

Property Tax Review

Fall 2012

Volume 13, Issue 2-3

Changing Seasons

By Kathy Beith, Assistant Director

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Welcome to our latest edition of the *Property Tax Review*. I hope you'll find the articles we've included to be both useful and informative.

As I was preparing to write this introduction to the newsletter, I looked back at a few issues that we've published during the past 10 years or so. The one constant theme I noticed was that there always seems to be a lot going on with property tax administration! I look out my window and see the leaves changing colors, I see a new school year starting across the street, and I anticipate changes will come with the Fall elections. But I know I can count on one thing that doesn't change – the amount and the importance of the work done by the entire assessment community.

This edition includes information on legislation affecting property tax administration that was adopted in 2012, recent exemption decisions rendered by the Board of Tax Appeals, mass appraisal processes, personal property valuation topics, and much more. Our goal is to provide articles that you'll find timely and relevant. Hopefully, we've achieved that goal.

If you have comments or suggestions regarding the *Property Tax Review*, please let me or any of our staff know. We always appreciate feedback! ♦

Kathy

Are Websites Taxable As Personal Property?

By Pete Levine, Personal Property Supervisor

The Department has received inquiries regarding the taxability of "websites" as personal property. While not specifically contemplated in 1991, when the Legislature defined computer software (see WAC 458-12-251) for assessment purposes, if asked are websites taxable as personal property, the Department's answer has been: "*it depends.*"

Generally speaking with computers, software, and the internet, websites have evolved since the late 1980s and early 1990s. It has become common to see websites as part of a business's assets, where websites should be reported on the personal property listings for assessment purposes. The assessor needs to review taxability on a case-by-case basis

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Special points of interest:

- **Quarterly Reminders**
(see page 2)
- **Upcoming Training**
(see page 3)

This Quarter's Reminders

September 1*

- ▶ Applications for limited income deferrals are due. (RCW 84.37.040)
- ▶ Boundaries for Mosquito Districts must be established for levy collection next year. (RCW 17.28.253)

September 3

(Prior to the first Monday) DOR determines the indicated ratio for each county. (RCW 84.48.075)

September 4

(On or before the first Tuesday) County Auditors' preliminary budgets are due to Boards of County Commissioners. (RCW 36.40.050)

September 15*

- ▶ Assessor submits the following reports to DOR Property Tax Division:
 - Certificate of New Construction Value (form REV 64 0059)
 - Real Property Sales Study
- ▶ Designated forest land composite tax rate is due to DOR Forest Tax Division.

September 28

(Prior to October 1) Timber Assessed Value (TAV) calculated for each county. (RCW 84.33.035)

Also in September:

- ▶ DOR equalizes taxes to be collected for state purposes. (RCW 84.48.080)
- ▶ Assessors send certification of assessed valuations to taxing districts. (RCW 84.48.130)
- ▶ DOR certifies its assessments of public utility operating properties to county assessors after final ratios have been certified. (RCW 84.12.370)

October 1

- ▶ Applications for special valuations on historic properties for 2013 are due. (RCW 84.26.040)
- ▶ Newly incorporated port and fire boundaries set. [RCW 84.09.030(1)(b)]

(continued)

Are Websites Taxable As Personal Property? *(Continued)*

(Continued from page 1)

to determine what is and what is not taxable. The Department has been advising property owners to provide the best detail breakdown of the costs available when listing "websites" on their personal property listing.

A detailed breakdown for websites provides a means to determine how software should be treated for assessment purposes. The canned software portion for a website is taxable, i.e. programs such as FrontPage. However, the costs associated with writing the program code that drives the website and any costs associated with update and maintenance would most likely be exempt. A breakdown can further provide if any hardware is included in the total cost for the website, which would need to be listed and valued separately from the software.

Ensuring uniformity is the priority, making sure to avoid assessing exempt property while equally avoiding omitted property assessments for websites. ♦

Reporting personal property assets for timeshare units

By Pete Levine, Personal Property Supervisor

The Department has received several inquiries questioning whether personal property assets found in timeshare units are exempt as household goods and furnishings (RCW 84.36.110 and WAC 458-16-115) for the timesharing owners, or whether the assets are taxable and subject to personal property assessment.

Our response to inquiries has been: the furnishings as part of a timeshare unit are not exempt as the owner's household goods and furnishings under RCW 84.36.110 and WAC 458-16-115.

The Appraisal of Real Estate (13th edition, *Appraisal Institute*) defines timesharing as: "*Limited ownership interests in, or the rights of use and occupancy of, residential apartments or hotel rooms. There are two forms of timesharing: fee timeshares and nonfee timeshares. Fee timeshares may be based on timeshare ownership or interval ownership. There are three types of nonfee timeshares: a prepaid lease arrangement, a vacation license, and a club membership.*"

Generally speaking, timesharing is a concept known as a form of vacation unit ownership, entitling the purchaser to use a specified, or unspecified unit, for a particular timeframe. In many instances, owners have points with virtually undivided and non-controlling interests to stay at various locations in a network as an alternative to staying in a motel. Timeshare units are typically managed, rented, sold, and/or often traded for similar

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Reporting personal property assets for timeshare units *(Continued)*

(Continued from page 2)

units through property managers. Furthermore, specific purchasers of timeshare units can be individual persons and artificial entities (i.e. LLCs, partnership, corporations, etc).

