assessed utility value
- Deduct the same new construction amount as reported for the City from the Library's total new construction value
- Use the same taxable value for the annexation value as the City's total taxable value

The Assessor's Taxable Value Report reflects the following taxable values for the City and Library:

	City of Union Gap	Yakima Valley Library
Total Taxable Value	\$893,441,954	\$20,786,958,466
New Construction	\$33,322,700	\$279,374,912
Current Year's State Assessed Utility Value	\$29,402,077	\$471,028,199

The levy limit calculations for the Library should have included the following bolded values:

	Yakima Valley Library total values		City of Union Gap		Yakima Valley Library values for levy limit & increase due to annexation calculations	Values used in Assessor's levy limit calculation worksheet
Total Taxable Value	\$20,786,958,466				\$20,786,958,466	\$20,786,958,466
New Construction	\$279,374,912	-	\$33,322,700	=	<b>\$246,052,212</b>	\$246,193,122
Current Year's State Assessed Utility Value	\$471,028,199	-	\$29,402,077	=	<b>\$441,626,122</b>	\$471,028,199
Taxable Value of Annexation			\$893,441,954		<b>\$893,441,954</b>	\$888,503,120

These errors resulted in an overlevy of \$13,754.16.

See Appendix A for complete levy limit calculations.

### Action needed to meet requirement

The Assessor is required to take the following action(s):

- Notify the Library district of the overlevy. If the district determines the correction of the underlevy in the 2022 tax 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.
- When calculating the 2022 tax year levy limit calculations, use the levy rate of \$0.39259184759 per \$1,000 assessed value when determining the additional levy capacity due to new construction, increase in value for state assessed utility value, etc.. This rate is the rate that would have been used if the levy error in the 2021 tax year had not occurred.
- Use the actual amount levied from the 2021 tax year \$8,174,554.59, in the levy calculations for the 2022 tax year when calculating the taxing district's authorized increase over the prior year's levy. This amount includes the levy error.
- Recalculate the levy rate that would have been used for the 2022 tax year without the levy error correction. You will use this rate in the 2023 tax year levy calculations to increase the Library's levy limit.

### Why it's important

To ensure a taxing district is not levying more or less than statutes allow and the taxpayers pay the correct amount of property taxes.

## Requirement – Flood control zone district statutory maximum rate limit

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### Requirement

The Assessor is required to calculate a flood control zone district's maximum statutory rate limit using the district's maximum rate limit of \$0.50 per \$1,000 assessed value.

### What the law says

A flood control zone district may levy a maximum regular property tax not to exceed \$0.50 per \$1,000 assessed value (RCW 84.15.160(3)).

### What we found

When calculating the statutory maximum levy rate limit for the Yakima County Flood Control Zone District, the Assessor used a levy rate of \$0.10 per \$1,000 assessed value instead of \$0.50 per \$1,000 assessed value.

Resolution 21-1988 established the Yakima County Flood Control Zone District in 1998. The document references a levy of no more than \$0.10 per \$1,000 will be levied until 2006. It also states if the commissioners of the district wish to continue the property tax they must hold a public hearing and the Yakima County Commissioners must vote to continue the levy. The Yakima County Commissioners adopted Resolution 278-2004 that continues the property tax levy. This resolution also states the levy rate would not exceed \$0.10 per \$1,000 assessed value.

While the commissioners of the district pledged to levy no more than \$0.10 per \$1,000 assessed value, that does not supersede the district's statutory maximum rate limit of \$0.50 per \$1,000 assessed value. The use of the incorrect statutory maximum levy rate did not result in an underlevy as the 2021 tax year levy was limited by the 1 percent growth limit.

### Action needed to meet requirement

The Assessor is required to take the following action(s):

- Calculate the statutory maximum levy rate for flood control zone districts using a levy rate of \$0.50 per \$1,000 assessed value. The Property Tax Levies Operations Manual lists the statutory maximum rates for taxing districts and the corresponding RCW's on pages 195-199.

### Why it's important

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



## Requirement – Certification of assessed value to taxing districts

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### Requirement

The Assessor is required to certify both locally assessed and state assessed values to the taxing districts once they have received and distributed the certified state assessed values from the Department to the taxing districts.

### What the law says

County assessors must certify the taxable value of the taxing districts authorized to levy property taxes once they have received and distributed the certified state assessed values from the Department. This certification must include both locally assessed values and state assessed values (RCW 84.48.130).

