

P.O. Box 47471
Olympia, WA 98504-7471

Washington Department of Revenue Property Tax Division

2023 Skagit County Levy Audit A Summary Report



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Overview

Purpose

The primary purpose of this review by the Department of Revenue (Department) is to assist the Skagit 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 2023 tax year. To determine whether an error occurred, the Department compared the amount levied for the district with the lesser of the levy limit, the statutory rate limit, the amount authorized by each district's resolution, and the levy amount certified by the district.

Information Reviewed

The Department used the following information during the review:

- Resolutions/ordinances adopted by the districts.
- Levy certification from the county legislative authority (RCW 84.52.070).
- Tax roll certification to the county treasurer and abstract of the tax roll to the county auditor.
- Ballot measures.
- Levy limit worksheets.
- \$5.90 aggregate and 1 percent constitutional limits.

We do not review every taxing district's levy. We audited approximately 40 percent of the taxing districts. The scope of the audit did not include the review of earmarked funds.

Taxing Districts Selected

The Department reviewed the following taxing district levies:

- State School.
- City/Towns: Anacortes, Concrete, and Lyman.
- Fire Districts: 1, 4, 5, 7, 9, 14, and 17.
- Hospital Districts: 1 and 304.
- Library Districts: La Conner and Upper Skagit.
- School Districts: Sedro Woolley No. 101, Conway No. 317, La Conner No. 311, and Mount Vernon No. 320.
- Cemetery Districts: 2, 5, and 6.

Executive Summary

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 one requirement and one recommendation directed toward improving the accuracy of the levy process.

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

Executive Summary, continued

Requirement

1. 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.

The Assessor is required to calculate the statutory maximum rate limit for each regular levy. To do this for cities or towns annexed to a fire and or library district, the Assessor must deduct the actual rate levied by the fire and or library district from \$3.60. If the city or town has a fire fighters pension fund, an additional \$.225 is added to the previous calculation.

The Assessor is required to calculate the levy limitations based on the certified levy requests from the Skagit County Legislative Authority for most taxing districts within or coextensive with the county.

Recommendation

1. The Department recommends the Assessor update the letter certifying assessed values to the taxing districts.

Requirement 1 – Town of Lyman

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.

The Assessor is required to calculate the statutory maximum rate limit for each regular levy. To do this for cities or towns annexed to a fire and or library district, the Assessor must deduct the actual rate levied by the fire and or library district from \$3.60. If the city or town has a fire fighters pension fund, an additional \$.225 is added to the previous calculation.

The Assessor is required to calculate the levy limitations based on the certified levy requests from the Skagit County Legislative Authority for most taxing districts within or coextensive with the county.

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, any increase in the value of local tax increment finance areas, and refunds (RCW 84.55.120).

The regular ad valorem tax levies upon real and personal property by any city or town may not exceed three dollars and 37.5 cents per \$1,000 of assessed value (RCW 84.52.043).

When a city or town is annexed to a fire and or library district, the city or town's statutory maximum levy rate is \$3.60 per thousand dollars assessed value, less the actual levy rate of the fire and or library district for that particular year, plus an additional \$0.225 per thousand dollars assessed value if the city or town has a firefighters pension fund (RCW's 52.04.081, 41.16.060, and 27.12.390).

Most taxing districts are required to certify their budget or estimates of amounts to be raised by taxation to the county legislative authority on or before November 30 for levying property taxes (RCW 84.52.020).

The county legislative authority is required to certify to the county assessor the amount to be levied, for county purposes, on or before December 15. The county legislative authority is required to certify to the county assessor the amounts to be levied, for taxing district purposes, on or before the first Monday in December, for most taxing districts other than for county purposes.

If a levy amount is certified to the county assessor after the applicable deadline, the county assessor may use no more than the certified levy amount for the previous year for the taxing district. This does not apply to state levies or when the assessor has not certified assessed values as required by RCW 84.48.130 at least twelve working days before November 30th (RCW 84.52.070).

Requirement 1 – Town of Lyman, continued

What we found

The certification process for the 2023 tax year included the following:

Increase authorized by district:

The Assessor did not use the dollar and percentage of increase of \$471.90 and 1 percent authorized by Town of Lyman (TL), in Resolution No. 292 on December 13, 2022, to calculate the resolution limit for the 2023 tax year. The Assessor applied a zero dollar and percentage of increase applied to the previous year's levy amount.

Limit factor:

The Assessor applied an incorrect limit factor of 100% to the TL's highest lawful levy since 1985 instead of the correct 101 percent limit factor.

Statutory maximum rate limit:

The Assessor calculated the statutory maximum dollar amount for the TL using an incorrect statutory maximum levy rate of \$3.60. Since the town is not annexed to a fire or library district and does not have a fire fighters pension fund, the statutory maximum levy rate is \$3.375.

Certified levy request amount:

- The Assessor certified assessed value information to the taxing districts on November 2, 2022.
- The TL certified a 2023 tax year levy request amount of \$43,719 on December 14, 2022.
- The Assessor incorrectly advised the TL they could levy no more than the amount certified in the 2022 tax year roll, \$42,386, since they certified their 2023 tax year levy request amount after the November 30, 2022, deadline.
 - When the levy consequence from RCW 84.52.070(3) applies, the district is limited to levy no more than what was certified by the county legislative authority in the prior year, \$43,719, not the amount certified in the tax roll to the county treasurer.

Lesser of the limitations at the district level:

- The Assessor determined the lesser limitations was \$42,837.24, which represents their calculation of the prior year's actual levy \$42,386.16 plus an increase, of \$451.08, due to new construction.
- The actual lesser limitation is the 2022 tax year certified levy request, of \$42,818.00, by the Skagit County Legislative Authority.