In Washington, all property is considered taxable unless otherwise exempt by law– i.e. *"all property now existing or that is hereafter created or brought into this state shall be subject to assessment and taxation ...excepting such as is exempted from taxation by law."* (RCW 84.36.005)

WAC 458-16-115(2) specifically exempts *"all household goods and furnishings actually being used to equip and outfit the owner's residence or place of abode and all personal effects held by any person for his or her exclusive use and benefit are exempt from property taxation. Any household goods and furnishings or personal effects held for sale or commercial use do not qualify for this exemption."* [Emphasis added]

While the claim has been made that furnishings associated in timeshare units should be exempt as household goods and furnishings, the rule in WAC 458-16-115(2)(c) further goes on to specify when household goods are not exempt *"personal property held for sale or used for any business or commercial purpose does not qualify for the household goods exemption. Thus, property used to equip and outfit a motel, hotel, apartment, sorority, fraternity, boarding house, rented home, duplex, or any other premises not used by the owner for his or her own personal residence or place of abode does not qualify for this exemption..."* [Emphasis added]

Commonly, the real and personal property for timeshare units are controlled and managed for the use of their owners commercially. The unit furnishings are not specifically owned purchasers – i.e., timesharing owners are not allowed to remove furnishings when they leave the facility or the unit at the end of their specified timeframe.

Keeping in mind that exemptions are to be strictly, though fairly, construed in favor of taxability, the furnishings held for timeshare owners are not exempt as household goods and furnishing. Rather, the assets would be subject to personal property assessment and would need to be listed on the annual personal property listing (RCW 84.40.185).♦

2012 Upcoming Training *(State/County Personnel ONLY)*

Date	Course	Location	Cost
October 8-12	IAAO Course 101: Fundamentals of Real Property Appraisal	Tumwater	\$350
October 8-12	IAAO Course 312: Commercial/Industrial Modeling Concepts	Lacey	\$100
November 6	Real Estate Law	Lacey	\$100
December	No Classes Scheduled	—	—

For further information, contact:

Leslie Mullin, Education Specialist, Department of Revenue, Property Tax Division
Phone: (360) 534-1424, Fax: (360) 534-1380, Email: LeslieMu@dor.wa.gov

OR
Brianna Barsness, Education Coordinator, Department of Revenue, Property Tax Division
Phone: (360) 534-1361, Fax: (360) 534-1380, Email: BriannaB@dor.wa.gov

This Quarter's Reminders

(continued)

October 1 (continued)

- (First Monday in October) Boards of County Commissioners begin hearings on county budgets. (RCW 36.40.070) However, budget hearings may be held on first Monday in December. (RCW 36.40.071)

October 12

- (Prior to October 15) Counties' annual reports on revaluation progress are due. (RCW 84.41.130)

October 31

- Second half of property taxes due. (RCW 84.56.020)
- Assessor submits Abstract of Assessed Values Report to DOR Research and Legislative Analysis Division.

Also in October:

- ▶ County legislative authority adopts budgets by resolution after budget hearing is concluded. (RCW 36.40.080); Board of County Commissioners fix necessary levies. (RCW 36.40.090)

November 30

- City and other taxing district budgets are due to the county legislative authority. (RCW 84.52.020)
- Tax certifications and the amount levied per taxing district are due to county assessors. (RCW 84.52.070)
- The governing body of each taxing district authorized to levy taxes directly shall certify to county assessor amount of taxes levied for district purposes. (RCW 84.52.070)

Also in November:

- Treasurer submits Refund Fund Levy Report to DOR Research and Legislative Analysis Division.
- Property tax assistance claims for widows/widowers of qualified veterans are due. (RCW 84.39.020)

For a complete version of the *Property Tax Calendar*, visit the Department of Revenue's website at this link:

http://dor.wa.gov/docs/Pubs/Prop_Tax/PropCal.pdf ♦

Updating the Valuation Guidelines — Suggestions Welcome

By Pete Levine, Personal Property Supervisor

The Department has begun the process of updating the **Personal and Industrial Property Valuation Guidelines** for the 2013 assessment year by soliciting input from many of the stakeholders involved in the assessment of personal property.

We invite input to the **Guidelines** at any time during the year and attempt to incorporate suggested ideas, keeping in mind the needs of all stakeholders. If you would still like to make any suggestions or provide feedback, please review the questions below and e-mail your responses to Petel@dor.wa.gov. As time permits, we will use information gathered to update the **Guidelines** for the 2013 assessment year, and subsequent assessment years for areas which may need additional study or review.

- What needs to be modified, deleted, or added to the **Personal and Industrial Property Valuation Guidelines**? Why? What do you recommend?
- Are there any Business Activity or Type of Business Trend column recommendations in the 2012 Index needing review or possibly revised for the future? Why? What do you recommend?
- Are there any types of assets or business activities you believe need studying? Why? What data can you provide to assist in the study?
- Are there any types of assets or business activities not listed in the Index that should be listed? If so, which ones? Why?
- Do you have data about any assets, business activity, or type of business that might help recalibrate an existing guideline?

Please provide data or studies you have as it is useful and may be beneficial in working together to collect data for study. If you have any questions or comments, please do not hesitate to contact me directly at (360) 534-1423. ♦

Learn about . . .

Accreditation program for county appraisers

http://dor.wa.gov/Content/FindTaxesAndRates/PropertyTax/prop_AccreditedAppraiserInfo.aspx

Personal property tax

<http://www.dor.wa.gov/Content/Home/VideoHub/hubfiles/1a.html>

Property tax exemptions and deferrals

<http://dor.wa.gov/Content/FindTaxesAndRates/PropertyTax/IncentivePrograms.aspx>

Property tax statistics, laws and rules, and other resources

http://dor.wa.gov/Content/FindTaxesAndRates/PropertyTax/prop_LawsAndRules.aspx

Public Utilities

http://dor.wa.gov/content/findtaxesandrates/propertytax/prop_pubut.aspx

2011 Assessor Statistics Released

By Tarah Downs, Real Property Analyst

A compilation of survey data related to the operation of assessors' offices titled, *A Comparison of County Assessor Statistics for 2011 (Comparison Report)* has recently been released. The report provides property tax administrators with comparative statistics to assist in the analysis and evaluation of their assessment operations and the adequacy of assessment resources. The *Comparison Report* is designed to serve as a starting point for the administrator or decision-maker.

