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# Washington Department of Revenue Property Tax Division

## 2021 Tax Year Klickitat County Levy Audit A Summary Report



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# Overview

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## Purpose

The primary purpose of this review by the Department of Revenue (Department) is to assist the Klickitat 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: Bingen, Goldendale, and White Salmon
- Fire Districts: No. 2, 4, 6, 10, 12, and 14
- Hospital District No. 1
- Cemetery Districts: No. 2 and 3
- Library District No. 1
- Klickitat County General, Road, and EMS No. 1
- White Salmon Valley Metro. Park

# 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 two requirements and no recommendations directed toward improving the accuracy of the levy process.

We have listed a summary of these items in the Requirements and Recommendation sections.

## **Executive Summary,** continued

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### **Requirements**

1. The Assessor is required to levy the lesser of the voter approved levy rate, for the first year of the lid lift, or the certified levy request amount for the taxing district.
2. The Assessor is required to certify the completed tax roll to the Klickitat County Treasurer (Treasurer) on or before January 15. The Assessor must obtain a receipt from the Treasurer and provide an abstract of the tax rolls to the Klickitat County Auditor (Auditor) listing the total amount of collectible taxes for each taxing district.

## Requirement – Fire District No. 6 lid lift

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### Requirement

The Assessor is required to levy the lesser of the voter approved levy rate, for the first year of the lid lift, or the certified levy request amount for the taxing district.

### What the law says

The Revised Code of Washington (RCW) provides the following property tax levy limitations:

- Property tax must be levied or voted in specific amounts. (RCW 84.52.010)
- Growth limit. (RCW 84.55.010 and RCW 84.55.120)
- Statutory maximum rate limit. (RCW 84.52.043 and others)
- \$5.90 aggregate limit. (RCW 84.52.043)
- Constitutional one percent limit. (RCW 84.52.010)

### What we found

The voters in Klickitat Fire District No. 6 approved a single-year, permanent lid lift that was on the August 4, 2020, ballot. The ballot title states the following:

“Proposition Authorizing Property Tax Levy Lift for Fire Protection and Emergency Medical Services. The Board of Klickitat County Fire Protection District No. 6 adopted Resolution No. 2020-3-18 proposing an increase in the District’s regular property tax levy. The funds would maintain and improve fire protection, prevention, and emergency medical services, maintain vehicles and station facilities, and aid in training of personnel. This proposition authorizes an increase to the District’s regular property tax levy from \$.36 to \$.90 per \$1,000 of assessed value to be assessed in 2020 and collected in 2021. The maximum allowable levy in 2020 shall serve as the base for subsequent levy limitations as provided by chapter 84.55 RCW.”

This proposition meets the requirements in RCW 84.55.050(1), setting the maximum levy rate at \$0.90 per \$1,000 assessed value for the 2021 tax year and provides for the following conditions:

- Limits the purpose for which the increased levy is to be made.
- Sets the levy at a rate less than the district’s statutory maximum rate limit.
- Use the dollar amount of the levy for the purpose of computing the limitations for subsequent levies.

The Klickitat County Legislative Authority certified a levy request amount of \$155,139.17 and a refund levy of \$933.41 for a total levy of \$156,072.58. The levy amount generated using the voter approved rate of \$0.90 per \$1,000 assessed value generates revenue in the amount of \$155,202.53, plus the district’s refund levy of \$933.41 totals \$156,135.94. The lesser of these two limitations is the district’s certified levy request of \$156,072.58.

The taxing district approved Ordinance/Resolution No. 20-11-1801 authorizing a one percent increase over the prior year's levy on November 18, 2020. This represents a \$585.02 increase over their prior year's levy of \$58,502.49. It is unclear why the district adopted this document as the voters had already approved an increase in property tax beyond the 101 percent limit factor.

