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# Washington Department of Revenue Property Tax Division

## 2018 Stevens County Levy Audit A Summary Report



# Table of Contents

Overview .....	3
Executive Summary .....	4
Requirements .....	6
Tax Certification.....	7
Certification from County Legislative Authority.....	8
Dollar and Percentage Change Resolution – Fire District No. 10 .....	9
Next Steps .....	10
Appendix – General Information.....	11
Regular Levy Limitations.....	12
Refunds.....	17
Excess Levy .....	18
Timber Assessed Value (TAV) .....	19
Assessor Guidelines.....	20
Appendix A.....	21

# Overview

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## Purpose

The primary purpose of this review by the Department of Revenue (Department) is to assist the Stevens 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 2018 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 reviewed the following information:

- 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: Chewelah, Kettle Falls, Marcus, Springdale
- Fire Districts: No. 1, No. 3, No. 4, No. 8, No. 10, No. 13
- Library Districts: Stevens County Rural Library
- School Districts: #30, #179, #205, #212

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

We have listed a summary of these items in the Requirements section.

## Executive Summary, continued

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### Requirements:

1. The Assessor is required to certify the completed tax roll to the Treasurer on or before January 15. The Assessor is also required to provide the county auditor with an abstract of the tax rolls showing the total amount of taxes collectible for each taxing district.
2. The county legislative authority is required to certify to the Assessor the amount to be levied for each of the taxing districts in the county.
3. The Assessor is required to apply the authorized dollar increase and percentage of change, as stated in a separate ordinance or resolution provided by the taxing district, to the previous year's levy amount.

# Requirements

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For the items listed as “Requirements,” the Assessor must make changes in procedure to comply with law.

This section contains the requirements we identified.

## Tax Certification

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### Requirement

The Assessor is required to certify the completed tax roll to the Treasurer on or before January 15. The Assessor is also required to provide the county auditor with an abstract of the tax rolls showing the total amount of taxes collectible 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 and provide an abstract of the roll to the county auditor. (RCW 84.52.050)

### What we found

The Assessor certified the tax roll timely on January 12, 2018, but did not obtain a receipt from the Stevens County Treasurer. A copy was given to the Stevens County Auditor as required.

### 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 and retain a copy with the receipt from the Treasurer in the file.

### Why it's important

Per state law, the Assessor is expected to complete different tasks to ensure transparency.

## Certification from County Legislative Authority

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### Requirement

The county legislative authority is required to certify to the Assessor the amount to be levied for each of the taxing districts in the county.

### What the law says

The county legislative authority is required to certify the amount to be levied for each of the taxing districts, including the county, to the county assessor on or before November 30 of each year. (RCW 84.52.070)

### What we found

The Assessor received a copy of each district's budget request from the individual taxing districts. The county legislative authority did not certify the amounts to be levied by the board of each taxing district in the county to the Assessor.

### Action needed to meet requirement

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

- Continue to educate the taxing districts within Stevens County on their responsibility to certify their levy amount requests to the county legislative authority by November 30.
- Continue to educate the county legislative authority of their responsibility to certify the levy amounts requested by the taxing districts to the Assessor by November 30.
- If the taxing districts continue to provide the budget or budget estimate to the Assessor, the Assessor could provide the county legislative authority with a copy of those documents. The county legislative authority would then have the documentation needed to certify the levy request for each taxing district to the Assessor as required by statute. The Assessor may wish to contact the individual taxing districts and the county legislative authority to educate them on the statutory requirements.

### Why it's important

State law directs the county legislative authority to formally certify the levy amounts for each taxing district to the county assessor. This enhances transparency in the levy process.



## Dollar and Percentage Change Resolution – Fire District No. 10

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### Requirement

The Assessor is required to apply the authorized dollar increase and percentage of change, as stated in a separate ordinance or resolution provided by the taxing district, to the previous year's levy amount.

### What the law says

No increase in property tax revenue may be authorized without a public hearing and adoption of a separate ordinance or resolution that specifically states the increase in revenue, in both dollars and percentage of change. Exceptions to this requirement are increases of revenue due to the following additions: new construction, construction of wind, solar, biomass and geothermal facilities, improvements, state assessed property, and refunds. (RCW 84.55.120 and WAC 458-19-085)

### What we found

Fire District No. 10 passed a resolution November 14, 2017 authorizing a .005887 percent increase above their previous year's levy. The Assessor applied an increase of .5887 percent when calculating the resolution limitation based on the dollar and percentage of change from the previous year's levy amount.