The *Comparison Report* statistics are based on locally assessed taxable parcels. Use of taxable parcels reflect much of the assessor's workload, however it should be noted that additional listed nontaxable/exempt and state assessed parcels also require use of county resources.

Comparison Report Highlights

Washington's 39 county assessors operate within unique local geographical, political, and economic environments that often influence the attributes of a county's assessment system and the level of services they provide. Consequently, making direct comparisons between statewide averages or individual counties may result in distorted or misleading conclusions unless additional information is considered or more in-depth analysis is conducted.

Staffing- Measured by full time staff equivalents on a statewide basis, the level of staffing for 2011 decreased approximately 4.5 percent from 2010. Staff levels seem to be stabilizing and the percent of change from 2011 to 2012 is an increase of .5 percent.

Budgets- Comparison of assessors' budgets (less central services) from 2010 to 2011 reflects a change for individual counties in the range of -14.9 percent to 36.5 percent and an average increase of .35 percent. Assessor's budgets (less central services) for 2012 reflect a change for individual counties in the range of -17.1 percent to 36.3 percent. The average increase in 2012 budgets is 3.57 percent.

New Construction- New property placed on assessment rolls in 2011 decreased approximately 18 percent from \$9,566,119,182 in 2010 to \$7,871,981,937 in 2011.

Workloads- Statewide the average number of parcels per appraiser was 7,474, up 7.8 percent from 2010. The average number of inspections per appraiser was 1,454, which is up only 36 inspections from 2010. The average number of parcels per county staff member statewide was 3,363, up slightly from 2010's average of 3,230.

The current issue, and previous issues through 1999, of the *Comparison Report* are available through the Department of Revenue's website at this link:

http://dor.wa.gov/content/AboutUs/StatisticsAndReports/stats_proptaxstats_Assessor.aspx◆



Join Our Newsletter Distribution List

To be notified when new editions of our quarterly newsletter are available, simply visit the link below and join our email distribution list. Each edition contains articles on a variety of property tax-related topics, a current listing of training opportunities available to assessment personnel, legislative updates, a staff contact list for the Department of Revenue's Property Tax Division, and more.

<https://fortress.wa.gov/dor/efile/SecureForms/content/contactus/email/listservemail.aspx>◆

Property Tax Advisories

Property Tax Advisories (PTAs) are formal, interpretive statements authorized by RCW 34.05.230. The following PTAs were updated or introduced in 2011. The complete list of active Property Tax Advisories can be found on the Department's website under Property Tax Publications or follow this link: http://dor.wa.gov/content/FindTaxesAndRates/PropertyTax/prop_RnLs.aspx. For additional information about these interpretations, please contact the appropriate Property Tax Division staff listed on the attached Property Tax Division Contact List.

No new Property Tax Advisories have been issued in 2012

PTA Number	16.1.2011
PTA Title	Establishing Additional Eligibility Requirements for the Current Use Program
PTA Effective Date	October 26, 2011
Purpose	This Property Tax Advisory has been issued in response to multiple inquiries asking if county assessors and county legislative authorities have the authority to establish additional eligibility requirements for the three current use classifications – open space, timber land, and farm & agricultural land.
Link to PTA	http://dor.wa.gov/Docs/Pubs/Prop_Tax/PTA_16_1_2011.pdf

PTA Number	12.2.2011
PTA Title	Classification of Land Used for Christmas Tree Production
PTA Effective Date	August 8, 2011
Purpose:	This advisory has been revised to remove the definition of “contiguous” because it is no longer accurate as a result of chapter 101, Laws of 2011 (SSB 5359).
Link to PTA	http://dor.wa.gov/Docs/Pubs/Prop_Tax/PTA12_2_2011.pdf

PTA Number	6.2.2011
PTA Title	Property Taxability of Motor Vehicles
PTA Effective Date	July 25, 2011
Purpose	This Property Tax Advisory has been issued in response to multiple inquiries asking whether certain motor vehicles are subject to property taxation. The advisory reviews the exemption provided by RCW 84.36.595, reviews the other definitions related to motor vehicles. The advisory provides Q & A to clarify the treatment of “fixed load” vehicles and help determine the taxable status of certain motor vehicles.
Link to PTA	http://dor.wa.gov/Docs/Pubs/Prop_Tax/PTA_6_2_2011.pdf ◆

Nonprofit Property Tax Exemptions Decided by the Board of Tax Appeals

By Harold Smith, Exemption & Deferral Programs Manager

Each year, the Property Tax Division issues hundreds of determinations regarding the exempt/taxable status of properties controlled by nonprofit organizations. These determinations may be appealed by either the nonprofit applicant or the local county assessor if that party believes that we have misapplied the law and made the wrong decision. These appeals must be made within 30 days of the Department's determination and are filed directly with the Washington State Board of Tax Appeals (BTA).

In 2012, three BTA decisions have been rendered on appeals of the Department's determinations, so far. They are summarized below:

Young Life v DOR (Docket #78490 to 78494)

Young Life is a well known nonprofit organization that provides character building services and activities to youths under the age of 18. In 2008, the local chapter of Young Life acquired a building on a church campus in Federal Way from which they operated their programs. The Department denied property tax exemption to their building, concluding that Young Life did not satisfy the ownership requirement in RCW 84.36.030. Young Life contended that the combined effect of two complicated leases did convey ownership. The BTA concluded that the leases were the equivalent of a real estate contract purchase and ruled the property to be exempt. DOR's determination was reversed.

Nihon Ki-In Go Institute of the West v DOR (Docket #75298 and 75299)

The Institute operates a building known as the Seattle Go Center. They use their property to teach, promote and play the popular Asian strategy game of "Go". They applied for a property tax exemption under RCW 84.36.030 as a character-building social service. The Department denied exemption, contending that this character building activity did not constitute a social service as defined in statute and rule. The BTA agreed in part with DOR, concluding that the Institute had not proven the property is used exclusively for a social service. DOR's determination was upheld.

