

Department of Revenue Property Tax Division

Innovations in the Administration of the **Senior Citizen and Disabled Persons Exemption and Deferral Programs**



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March 2006

Washington State has two programs that were created to help senior citizens and disabled persons pay their property taxes. Household income and age or disability are the qualifying factors in determining eligibility for both programs. The exemption program provides eligible participants with a reduction of taxes that is determined by the level of household income. The administration and implementation of the exemption program is conducted by the assessor's office of the county in which the taxpayer resides. The deferral program allows eligible taxpayers to postpone payment of their taxes. Deferral applications are submitted to the county assessor's office, which forwards them to the Department of Revenue. The Department administers the deferrals and pays the property taxes and special assessments on behalf of eligible taxpayers.

An essential element of effective senior citizen/disabled person exemption and deferral programs (programs) is ongoing compliance with applicable laws, regulations, policies, and procedures as well as review of the necessary internal controls to assure that the assessors are complying with their commitment to the stakeholders.

The purpose of this endeavor has been to identify and describe "best practice" methodologies employed by some assessors in administering their programs. The practices are actions or processes that positively impact the assessment administration function. The objective is to provide ideas to enhance the effectiveness of similar programs in other counties. Each county is encouraged to examine these practices and decide if any of them should be adopted to improve the efficiency and effectiveness of their own programs. The "best practice" provides another tool that counties can use to improve assessment administration.

Six county assessment offices were selected for best practice review: three in eastern Washington and three in western Washington. These counties represent a mix of small, medium, and large counties based upon parcel size and the number of participants in the programs.

During the review process, we (the Department) identified essential elements in evaluating whether a process has achieved "Best Practice" status. These essential elements are documentary evidence, organizational accountability, and compliance function. We examined the entire administrative process of the programs, including compliance with applicable laws, regulations, policies, and procedures, and the methodology used to maximize the effectiveness of the programs' processes.

The "best practice" processes and actions identified through the reviews included:

- ◆ Office training manuals
- ◆ Renewal application process
- ◆ Notification forms and letters

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- ◆ Process automation (technology)
 - ◆ Marketing strategies
 - ◆ Dissemination of program information to stakeholders
 - ◆ Stakeholder assistance services
 - ◆ Income documentation requirements

We are confident that the best practices we have identified will assist the assessment community and provide an additional tool that can be utilized in administering these programs.

Subject area:

Procedures Manual

Contact person: Lewis County — Denise Unzelman (360) 740-1107

Best Practice: Our review revealed that Lewis County has developed a procedure manual for the exemption and deferral programs. The manual addresses the compliance requirements and offers guidance to staff while remaining organizationally and operationally independent.

Best Practice Defined: In addition to using the resource manual created by the Department of Revenue’s Property Tax Division, counties should develop their own manual defining the procedures under which the programs are administered in their county.

How Used: The procedure manual, written by the staff member who administers the exemption and deferral programs as their primary responsibility, identifies consistent standards that are applied to assist in uniform application of the programs. Updates are made to conform to amendments to statutes and administrative rules. The manual is a means to inform staff of requirement and process changes or updates. The manual explains the process guidelines and informs staff on how to detect and deter potential insufficient or inaccurate information from being incorporated into an application for exemption. It also serves as a training instrument for new employees and information counter staff. A well-informed staff provides the best level of service to all stakeholders.

Why Best Practice: A procedure manual specific to each county promotes efficiency, accuracy, and continuity in how the programs are administered. The Resource Manual provided by the Department provides laws, rules, and additional information that explain how the program is administered on a statewide basis. However, each county is encouraged to develop their own internal guiding principles and procedures to maximize their specific resources and tools.

Subject Area:

Renewal Process

Contact person: Kitsap County — Lori McPhee (360) 337-4904

Best Practice: Kitsap County has developed and implemented a tracking process that effectively reduces the necessity of removing many applicants from the program and later

reinstating them. This process provides the assessor a means to eliminate the need to reinstate applicants that previously had been removed from the program.

Best Practice Defined: The assessor's process involves a methodology that identifies those participants who need a reminder and provides an efficient system for motivating the non-responders to take action on their renewals. This approach encompasses the use of forms and letters that solicit the information required for the renewal process.