This resulted in an overlevy of \$129.25.

### Action needed to meet requirement

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

- Correct the overlevy of \$129.25.
- Notify the taxing district of the levy error. If the correction in the succeeding year will cause a hardship for the taxing district, or taxpayers, the district may request the correction on a proportional basis over one to three years.
- Use the corrected levy rate, provided in Appendix A, for the 2019 levy calculation as if the error had not occurred.

### Why it's important

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

## 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 February 2019. 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

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  
PO Box 47471  
Olympia, WA 98504-7471  
(360) 534-1400  
<http://dor.wa.gov>

# Appendix – General Information

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## Introduction

General information provided to assist all assessors and taxing districts.

## Contents

This section contains the following topics:

- Regular Levy Limitation
- Refunds
- Excess Levy
- Timber Assessed Value (TAV)
- Assessor Guidelines

## Regular Levy Limitations

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### What are the statutory limitations?

Regular property tax levies are generally considered to be those levies that are subject to several statutory limitations.

The assessor must adhere to the following statutory limitations:

- Levy limit (a.k.a., 101 percent)
- Statutory dollar rate limit
- Amount authorized by resolution/ordinance
- District budget
- \$5.90 aggregate limit
- 1 percent constitutional limit

### Levy Limit

The amount of regular property taxes a taxing district can levy, other than the state and port district industrial development levies, is limited to an amount that will not exceed the amount resulting from the following calculation:

- The highest amount that could have been lawfully levied by the taxing district in any year since 1985 for 1986 collection, multiplied by the limit factor; plus
- A dollar compensation calculated by multiplying the district's levy rate for the preceding year, or the last year the district levied taxes, by the increase in assessed value of the district from the previous year attributable to:
  1. New construction
  2. Increases in assessed value due to wind turbine, solar, biomass, and geothermal facilities (if the facilities generate electricity)
  3. Improvements to property
  4. Any increase in assessed value of state assessed property.

If an error occurred or an error correction was made in the previous year, use the levy rate that would have been levied had no error occurred.

The limit factor used in calculating the levy limit is defined in RCW 84.55.005 and WAC 458-19-005.

## Regular Levy Limitations, continued

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If the district's population is...	Then the limit factor is...
less than 10,000	101 percent.
greater than 10,000 and a finding of substantial need was made	the lesser of the substantial need factor or 101 percent.
for all other taxing districts	the lesser of 101 percent or 100 percent plus inflation.

**Reference:**

- RCW 84.55.010
- RCW 84.55.0101
- WAC 458-19-020

### Statutory Rate Limit

The statutory rate limit varies by district. These limits are found in the various statutes for each type of district and in the *Property Tax Levies Operations Manual*. The levy amount for each district cannot exceed the statutory maximum rate. The statutory dollar rate limits for senior taxing districts can be found in RCW 84.52.043(1). The statutory dollar rate limits for all taxing districts can be found in the levy manual, chapter 3.

**Reference:**

- RCW 84.52.043
- Property Tax Levies Operation Manual,  
[https://dor.wa.gov/sites/default/files/legacy/Docs/Pubs/Prop\\_Tax/LevyManual.doc](https://dor.wa.gov/sites/default/files/legacy/Docs/Pubs/Prop_Tax/LevyManual.doc), chapter 3

### Truncating Levy Rates

The final certified levy rate cannot result in a levy amount that exceeds the statutory limitations. To ensure that the final levy rate results in a levy amount at or below the statutory levy limit for each taxing district the assessor must truncate the rate at the last digit (not round).

If truncating the levy rate for a bond levy results in a levy amount less than the amount requested by the district, the levy rate must be rounded up to ensure sufficient funds are levied for the repayment of the debt.

## **Regular Levy Limitations**, continued

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### **Resolutions/Ordinances**

The amount authorized by a district in its resolution or ordinance is another limitation on taxation. If a district does not adopt a resolution/ordinance compliant with RCW 84.55.120, the district cannot levy more than it received in the previous year, other than the increase amount resulting from the following:

1. New Construction
2. Improvements to property
3. Wind turbines
4. Solar, biomass, and geothermal facilities (if the facilities generate electricity)
5. Increases in state-assessed property

The resolution or ordinance must state the increase over the previous year's levy in terms of percentage and dollars. The resolution is separate from the budget certification.