Fred Hutchison Cancer Research Center v DOR (Docket #78495 to 78500)

Fred Hutchison acquired a building in late 2010 for use as an important research and training facility. They applied in 2011 for a property tax exemption under RCW 84.36.045 as a nonprofit research / teaching facility. DOR denied the exemption, because the property was still being renovated and would not go into service until 2012. Fred Hutchison contended that the property was totally dedicated to the exempt use and should qualify for exemption during the renovations. DOR contended that most exempt properties qualify for exemption when they are actually used for the exempt activity. Properties only qualify for exemption before actual use begins when the legislature specifically provides that option. The BTA agreed with the Department, finding that Fred Hutchison must show the property is actually being used for medical research or training before exemption can be granted. DOR's determination was upheld in a "proposed decision" that is not yet final.

These and most other BTA decisions on appeals of the Department's nonprofit property tax determinations can be searched and reviewed at the BTA's website: <http://bta.state.wa.us/> If you have other questions about nonprofit property tax exemptions, contact us at (360) 534-1400. ♦

Guide to Mass Appraisal for Property Tax Assessment

By Marilyn O'Connell, Appraisal Analyst, County Performance and Administration

All counties in the state of Washington will be required by law to revalue all real property on an annual basis for property tax assessment purposes by January 1, 2014. Annual revaluation is intended to result in greater uniformity and consistency in property tax assessments and distribution of property taxes among property owners within a jurisdiction. Counties that have been inspecting and updating values on properties on a cyclical basis (usually every four years) may have recently transitioned to an annual revaluation program. A few counties will continue to function under a cyclical plan until 2014, when they will begin performing annual valuation updates. This means, if the assessor determines there is a change in value, the property owner will receive a change of value notice each year.

Valuation and Physical Inspection for Annual Revaluation

There is sometimes confusion between the valuation of a property and physical inspection of a property. The new law requires all property be valued annually and physically inspected at least once every six years. Property that is not inspected in a given assessment year is analyzed and the values are updated through the use of statistics and based on market data. Homeowners should let the assessor's office know of changes which have occurred to their property, such as remodeling, additions, or removal of detached structures from the parcel. This ensures that the assessor's office has an accurate property profile from which to determine the current market value.

Individual Appraisal vs. Mass Appraisal

An individual appraisal requires the use of comparable sales which are similar to the subject property. For a valuation analysis of a single subject property as of a given date, sales are identified that best represent subject property. In addition to sales, cost and income information may also be used to determine assessed value. To accomplish the task of analyzing thousands of parcels each year to determine the current market value for assessment purposes, county assessors utilize a method of appraisal called "mass appraisal." Mass appraisal is defined as "the systematic appraisal of groups of properties as of a given date using standardized procedures and statistical testing." (Robert J. Gloude-mans, *The Mass Appraisal of Real Property*, Chicago: International Association of Assessing Officers, 1999, 1.)

It involves analyzing data collected in mass quantities, developing statistics from the data, and applying the results to large numbers of properties. Groups of sales are used to provide value indications for large populations of properties. Mass appraisal applies the same appraisal principles as an individual appraisal, but applies these principles to groups of properties rather than an individual property. For annual revaluation using mass appraisal techniques, the assessor may statistically analyze groups of sales to determine annual updates of values. Conducting annual review and updates to assessed values is required to ensure assessed values are representative of true and fair value (market value) as of January 1 of any given year.

State law requires that assessed values reflect 100 percent of true and fair value. The new law requiring annual revaluation by county assessors only changes the frequency of inspections and value changes. There is no change in the requirement that assessed value represent market value as this has been a requirement for many years.

Mass Appraisal Models

In simple terms, mass appraisal is a mathematical formula created to represent and compare property characteristics that contribute to value for a group of properties. These may include items such as square

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Guide to Mass Appraisal for Property Tax Assessment (continued)

footage, quality of construction, lot size, or view. These characteristics become “variables” when placed in the mathematical model. Variables in the model correspond to property characteristics and allow for comparisons and adjustments when there are differences between properties. Through the calculation process, the model accounts for variations between properties included in the mass appraisal of a group of properties. For example, the condition of a home might be rated as excellent, good, average, fair, or poor condition. In order to represent this in a mass appraisal model, a number is assigned to those items ranking them from one to five, with excellent condition being a five. This allows property characteristics to be represented in a mathematical formula, assigning a value to each of these condition rankings. The chart below shows an example of the condition ranking and possible adjustments which might be associated with it.

Condition	Ranking	*Dollar Adjustment
Excellent	5	+\$3,500
Good	4	+\$2,000
Average	3	0
Fair	2	-\$1,000
Poor	1	-\$2,500

*These amounts are used as adjustments to the base (average condition) with adjustments determined by market analysis.

Other characteristics, which are identified as important contributors to value, can also be represented in this manner in order to calculate a total value for each property. This valuation is compared to the group of current sales in the same area. Models are “calibrated” or adjusted to reflect what the sales are indicating in the market place. This process of mass appraisal creates a consistent, uniform methodology for analyzing properties which is equitable to property owners because all properties within a category of properties are being treated in the same manner.

The mass appraisal model is tested by statistical analysis of sales as compared to assessed value of those sold properties. This includes an analysis of the Assessment/Sales (AS) ratio of the sales in a geographical area or property category. This ratio, expressed as a percentage, is an expression of the level of assessed value as compared to the current sales price of that property. For example, a property is assessed at \$92,000 and sold for \$100,000. The AS ratio is expressed as 92,000/100,000 or 92%. The property is being assessed at 92% of market value. Washington law requires that property be assessed at 100% of market value. A ratio study indicating a level of assessment at less than 100% would be an indication that the assessor may need to statistically update values.