### What we found

The Assessor's Property Database Manager stated they do not retain a dated document certifying the assessed value to the taxing districts. They provide their taxing districts with multiple levy limit calculation worksheets that include the district's taxable value, both locally assessed and state assessed. Each time they generate a new worksheet, the prior file's date is overwritten.

### Action needed to meet requirement

The Assessor is required to take the following action(s):

- Each year following receipt and distribution of state assessed utility values from the Department, certify in writing, the taxable value of the taxing district to the district. The Assessor may want to use the Certified Value report, WA0111, from their software system for this requirement along with a cover letter to meet this requirement.
- Retain a copy of the certification as proof that the certification occurred.

### Why it's important

The Assessor must keep record of when this certification was made to the districts to ensure the correct amount of property taxes are levied if the levy request amounts are not timely certified to the Assessor. It also provides information that the taxing districts may find helpful when completing their budgeting documents. This certification represents a snap shot in time. It is not necessarily the taxable values that will be used to determine the taxing districts' certified levy rate(s).

## Recommendation – Taxing district education

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### Recommendation

The Department recommends the Assessor continue his education efforts with taxing districts regarding property tax resolutions.

### What we found

Yakima County Legislative Authority:

Resolution No. 348-2020 authorizes an increase in the levy amounts for the four Yakima County levies in addition to the revenues the commissioners of a taxing district may levy without the adoption of this separate document. The law requires the document authorizing the dollar and percentage of change to the previous year's levy be a separate resolution or ordinance (RCW 84.55.120 and WAC 458-19-085). Resolution No. 348-2020 should not have included the language regarding the levy amounts for the four county levies.

City of Granger:

The City of Granger incorporated multiple topics into Resolution 2020-07, authorizing an increase in the levy as compared to their prior year's levy. The document includes a request for a refund levy in the amount of \$385.18.

Selah Park and Recreation Service Area:

Selah Park and Recreation Service Area adopted Resolution No. 05-2020 certifying a bond levy amount of \$475,000 request to the Yakima County Legislative Authority. The Yakima County Legislative Authority certified a levy request amount of \$175,000 to the Assessor in Resolution No. 349-2020. The Assessor included the levy amount of \$475,000 in his levy calculations.

The Department asked the Assessor's Property Database Manager for clarification if the difference was simply a typographical error in the county's resolution. He replied that they relied on the actual paperwork from the district when the county legislative authority's resolution does not agree and did not have any written documentation from the county legislative authority verifying there is a typographical error in the county's certification.

The Department reached out to the Yakima County Clerk of the Board and received confirmation that the county legislative authority had intended to certify a levy request amount of \$475,000 not \$175,000 for the district. With this confirmation, the Department concludes an overlevy error has not occurred.

### Action recommended

The Department recommends the Assessor:

- Continue your education efforts with your taxing districts with regards to increasing their previous year's levy amount in a separate document. The Assessor could encourage the districts to use the Department's ordinance/resolution form (REV 644 0101) to help prevent the inclusion of multiple topics into the document.

**Why it's important**

To ensure taxing districts are disclosing accurate information in their documents and the correct amount of property taxes are levied.

## **Next Steps**

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### **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 2022. 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**

General levy information is available in the Department's *Property Tax Levies Operating Manual*, available on our website.

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  
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# Appendix A

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

Levy Limit Calculation for District: Yakima County Library												
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?
2020 2021	7,617,167.31	101.00000%	7,693,338.98	246,052,212	101,286.56	893,441,954	350,066.09	8,144,691.63	20,786,958,466	0.500000000000		
Actual Levy:								Summary of Levy Limits:				
Assmt Taxes	Previous	Lesser of Resolution's	Previous Yr's	Tax Added	Tax Added	Authorized	Refund	Certified	Limit Per	Levy Limit	Authorized	
Year Due	Year's	\$ or % Increase	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								
2020 2021	7,672,800.28	\$76,728.00	7,749,528.28	101,286.56	350,066.09	8,200,880.93	16,098.80	8,191,007.25	10,393,479.23	8,160,790.43	8,216,979.73	
Assmt Taxes	Current Year's	Levy Correction	Total Levy	Actual	Actual Levy	Correct	Over/Under	New Highest	Levy Rate	Without Levy	Levy Rate	
Year Due	Max Levy		w/ Correction	Amount	Rate	Levy Rate	Levy	Lawful Levy Since	Error or Levy	Error Correction		
				Levied				1985				
2019 2020					.411646613317							
2020 2021	8,160,790.43	0.00	8,160,790.43	8,174,544.59	.393253252015	.39259184759	13,754.16	8,144,691.63	0.392591847590			