Since the voters approved a levy rate in excess of the one percent growth lid, the levy limit calculation where the levy's highest lawful levy since 1985 is increased by the one percent growth limit and other allowable increases does not apply for the 2021 tax year. Page 105 of the September 2020 Levy Operations Manual provides step by step instructions on how to calculate the levy limitations for a single year, permanent lid lift, such as this lid lift.

The lesser of the two levy limits for the 2021 tax year is the district's certified budget request of \$155,139.17 compared to the voter approved levy rate of \$0.90 per \$1,000 assessed value amount of \$155,202.53. The Assessor levied \$60,685.57. This results in an underlevy of \$94,453.60.

### **Action needed to meet requirement**

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

- Notify the taxing district of the underlevy. If the correction of the error 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.
- Start the levy error correction process with the 2021 levy calculations for the 2022 tax year by either adding the full amount of the error, one-half of the levy error, or one third of the levy error to the lesser of the district's levy limitations. When increasing the district's levy capacity due to new construction, etc., use the levy rate that would have been certified if the error had not occurred in the prior year, \$0.899632591424 per \$1,000 assessed value. See Appendix A.
- Calculate the levy rate for the 2023 tax year as if the levy error correction had not occurred during the 2022 tax year and carry the levy rate forward based on the levy amount without the levy error correction. If the district requests the correction be completed over a two or three year period, continue this practice of carrying forward the levy rate without the levy error correction amount.

### **Why it's important**

The Assessor must determine all of the applicable levy limitations, and not levy in excess or less than the lesser limitation to ensure the correct amount of property tax is levied for the taxing district.

## Requirement – Tax roll certification

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### Requirement

The Assessor is required to certify the completed tax roll to the Klickitat County Treasurer (Treasurer) on or before January 15. The Assessor must obtain a receipt from the Treasurer and provide an abstract of the tax rolls to the Klickitat County Auditor (Auditor) listing the total amount of collectible taxes for each taxing district.

### What the law says

The county assessor must deliver the tax rolls to the county treasurer, on or before the fifteenth day of January, taking a receipt from the treasurer. The assessor must also supply the county auditor with an abstract of the tax roll showing the total amount of tax collection for each taxing district.

### What we found

The Assessor certified the tax roll to the Treasurer on January 20, 2021, which is after the statutorily required date.

The Assessor did not provide the Department with a receipt of the tax roll from the Treasurer.

The Assessor stated that she provided the Auditor a copy of her Assessed Value, Levy Rate, and Taxes report representing an abstract of the tax roll.

### Action needed to meet requirement

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

- Certify the completed tax roll to the Treasurer on or before January 15, including an acknowledgement of receipt from the Treasurer.
- Retain a copy of the communication when the abstract of the tax roll is provided to the Auditor.

### Why it's important

Statutory deadlines exist to provide a timely, orderly process for property taxation. Retaining copies of the certification process enhances the transparency of the levying of property taxes.



## 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  
Property Tax Division  
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# Appendix A

The following worksheets contain regular levy calculations for the districts with errors in this audit.

Levy Limit Calculation for District: Fire District 6												
Assmt Year	Taxes 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 checked="" type="checkbox"/> Lid Lift?
2020	2021									172,447,254	1.500000000000	
Lid Lift							Summary of Levy Limits:					
Assmt Year	Taxes Due	Voter Approved Rate		Max. Levy Per Lid Lift		Refund	Certified Budget	Limit Per Stat. Rate Maximum	Lid Lift Plus Refund			
2020	2021	0.90000000		155,202.53		933.41	155,139.17	258,670.88	156,135.94			
Assmt Year	Taxes Due	Current Year's Max Levy	Actual Amount Levied	Actual Levy Rate	Correct Levy Rate	Over/Under Levy	New Highest Lawful Levy Since 1985	Levy Rate Without Levy Error				
2019	2020			0								
2020	2021	155,139.17	60,685.57	0.351980108600	.899632591424	(94,453.60)	\$155,202.53	0.899632591424				