As an assessor transitions to annual revaluation from cyclical revaluation, sales are analyzed as a group, and a single property analysis is no longer performed. Groups of properties are valued based on the sales and other data in the market area. These valuations are statistically tested for accuracy and equity. Individual appraisals are not done on each individual property. Counties that value properties annually may provide homeowners with information that includes the neighborhood sales used in the mass appraisal of their property for that year’s property tax assessment.

(Continued on page 10)

Guide to Mass Appraisal for Property Tax Assessment *(continued)*

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Property Owner Questions About New Assessed Values

If a property owner questions the new assessed value, the first step should include contacting the county assessor's office to verify that the county records include the correct information about the owner's property. The next step would include reviewing sales and other information used by the assessor in the mass appraisal process. The assessor will generally have sales information available in their office or through a county website. A property owner may bring recent neighborhood sales to the attention of the assessor for consideration. The assessor's office may review those sales in relation to their neighborhood sales analysis to confirm that their assessments are within a reasonable range of value compared to the sales. ♦

This document will be available in the near future in the form of a brochure which can be utilized by county assessment offices for public education.

2012 Legislative Update

The 2012 Regular Session opened on January 9, 2012, and was originally scheduled for 60 days. Major budget issues again forced the Legislature into Special Session with much of the focus on economic matters and the state budget. Of the 59 property tax bills analyzed, nine passed. The following is a summary of property tax related bills from recent legislative sessions.

Year	Bills Considered	Bills Passed	Session
2012	59	9	Short *
2011	87	11	Long *
2010	182	17	Short *
2009	190	16	Long
2008	179	11	Short
2007	150	20	Long
2006	94	13	Short
2005	163	24	Long
2004	170	14	Short
2003	161	15	Long
2002	98	12	Short
2001	152	15	Long
2000	118	12	Short
* Extended b/c Special Session(s)			

Below are brief summaries for the nine property tax bills that passed, along with links provided to the legislature's website and a Department contact for any additional questions.

Additionally, in the next edition of the Property Tax Newsletter, there will be a focus on the summary of the bills that past the 2012 legislative session and the applicable implementation for each.

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2012 Legislative Update (continued)

(Continued from page 10)

2ESHB 2048 – Relating to low-income and homeless housing assistance surcharges

RCW 36.22.179 provides for a \$10 surcharge to be collected by the county auditor for certain document recordings, to be used to fund low-income and homeless housing assistance programs. In 2009, HB 2331 was passed, temporarily increasing the surcharge from \$10 to \$30 for the 2009-11 and 2011-13 biennia.

This bill extends the increase through the 2015-2017 biennia and provides an additional temporary increase from \$30 to \$40 beginning 09/01/2012 and continuing through 06/30/2015. The increase expires and the surcharge is reduced to the original \$10 beginning 07/01/2017. The amendment corrected the dates and requires cities and counties receiving more than \$3.5 million in revenue from the surcharges to apply to the Washington State Quality Award program or similar Baldrige assessment organization for an independent assessment of its quality management.

For property tax, the document recording fee increases applies to liens recorded with the county auditor for both deferral programs and the grant assistance program for widows/widowers of veterans.

<http://apps.leg.wa.gov/billinfo/summary.aspx?bill=2048&year=2011>

DOR Contact: Peggy Davis at PeggyD@dor.wa.gov or (360) 534-1410

SHB 2056 – Relating to assisted living facilities

This bill makes technical change only by changing the term “boarding home” to “assisted living facility”. It also accounts for the statutory changes in 2011 by removing provisions related to changes in Interstate Compact on Placement of Children and applies DSHS rules regarding boarding homes to assisted living facilities. The term “boarding home” is changed to “assisted living facility” throughout the boarding home licensing statute and elsewhere in the Revised Code of Washington. Property tax statutes that are amended include RCW 84.36.381 and 84.36.383.

<http://apps.leg.wa.gov/billinfo/summary.aspx?bill=2056&year=2011>

DOR Contact: Peggy Davis at PeggyD@dor.wa.gov or (360) 534-1410

SHB 2149 – Provides amnesty for reporting personal property to the county assessor.

All real and personal property is subject to property tax each year based on its value, unless a specific exemption is provided by law. There are two classes of property. Real property consists of land and the buildings, structures, and improvements that are affixed to land. Personal property consists of all other property, such as machinery, equipment, furniture, and supplies of businesses. Household goods and business inventories are specifically exempt from personal property tax. Personal property is self-reported to each county assessor.

If any person or corporation fails to file a personal property listing by April 30th of each year, they are subject to late filing penalties. Currently no provision exists for waiving the penalties, except “reasonable cause.”

The county legislative authority may authorize the assessor to waive penalties for assessment years 2011 and prior for a person or corporation failing or refusing to deliver to the assessor a list of taxable personal property under certain circumstances. To qualify, on or before July 1, 2012, the taxpayer must file with the assessor a correct list and statement of taxable personal property and a completed application for a penalty waiver. Full payment of the tax must be made to the county by September 1, 2012, of the entire balance due on all tax liabilities for which a penalty waiver is requested. Taxpayers receiving penalty relief may not seek a refund or otherwise challenge the amount of tax liability. Personal property listed by the taxpayer is subject to verification by the assessor and any unreported or misreported property remains subject to taxes, penalties, and interest.

<http://apps.leg.wa.gov/billinfo/summary.aspx?bill=2149&year=2011>

DOR Contact: Pete Levine at PeteL@dor.wa.gov or 360-534-1423

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2012 Legislative Update (continued)

(Continued from page 11)

ESHB 2502 - Modifies an exception to compensating tax for land removed as designated forest land under chapter 84.33 RCW.

For property tax purposes, land designated as forest land is generally assessed at a lower value, which results in lower taxes. When land is removed from designation as forest land, back taxes must be paid absent a statutory exemption. The same is true for the removal of land from the current use program that was previously designated as forest land.