#### **Reference:**

- RCW 84.55.120

<https://dor.wa.gov/legacy/Docs/forms/PropTx/Forms/OrdinanceResolution.doc>

## Regular Levy Limitations, continued

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### Levy Certification (Budget)

Taxing districts that wish to levy must certify a budget or budget estimate to the county legislative authority by November 30 of the assessment year. (**Note:** the November 30 deadline does not apply if the assessor has not certified assessed values to the taxing district at least twelve working days prior to November 30).

The county legislative authority must certify the amount to levy for each of the taxing districts, including the county, to the assessor on or before November 30 of each year. However, the county legislative authority may elect to conduct its budget hearing on the first Monday in December, as permitted by RCW 36.40.071.

#### Reference:

- RCW 84.52.020
- RCW 84.52.070
- <https://dor.wa.gov/legacy/Docs/forms/PropTx/Forms/LevyCertf.doc>

### \$5.90 Limit

The \$5.90 limit applies to the total of most regular levies in each tax code area. The aggregate of the junior and senior taxing districts (excluding the state levy and a few others) cannot exceed \$5.90 per \$1,000 of assessed value.

RCW 84.52.010 provides the order in which taxing districts rates are prorated, in order to bring the aggregate rate down to \$5.90. The \$5.90 limitation does not apply to levies made by or for:

- The support of common schools (state levy)
- Port districts
- Public utility districts
- Conservation futures
- Criminal justice
- Emergency medical services
- Affordable housing
- Metropolitan parks (if voters protect a portion of the levy from this limit)
- County ferry districts
- County transit
- Regional transit authority

#### Reference:

- RCW 84.52.043

## **Regular Levy Limitations**, continued

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### **1 Percent Constitutional Limit**

The 1 percent constitutional limit is based on true and fair value, unlike the \$5.90 limit, which is based on assessed value.

In 1972, the voters adopted a constitutional limit of 1 percent. This limits the amount of property taxes that may be imposed on an individual parcel (real or personal) of property without voter approval of 1 percent of its true and fair value.

The 1 percent limit applies to all regular levies (except port and public utility district levies). It does not apply to excess levies approved by the voters.

#### **Reference:**

- RCW 84.52.050
- RCW 84.52.010
- Article 7, Section 2 of Washington Constitution



## Refunds

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### Types of Refunds

There are two types of refunds:

- Adjudicated (court ordered)
- Administrative

Use this table to decide how to levy for a refund

If the refund is an...	Then...	And...
Adjudicated refund	the district is required to levy the refund	the refund is added to the district's levy.
Administrative refund	the refund levy is optional	the refund may be added to the levy only if the district requests the refund in its levy certification or budget.

**Note:** the statutory limit cannot be exceeded when adding a refund to the levy.

#### Reference:

- RCW 84.68.040 (adjudicated refund)
- RCW 84.69.180 and RCW 84.69.020 (administrative refund)
- WAC 458-19-085 (adjudicated and administrative refunds)

## Excess Levy

### What is an Excess Levy

Excess levies are over and above the regular property tax levies.

- Excess levies require voter approval
- Duration of excess levies is subject to limitations
- Excess levies are not subject to the statutory limitations placed on regular levies

Type of Levy	Taxing District	Duration
Bond	Most districts	Long term debt, usually 15-20 years
Maintenance & Operational (M&O)	School and fire districts	2-4 years
General	Most districts except school and fire districts	1 year
Technology	School	2-6 years
Transport Vehicle	School	2 years
Construction/Modernization/Remodeling	School and fire districts	2-6 years

#### Reference:

- RCW 84.52.052
- RCW 84.52.053
- RCW 84.52.056
- RCW 84.52.130

<https://dor.wa.gov/get-form-or-publication/ballot-measure-requirements>

## Timber Assessed Value (TAV)

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### What is Timber Assessed Value?

Timber assessed value determines each taxing district's share of the timber excise tax revenue and in setting property tax levy rates. It serves as a substitute for the value that would be carried on the assessment roll if timber were taxable as real property for all bond and excess levy calculations.