How Used: The renewal notification process involves an annual electronic alpha query selection process whereby renewals are mailed to a quarter of the active exemption participants through a single mass mailing that occurs in January. A change in status form is sent to all other participants stating that the notice must be returned only if the taxpayer has a change to report. This process reminds the taxpayer of their responsibility to report changes to the assessor. On May 31, a report is generated, from an Excel spreadsheet, listing those applicants who are required to renew. They are sent a reminder notice in July. Returned exemption renewals are tracked via the mainframe software system.

An Excel spreadsheet is used to track deferral program renewals and new exemption applications. Renewal applications are mailed to the prior year's deferral program participants in February of each year.

Why Best Practice: A renewal notification process specific to each county ensures efficiency, accuracy, and uniformity in how the programs are administered. This process has decreased the necessity of removing applicants from the program and later reinstating them, a process that can be burdensome and time consuming for both the administrator and the taxpayer. After implementing the renewal notification process, fewer than 100 applicants had to be removed in 2005, compared to 518 for 2004. Timely reporting of a change in status alleviates the need to go back and recalculate the value and tax for prior years. This process enables the assessor to maximize available resources and provides uniform application of the program. The spreadsheet allows staff to ensure that applications are processed on a first-in-first-out basis for the best customer service.

Subject Area:

Forms and Letters

Contact person: Kitsap County — Lori McPhee (360) 337-4904

Best Practice: Kitsap County has developed a complete set of custom forms and letters for use in both the exemption and deferral programs. Samples are readily available to all staff.

Best Practice Defined: The assessor has implemented a procedure for conducting routine information requests and formal notification with the development of streamlined forms and letters.

How Used: Custom forms were developed to elicit specific information or to convey a specific message. Some of the documents were adapted from the Department of Revenue, and some

were designed by Kitsap County or adapted from other counties. Form and report samples are kept in the procedures manual that is available for all staff. Forms and letters included are:

Department of Revenue Forms:

- ◆ Income Checklist
- ◆ Proof of Disability Statement
- ◆ Affidavit of Cooperative Housing or Life Estate
- ◆ Declaration of Trust

Kitsap County Forms:

- ◆ Exemption Application (Streamlined Department form) — Reduces the number of pages and allows the applicant to indicate whether this is a new application or a renewal. The form includes tax year, income year, and maximum allowable income.
- ◆ Ownership Affirmation — Requires declaration and signature to confirm no financial support or occupancy by parties who have an ownership interest in the property
- ◆ Capital Gain or Loss Worksheet — This form is sent to the applicant if their home was purchased in the application year.
- ◆ Affidavit of Claimant with Absent Spouse
- ◆ Affidavit of Claimant Living Separate from Spouse
- ◆ Quitclaim Deeds and Life Estates — Explains quitclaim deeds and life estates. This six-page informational handout includes a sample quitclaim deed.

Kitsap County Letters:

- ◆ Change in Status — Advises participants of their obligation to inform the assessor of a change in status. A change in status form is enclosed with the letter.
- ◆ Exemption Renewal Letter — Advises participants of their obligation to renew every 4 years.
- ◆ Deferral Renewal Letter — Advises participants of the annual renewal opportunity.
- ◆ Exemption Approval Letter — Advises participants of approval. There are two versions; the excess acreage version includes information on receipt of separate tax statements.
- ◆ Exemption Approval/Denial Letter — Advises participants of approval/denial for multiple years when one or more years have been denied. There are two versions; the excess acreage version includes information on receipt of separate tax statements.
- ◆ Exemption Denial Letter — There are two versions: one for mailing and one for denial at the counter, allowing immediate notification of denial to taxpayer.
- ◆ Application Incomplete — Notifies taxpayer of an incomplete application; requests application return with indicated information.
- ◆ Deferral Approval — Notifies taxpayer of approval and forwarding of application to the Department.
- ◆ Deferral Denial — Notifies taxpayer of deferral denial.
- ◆ Exemption Renewal Approval — Notifies participant of receipt and approval of renewal.
- ◆ Renewal Incomplete — Notifies participant of incomplete renewal application; requests application return with indicated information.