Current law provides an exemption from the payment of back taxes for land in counties with populations greater than 600,000 (King, Pierce, and Snohomish) when removal from designated forest land results from a sale or transfer to a governmental entity, nonprofit historic preservation, or nonprofit nature conservancy corporation for the purpose of conserving open space. A similar exemption applies to timber land classified under the current use program that was once designated as forest land.

This bill expands these exemptions to include any county with a population of at least 245,000 that borders Puget Sound (Thurston and Kitsap).

<http://apps.leg.wa.gov/billinfo/summary.aspx?bill=2502&year=2011>

DOR Contact: Leslie Mullin at LeslieMu@dor.wa.gov or (360) 534-1424

SHB 2617 - Addresses school district insolvency.

This bill establishes criteria for a school district to be identified as financially insolvent and establishes a process by which a financially insolvent school district may be dissolved and its territory annexed by or transferred to one or more contiguous school districts. The bill also contains provisions relating to property tax levies, including (1) levies for paying the bonded indebtedness of a dissolved school district, (2) extending any pre-existing excess levy of a school district to territory received from a financially insolvent school district, and (3) authorizing replacement or supplemental levies, upon voter approval, by a school district annexing or receiving territory from a financially insolvent school district. Additionally, the bill specifies that for property tax purposes, the boundaries of a school district that annexes or receives territory from a financially insolvent school district must be established on September 1st of the year in which a levy is to be made for the enlarged school district.

<http://apps.leg.wa.gov/billinfo/summary.aspx?bill=2617&year=2011>

DOR Contact: Diann Locke at DiannL@dor.wa.gov or (360) 534-1427

SSB 5381 - Relating to adjusting voting requirements for emergency medical service levies.

This bill changes the voter approval requirement for the uninterrupted renewal of a 6-year or 10-year EMS levy from a super majority with validation requirements to a majority with no validation requirements. A super majority voter approval and validation requirements for a permanent, or initial 6-year or 10-year EMS levy remains.

<http://apps.leg.wa.gov/billinfo/summary.aspx?bill=5381&year=2011>

DOR Contact: Diann Locke at DiannL@dor.wa.gov or (360) 534-1427

SSB 6277 - Creating authority for counties to exempt from property taxation new and rehabilitated multiple-unit dwellings in certain unincorporated urban centers.

The Legislature previously provided a property tax exemption for property associated with the construction, conversion, or rehabilitation of qualified, multi-unit, residential structures located in a targeted residential area contained in an urban growth center. Cities with a population of 5000 or more are eligible to establish the target areas and smaller cities may participate if they are the largest city or town located in a county that is required to plan under the Growth Management Act.

(Continued on page 13)

2012 Legislative Update (continued)

(Continued from page 12)

This bill extends the multi-unit housing exemption availability to an urban center where the unincorporated population of a county is at least 350,000 and there are at least 1200 students living on campus at an institute of higher education during the academic year, for example, the area surrounding Pacific Lutheran University. For any multi-unit housing located in an unincorporated area of a county, a property owner seeking tax incentives under this chapter must commit to renting or selling at least 20 percent of the multi-family housing units as affordable housing units to low- and moderate-income households.

<http://apps.leg.wa.gov/billinfo/summary.aspx?bill=6277&year=2011>

DOR Contact: Harold Smith at HaroldS@dor.wa.gov or (360) 534-1411

ESSB 6470 – Relating to benefit charges for the enhancement of fire protection services.

To enhance fire protection services, cities and towns may impose a benefit charge on personal property and improvements to real property located in the city or town if the city or town is annexing or, since 2006, has annexed all or part of one or more fire protection districts. A benefit charge must be reasonably proportioned to the measurable benefits to property resulting from the enhancement of services afforded by the city or town. A 60 percent majority voter approval is required to impose the benefit charge. The benefit charge can be in effect no more than 6 years or a lesser number of years approved by the voters, unless subsequently reapproved by the voters. Certain exemptions from the benefit charge are provided. A city or town imposing the benefit charge must contract with the county treasurer for the administration and collection of the benefit charge and reimburse the associated costs incurred by both the county treasurer and county assessor. This bill does not affect the Department.

<http://apps.leg.wa.gov/billinfo/summary.aspx?bill=6470&year=2011>

DOR Contact: Diann Locke at DiannL@dor.wa.gov or (360) 534-1427

SSB 6600 Extending property tax exemptions to property used exclusively by certain non-profit organizations that is leased from an entity that acquired the property from a previously exempt nonprofit organization.

Under current law, property owned by a nonprofit organization or association engaged in youth character building activities is exempt from the property tax when it is exclusively used for their exempt activity. Property owned by churches and wholly used for church purposes is exempt from property tax.

Property leased by a nonprofit organization engaged in youth character building activities is generally not exempt from property tax. Leased property may qualify when it is leased directly from another exempt organization that is engaged in youth character building activities. This bill allows leased property used for youth character building activities to be exempt when the property is owned by a property tax exempt church; or when:

- the property is owned by an entity formed exclusively for the purpose of leasing the property to an organization that will use the property for the exempt purposes;
- the youth character building organization uses the property for the exempt purposes;
- the immediate previous owner of the property had received an exemption for the property; and
- the benefits of the exemption must be passed on to the lessee of the property.

These provisions are in effect for nonprofit youth character building organizations, nonprofit nonsectarian organizations which provide character building, protective or rehabilitative social services for all ages, veterans relief organizations, church camp facilities, and nonprofit organization that issue debt for student loans or that are guarantee agencies.