### Components of TAV

Based on taxes levied, acreage, and assessed value of property in the Designated Forest Land Program (DFL) from the prior tax year, and the estimated public acreage available for timber harvesting (RCW 84.33.089), the assessor calculates the following values:

- Composite tax rate
- Forest land assessed value (FLAV)
- Average assessed value per acre on privately owned DFL

After making these calculations, the assessor has all the information necessary to complete the Timber Tax Distribution Priority 1, 2, and 3 worksheets. The priority worksheets list the individual taxing district's TAV that is to be added to the district's taxable value for levy calculations.

### Tax Base

The assessor must ensure that the appropriate amount of TAV is included in the tax base for calculating excess levies.

If the levy type is...	Then use this percentage of TAV in the tax base...
Bond	100 percent
Capital Project	100 percent
Transportation Vehicle	100 percent
School M&O	50 percent of TAV or 80 percent of the 1983 timber roll, whichever is greater
All other excess levies	100 percent

### Reference:

- RCW 84.52.080(2)

## Assessor Guidelines

### Introduction

The assessor generally calculates the property tax levy rate necessary to collect the amount of taxes levied for each district, within the limitations provided by law (WAC 458-19-010). Listed below are some of the guidelines for the assessor based on the taxing district's adopted documentation.

### Determine the authorized levy amount

Use the table below to determine the authorized levy amount given certain situations.

When the taxing district submits...	Then...
a certified levy request to the county legislative authority, but does not adopt a resolution/ordinance authorizing an increase over the prior year's levy	the district's levy is the lesser of the following: <ol style="list-style-type: none"> <li>1. Previous year's levy plus <i>any</i> increase resulting from new construction, improvements to property, wind turbines, solar, biomass, and geothermal facilities (if the facilities generate electricity), and the increased value of state-assessed property.</li> <li>2. Current year's certified levy request.</li> <li>3. Levy limit (with a 100% limit factor).</li> <li>4. Statutory maximum amount.</li> </ol>
a resolution/ordinance authorizing an increase over the prior year's levy, but no certified levy request to the county legislative authority	the assessor does not have the statutory authority to levy on behalf of the taxing district.
a certified levy request to the county legislative authority and a resolution/ordinance authorizing an increase over the prior year's levy	the district's levy is the lesser of the following: <ol style="list-style-type: none"> <li>1. Previous year's levy <i>plus</i> the percentage increase authorized by the resolution <i>plus</i> any increase resulting from new construction, improvements to property, wind turbines, solar, biomass, and geothermal facilities (if the facilities generate electricity), and the increased value of state-assessed property.</li> <li>2. Current year's certified levy request.</li> <li>3. Levy limit (with a limit factor up to 101% depending on the district's population).</li> <li>4. Statutory maximum amount.</li> </ol>
neither a certified levy request nor a resolution/ ordinance authorizing an increase over the prior year's levy	the assessor does not have the statutory authority to levy on behalf of a taxing district.

# Appendix A

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

Levy Limit Calculation for District: FD No. 10 Deep Lake/Cedar Creek											
Assmt Taxes Year 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 type="checkbox"/> Lid Lift?
2017 2018	39,698.31	1.00000%	40,095.29	21,285	15.43	0	0.00	40,110.72	54,946,451	1.500000000000	
Actual Levy:							Summary of Levy Limits:				
Assmt Taxes Year Due	Previous Year's Levy	Lesser of Resolution's \$ or % Increase	Previous Yr's Levy plus Increase	Tax Added for State Assd New Const	Tax Added for Annex.	Authorized Levy by Res.	Refund	Certified Budget	Limit Per Stat. Rate Maximum	Levy Limit Plus Refund	Authorized Levy By Res. Plus Refund
2017 2018	39,963.68	0.006%	39,966.03	15.43	0.00	39,981.46	274.77	40,789.77	82,419.68	40,385.49	40,256.23
Assmt Taxes Year Due	Current Year's Max Levy	Levy Correction	Total Levy w/ Correction	Actual Amount Levied	Actual Levy Rate	Correct Levy Rate	Over/Under Levy				
2016 2017 2017 2018	40,256.23	\$0.00	40,256.23	40,385.48	.724813 .734997	.732644	129.25				