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- ◆ Renewal Reminder — Sent in July to participants who did not renew prior to the May 31 report.
 - ◆ Removal – Change in Status — Advises participant of removal from exemption program due to change in status.
 - ◆ Removal — Advises participant of removal from exemption program due to not submitting a change of status form.
 - ◆ Removal — Advises participant of removal from exemption program due to change in income.
 - ◆ Request for Information — Informs taxpayer of exemption program qualifications.
 - ◆ Reduction of Exemption due to Change in Status — Advises participant of change in exemption level resulting from change in status. There are two versions; one is for change in income only.
 - ◆ Returned Mail and Address Change — Requests information on address change and verification of remaining eligibility for the exemption program.
 - ◆ Verification of Exemption — For taxpayers to provide exemption level information to mortgage company.
 - ◆ Trust Review — Explains trust qualifications for exemption program; requests copy of trust document and completion of Declaration of Trust.
 - ◆ Status Change Notice (Adapted from Pierce County) — Explains renewal obligation and includes change in status form as well as a calendar showing when to expect the renewal form. Requests return of change in status if income or eligibility has changed.

Why Best Practice: Forms and letters that are used to address specific issues ensure that information is requested uniformly, efficiently, and effectively. Forms and letters that address or request specific information avoid duplication of effort, request the correct information, and assure that resources are used efficiently. They also provide uniformity in the information request process. Forms and letters that are vague about the information requested can cause delays in the process and demand extra effort.

Subject Area:

Automation for a Small County

Contact person: Franklin County — Steve Marks (509) 545-3506

Best Practice: Franklin County has implemented the use of an efficient and effective canned software program to automate application processing at minimal cost.

Best Practice Defined: The Franklin County Assessor utilizes an off-the-shelf software program to process applications. The assessor customized the software for their specific needs and now has a database to house all exemption and deferral applicant information digitally.

How Used: The assessor was able to automate the applications by scanning the Department's forms into the software. Staff input applicant's information directly into the software database; information is stored for each taxpayer until it is overwritten with any corrections or additions. Staff is able to access the information for verification purposes and view the comment section.

The comment section documents the reason for removal or denial and identifies the primary residence, spouse contact information, or any other information.

Why Best Practice: The assessor is required to document and maintain descriptive statistics pertinent to the applicant's qualifications for these programs. Automation allows the assessor to meet these requirements in an efficient and cost-effective manner. The assessor is able to retrieve the applicant's file with the push of a button or the click of the mouse. Another benefit of the automation is the time saved while processing the application. The software enables the assessor to reduce the amount of paperwork and staff time involved in the application process. The assessor reduced application processing time from 20 minutes to between 5 and 7 minutes. The assessor realized direct savings in reduced mailings, copy machine supplies, and storage. The assessor estimates that resources saved annually, by implementing the software, are equivalent to one full-time employee.

Subject Area:

Automation for a Medium or Large County

Contact person: Yakima County — Jacob Tate (509) 574-1100

Best Practice: The Yakima County Assessor has developed an in-house customized software program for administering the exemption and deferral programs.

Best Practice Defined: The senior citizen and disabled person database developed by Yakima County allows the staff to compare the assessment database to the current income information to determine the correct level of exemption. It also allows the assessor to determine if an income-level change occurred that would require a tax record adjustment.

How Used: During the intake process, the applicant's income information is entered directly into the database. The database stores information from past years that can be compared with current information provided by the applicant. Staff is able to analyze past income information and detect discrepancies that otherwise might not have been noticed. The program determines the correct level of exemption based on income information. The relational database has a residence and ownership warning control. The system alerts staff to check residency and ownership when the applicant provides information that does not match the information already in the database. The assessor implemented a digitized signature process thereby eliminating the need to print the application.

Why Best Practice: The software allows the assessor to have the applicants' information readily available. This increased efficiency means they do not have to search their files for past paper applications to compare to current information. Another benefit of the automation is the time saved while processing the application. The assessor estimated that a full senior application can be updated within 3 to 5 minutes. Under a paper system, performing the same function required 10 to 15 minutes. With the new system, processing a new application takes them under 10 minutes, including three full years of income information, whereas it would have taken 25 to 30 minutes under the paper system. The digital signature technology enables the assessor to accomplish the goal of having a paperless program. The assessor realized direct savings in reduced mailings, copy machine supplies, and storage. Because of the real-time nature of this system, it has provided increases in efficiency and provides the taxpayers an effective and

uniform program. Automated exemption and deferral application software provides for an organized, efficient approach to completing and documenting applications.

Subject area:

Public Information

Contact person: Thurston County — Patricia Costello (360) 786-5410

Best Practice: The Thurston County Assessor has developed and implemented an award-winning public information delivery process.

Best Practice Defined: The Thurston County Assessor's Office, recipient of the IAAO's Public Information Program award for 2004, implemented a multi-phased approach to promote and provide property tax information, including the exemption and deferral programs, to taxpayers.