<http://apps.leg.wa.gov/billinfo/summary.aspx?bill=6600&year=2011>

DOR Contact: Harold Smith at HaroldS@dor.wa.gov or (360) 534-1411 ♦

Faces & Places in Property Tax

Brenda Linke is the new voice you hear when you call Property Tax. Brenda became our Olympia receptionist in June. Brenda comes to us with a variety of administrative skills, where most recently she's been providing office assistance and customer service at WorkSource with the Employment Security Department. Brenda's experiences include working in team environments and with the public, as well as providing MS Office computer skills training. Brenda has quickly proven her skills and become an important member of the Property Tax team. If you call (360) 534-1400, that will be Brenda smiling at the other end of the phone.



Brenda Linke



Michael Dahle

Michael Dahle has accepted our Revaluation Specialist position. Michael will assist counties in all areas of revaluation. He will review counties' revaluation plans, provide technical guidance to ensure compliance with state laws, and be the lead-worker for other team members. Michael has been with the County Performance & Administration Program since 2008, where his knowledge and experience in property appraisal, together with his understanding of software systems, has contributed to the success of conversions by counties to annual revaluation. Michael also enjoys photography and may paddle by you in a kayak if you are by the water's edge. Michael can be reached at (360) 534-1362.

Brianne Barsness joined Property Tax for a Developmental Job Assignment in May of this year. Brianne will be helping us coordinate our education program while Patty Concepcion is participating in a Developmental Job Assignment in Executive. Brianne has worked with the Business Licensing Unit since 2007 and has a reputation for hard work, excellent customer service and a willingness to accept any challenge. She has been on coordinating a very busy training calendar for us. A 2002 graduate of Capital High School, Brianne enjoys spending time with her family and reading in her spare time. Brianne can be contacted at (360) 534-1361.



Patty Concepcion

Patti Concepcion, our education coordinator, is currently on a Developmental Job Assignment in the Executive Division. She is keeping an eye on the top management in the Department for us and helping to keep them organized. However, we made her promise to return to us this Fall.

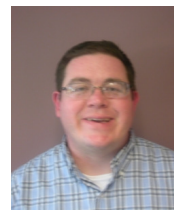


Neal Cook

Neal Cook has accepted a new position at the King County Board of Equalization. As their Manager/Clerk, he will direct an extraordinary board and staff that decides valuation appeals. Neal joined the Department back in January of 1998 as a utilities appraiser. He progressed through several positions to become the Program Manager for Utilities & Valuation Advisory. Neal is an MAI and expert in a wide range of appraisal and property tax subjects. He was a valuable resource to Assessors, practitioners and the Department. He was a mentor to most of us and loves to teach! As the consummate Mariner's fans, Neal and his wife, Sandy, will be heading over to Safeco right

after work.

Joshua Jeffries joined the County Performance & Administration Program on October 1 in Olympia. He will be a member of the Annual Revaluation Team working to help the counties transition to annual revaluation programs. Josh brings diverse appraisal experience, including right of way, mass appraisal, and commercial valuations. He comes to us from the Washington State Department of Transportation and previously worked for the Yakima County Assessor's Office. Josh refers to himself as a numbers guy and holds a math degree from WSU (yes, another Cougar).♦



Josh Jeffries

Property Tax Special Notices

Property Tax Special Notices are generally sent to assessors, treasurers, and those stakeholders that we can identify with a specific interest in the particular topic. Prior to being issued, each Special Notice will go through an internal review process. Special Notices are posted on the Department's website at www.dor.wa.gov under Property Tax Publications. You may also receive a copy of a Special Notice by adding your name to the ListServ. This can be done by going to www.dor.wa.gov, clicking "Find Taxes and Rates," then clicking "Property Tax," and one more click to "Join E-mail Service." A notice will usually provide a contact for more information on the topic.

No new Property Tax Special Notices have been issued in 2012

September 21, 2011

2011 Legislative Updates and Special Session – Levies, Collections & Appeal Issues

In a Q&A format, the notice describes statutory changes made by measures passed by the Legislature in regular/special session earlier in 2011. Measures discussed include: ESHB 1731 – Regional Fire Protection Service Authorities; ESHB 1826 – Property Assessment Appeal Rights; SHB 1854 – Regional Fire Protection Service Authority Annexation; EHB 1969 – Flood Control Zone Districts; SB 5628 – Emergency Medical Services Levy; and SB 5638 – Metropolitan Park Districts and Flood Control Zone Districts.

http://dor.wa.gov/Docs/Pubs/SpecialNotices/2011/SN_11_LeviesCollectionandAppealIssues.pdf

April 8, 2011

Land Containing Historical Sites Classified as Open Space Land – RE-ISSUED

In June 2010, the Department issued a *Special Notice* regarding land containing historical sites classified as open space land. The *Special Notice* included information on how these applications should be processed and how the land underlying the historical structure should be valued. The Department has revised the *Special Notice* to include additional information that provides further clarification on this issue when land is designated as open space in a comprehensive land use plan.

http://dor.wa.gov/Docs/Pubs/SpecialNotices/2010/SN_10_OpenSpaceLand.pdf◆

Washington Department of Revenue
Property Tax Division



Attn: Newsletter Editor
PO Box 47471
Olympia, WA 98504-7471

Phone: (360) 534-1411
Fax: (360) 534-1380
E-mail: harolds@dor.wa.gov

The Property Tax Review is published by the Department of Revenue's Property Tax Division. Comments and suggestions for featured topics should be forwarded to our newsletter editor.

DESCRIPTION OF PROGRAM OR SERVICE	CONTACT	PHONE NUMBER	E-MAIL ADDRESS
Property Tax Administration/Policy	Kathy Beith Assistant Director	(360) 534-1403	KathyB@dor.wa.gov
Property Tax Program Coordinator	David Saavedra	(360) 534-1404	DavidS@dor.wa.gov
General Information FAX	Receptionist	(360) 534-1400 (360) 534-1380	
SPECIFIC TOPICS			
Accreditation	Leslie Mullin	(360) 534-1424	LeslieMu@dor.wa.gov
Accreditation Testing	Leslie Mullin	(360) 534-1424	LeslieMu@dor.wa.gov
Advisory Appraisals	Dave McKenzie	(360) 256-2125	DaveM@dor.wa.gov
Appraisals & Audits for Ratio Study	Rick Bell Dave McKenzie	(509) 663-9748 (360) 256-2125	RickB@dor.wa.gov DaveM@dor.wa.gov
Annexation/Boundary Change Rules	Diann Locke	(360) 534-1427	DiannL@dor.wa.gov
Boards of Equalization	Diann Locke	(360) 534-1427	DiannL@dor.wa.gov
Collection of Taxes/Treasurer Issues	Harold Smith	(360) 534-1411	HaroldS@dor.wa.gov
County Performance & Admin. Program	Mike Braaten	(360) 534-1428	MichaelB@dor.wa.gov
Current Use/Open Space Assessment	Leslie Mullin	(360) 534-1424	LeslieMu@dor.wa.gov
Designated Forest Land	Leslie Mullin	(360) 534-1424	LeslieMu@dor.wa.gov
Destroyed Property	Mike Braaten	(360) 534-1428	MichaelB@dor.wa.gov
Education & Training for County Personnel	Leslie Mullin Brienne Barsness	(360) 534-1424 (360) 534-1361	LeslieMu@dor.wa.gov BrienneB@dor.wa.gov
Exemption & Deferral Program	Harold Smith	(360) 534-1411	HaroldS@dor.wa.gov
Forest Tax General Information	Special Programs	1-800-548-8829	
Forms	Tarah Downs	(360) 534-1363	TarahD@dor.wa.gov
Governmental & Miscellaneous Exemptions	Harold Smith	(360) 534-1411	HaroldS@dor.wa.gov
Industrial Property Valuation	Dave McKenzie	(360) 256-2125	DaveM@dor.wa.gov
Legislation	Pete Levine	(360) 534-1423	PeteL@dor.wa.gov
Levy Assistance	Diann Locke	(360) 534-1427	DiannL@dor.wa.gov
Mobile Homes	Pete Levine	(360) 534-1423	PeteL@dor.wa.gov
Nonprofit/Exempt Organizations	Sindy Armstrong	(360) 534-1412	SindyA@dor.wa.gov
Personal Property	Pete Levine	(360) 534-1423	PeteL@dor.wa.gov
Railroad Leases	Bill Johnson	(360) 534-1419	BillJ@dor.wa.gov
Ratio Study	Deb Mandeville	(360) 534-1406	DebM@dor.wa.gov
Real Property	David Saavedra	(360) 534-1420	DavidS@dor.wa.gov
Revaluation	Cindy Boswell	(509) 663-9747	CindyB@dor.wa.gov
<input type="checkbox"/> County Revaluation & Revaluation Plans	Michael Dahle	(360) 534-1362	MichaelD@dor.wa.gov
<input type="checkbox"/> Annual Revaluation Grant Program	Marilyn O'Connell	(360) 534-1364	MarilynO@dor.wa.gov
Senior Citizens/Disabled Homeowners, Exemption/Deferral	Peggy Davis	(360) 534-1410	PeggyD@dor.wa.gov
Utilities Management	David Saavedra	(360) 534-1404	DavidS@dor.wa.gov
<input type="checkbox"/> Certification of Utility Values to Counties	Ha Haynes	(360) 534-1418	HaH@dor.wa.gov
<input type="checkbox"/> Code Area/Taxing District Boundary Changes & Maps	Susan Ragland	(360) 534-1369	SusanRa@dor.wa.gov
<input type="checkbox"/> Public Utility Assessment	Jay Fletcher	(360) 534-1421	JayF@dor.wa.gov
<input type="checkbox"/> PUD Privilege Tax	Vicky Carr	(360) 534-1366	VickyC@dor.wa.gov

2013 Training Calendar

Date	Course Title	Location	Course Hours	Cost
January				
21-23	County Assessor Legislative Conference	Olympia	---	---
February				
12-13	Residential Quality, Condition & Effective Age	DuPont	15 CE	\$150
March – No Classes Scheduled				
April				
22-26	IAAO 600: Principles & Techniques of Cadastral Mapping	Ellensburg	30 CE	\$350
May				
15-16	Current Use – Basic	Webinar	3 GI	\$75
23	Current Use – Advanced	Webinar	3 GI	\$35
June				
4-5	Board of Equalization New Member Training	Olympia/Lacey	0	\$0
6	Board of Equalization Senior Member Training	Olympia/Lacey	0	\$0
10-13	WSACA Conference	Lake Chelan	---	---
11	Board of Equalization Senior Member Training	Everett	0	\$0
13	Board of Equalization Senior Member Training	Wenatchee	0	\$0
July				
18-19	Evaluating Commercial Construction	DuPont	15 CE	\$150
August – No Classes Scheduled				
September				
9-10	Basic Levy Training	Wenatchee	3 GI	\$0
18	Senior Levy Training	Webinar	3 GI	\$0
25-26	Senior Exemption/Deferral Basic Workshop	Webinar	3 GI	\$75
October				
Sept 30- Oct 4	IAAO Course 101: Fundamentals of Real Property Appraising	Ellensburg	30 CE	\$350
Sept 30- Oct 4	IAAO Course 102: Income Approach	Olympia/DuPont	30 CE	\$350
3	Senior Exemption/Deferral Admin Workshop	Webinar	3 GI	\$60
7-10	WACO Annual Conference	Port Angeles	---	---
14-18	IAAO Course 311: Residential Modeling Concepts	Ellensburg	30 CE	\$350
November – No Classes Scheduled				
December – No Classes Scheduled				

Questions: Contact either Leslie Mullin, Education Specialist at LeslieMu@dor.wa.gov or by phone at (360) 534-1424 or Brianne Barsness, Education Coordinator at BrianneB@dor.wa.gov or by phone at (360) 534-1361.

GI = General Interest

CE = Continuing Education