How Used: The assessor's marketing strategy includes:

- ◆ Posting flyers in retirement communities, local grocery stores, and public meeting places in various towns and communities within the county.
- ◆ Posting notices on the county's website.
- ◆ Having radio public service announcements and radio interviews.
- ◆ Posting announcements in local newspapers.
- ◆ Mailing postcards to property owners and groups deemed likely to benefit from a property tax exemption or deferral.
- ◆ Using customized program brochures and pamphlets that explain in layman's terms the "nuts and bolts" of the program and how property owners can qualify for property tax relief.
- ◆ Posting announcements on the reader-board of community public access television.

An important component of the assessor's community outreach strategy is the practice of expanded office hours, including Saturday openings during the annual renewal period. In addition, if taxpayers have questions regarding the exemption or deferral programs, the assessor accommodates them with scheduled after-hour community outreach meetings. These outreach opportunities are publicized by direct mail and on the county website.

Why Best Practice: The marketing strategies used by the assessor are valuable tools for disseminating information to taxpayers in the county. The assessor uses various means to reach the citizens who can benefit the most from this information. The use of the media, both printed and video, to market the program is an effective means of disseminating the information. The effective use of resources and the extra effort by the assessor to market the program provide the taxpayers access to information that otherwise would not be easily available to a certain segment of the senior community. The total marketing effort put forth by the assessor provides an excellent opportunity to demonstrate customer service and shows that the assessor is reaching out to inform the community.

Subject Area:

Marketing Outreach and Customer Service

Contact person: Snohomish County — Debbie Sondheim (425) 388-6531

Best Practice: Snohomish County has developed an effective marketing outreach to efficiently disseminate details and assist clients of the senior citizen and disabled person exemption and deferral programs.

Best Practice Defined: The assessor has implemented a process that informs taxpayers of tax relief opportunities available for senior citizens and disabled persons and provides customer service for stakeholders who may qualify for the exemption and deferral programs.

How Used: Snohomish County uses a variety of methods to keep the public aware of the exemption and deferral programs as well as periodic changes to the programs. These methods include informative advertising in several magazines (*Senior Source* and *Third Age*), press releases to local newspapers, volunteer/staff speakers at senior centers, and program details printed on tax document mailings. These activities along with a well-informed, responsive staff and effective office procedures constitute the best practice.

Why Best Practice: The assessor has implemented and established an outreach program that effectively targets the likely stakeholders. The outreach program delivers timely, pertinent information and provides efficient customer service. This is especially important for the exemption and deferral programs. The well-informed staff serves the needs of the taxpayer and improves administration of the programs.

Subject Area:

Qualifying Income Calculation

Contact person: Thurston County — Patricia Costello 360-786-5410

Best Practice: The Thurston County Assessor has developed an effective and efficient method of calculating income levels to determine the qualifying level of exemption.

Best Practice Defined: Calculating the qualifying income of applicants is a crucial element of the property tax exemption and deferral programs. The assessor's office developed a custom worksheet that is used when meeting with taxpayer applicants to determine their eligibility under the program.

How Used: The assessor has developed a worksheet to assist staff in the calculation of total gross income. This worksheet, called the Combined Annual Income Worksheet, is used for both new and annual renewal applications. It allows the assessor's staff to calculate total gross household income and document the sources of allowable deductions in a "one worksheet tells all" manner. In addition, because of the significance of certain qualifying expenses (such as non-reimbursed prescription drugs, insurance premiums for Medicare, non-reimbursed payments for home health care, and payments for nursing home care), the worksheet clearly shows how these expenses are to be deducted in calculating "total gross household income" for program eligibility purposes. Verification of household income is also facilitated by use of a checklist on the back

of Thurston County's Combined Annual Income Worksheet. This checklist references the various documents that are used in the current application. The assessor can also reference documents from the previous year's application. The checklist of source documents includes IRS forms such as form 1040 and Schedules B through F, Social Security Administration forms, retirement and pension source documents, disability documents from the Washington Department of Labor and Industries, and source documents identifying other income.

Why Best Practice: An applicant's income level is a key component in determining the level of exemption. The assessor has implemented a process to calculate applicant's income that is effective and efficient. The process is documented and accounts for all sources of income as well as addressing the qualifying expenses. This procedure assures that the program is administered uniformly and provides a systemic approach to income verification.