The use of incorrect information resulted in an overlevy of \$19.24. See Appendix A for complete levy limit calculations.

Requirement 1 – Town of Lyman, continued

Action needed to meet requirement

The Assessor is required to take the following actions:

- Calculate the resolution limit using the dollar and percentage of increase authorized by the taxing district in their ordinance/resolution.
- Use a statutory maximum levy rate of \$3.375 for cities and towns that are not annexed to a fire and or library district and do not have a firefighters pension fund.
- Levy no more than the certified levy request amount from the previous year for a taxing district when the Skagit County Legislative Authority certifies the taxing district levy request amount after the applicable deadline. This does not apply when the county assessor has not certified assessed values at least twelve working days before November 30th.
- Correct the overlevy of \$19.24 for the TL. If the correction in the succeeding year will cause a hardship for either the taxing district or taxpayers, the district may request to correct the error on a proportional basis over a period of no more than three years.
- When calculating the TL levy limitations for the 2024 tax year, use the highest lawful levy amount and levy rate provided in Appendix A.
- Continue to educate the TL and the Skagit County Legislative Authority with regards to the levy certification process. When a taxing district certifies their levy request after the Skagit County Legislative Authority has certified levy amounts for each taxing district to the Assessor, the Skagit County Legislative Authority must certify the levy request amount to the Assessor in addition to their initial certification. Most taxing districts must have the county legislative authority certify their levy request amount to the county assessor to authorize them to levy for that year.

Why it's important

Accuracy in the levy certification process levy and calculation of the levy limitations ensures taxing districts do not levy more or less than their maximum levy amount and the taxpayers pay the correct amount of property tax allowable by law.

Recommendation 1 – Certification of assessed values to taxing districts

Recommendation

The Department recommends the Assessor update the letter certifying assessed values to the taxing districts.

What we found

The Assessor's letter certifying assessed values to the taxing districts includes incorrect information. In the paragraph that discusses RCW 84.52.02 the certification letter states, if levy certification is not received by the deadline we will only be able to levy the 2022 amount for your district with no increases.

- RCW 84.52.020 requires most taxing districts to certify their budget or budget estimate to the county legislative authority on or before November 30. There is no provision in RCW 84.52.020 that allows a taxing district to levy their previous year's levy amount when the deadline to certify the levy amount to the county legislative authority is not met.

The Assessor's letter also stated, if no resolution/ordinance is submitted with the timely budget request, per RCW 84.52.070(3) your district will only receive what you levied in 2022, plus any additional revenue from new construction, annexation and state assessed utility value. This statement reference's a taxing district's resolution/ordinance and budget request per RCW 84.52.070. This RCW does not pertain to a taxing district's ordinance/resolution.

- RCW 84.52.070 requires the county legislative authority to certify levy amounts for most taxing districts to the county assessor on or before December 15, and levy amounts for county purposes on or before the first Monday in December. This statute includes a provision that states, when the county legislative authority does not meet the applicable deadline and the county assessor certified assessed values to the taxing districts timely, the county assessor may use no more than the previous year's certified levy amount for the taxing districts. (See the Department's PTA 21.1.2021, for a detailed explanation of RCW 84.52.070.)
- RCW 84.55.120 requires taxing districts wishing to increase their property tax revenue to hold a public hearing and authorize a separate ordinance or resolution specifically stating the dollar and percentage of increase from the previous year's levy amount. This does not include increases due to new construction, construction of wind turbine, solar, biomass, and geothermal facilities, improvements, state assessed property, and refunds.

Recommendation 1 – Certification of assessed values to taxing districts, continued

Action recommended

The Department recommends the Assessor:

- Update the letter certifying assessed values to taxing districts based on the following information:
 - Per RCW 84.52.020, most taxing districts are required to certify a budget or an estimate of amounts to be raised by taxation to the county legislative authority on or before November 30 to levy for property taxes.
 - Per RCW 84.52.070, the county legislative authority must certify the levy amounts for most taxing districts to the county assessor on or before December 15, and levy amounts for county purposes on or before the first Monday in December.
 - When the county legislative authority does not meet the applicable deadline and the county assessor certified assessed values to the taxing districts timely, 12 business days before Nov. 30, the county assessor may use no more than the previous year's certified levy amount for the taxing districts. (PTA 21.1.2021)

Why it's important

Providing accurate information for the levy certification process assists taxing districts in understanding the laws that apply to the levying of property tax.

Next Steps

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 2024. This will give the Assessor an opportunity to implement the required changes, recommended changes, and to provide information to the Department about any issues they encountered during the implementation process.

Questions

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

For questions about specific requirements or recommendations in our report, please contact us at:

Washington State Department of Revenue
Property Tax Division
PO Box 47471
Olympia, WA 98504-7471
(360) 534-1400
dor.wa.gov

Appendix A

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

Levy Limit Calculation for District: Town of Lyman												
Assmt Taxes	Highest	Limit	Highest	State Assd	Tax Added	Annexed	Tax Added	Levy	Assd	Stat	<input type="checkbox"/> Annexed to Library?	
Year Due	Lawful Levy	Factor	Lawful plus	New Const	for	Value	for	Limit	Value	Rate	<input type="checkbox"/> Annexed to Fire?	
	Since 1985*		Increase		State Assd		Annex.			Max.	<input type="checkbox"/> Firemen's Pension?	
					New Const						<input type="checkbox"/> Lid Lift?	
2022	2023	42,844.93	101.00000%	43,273.38	586,100	451.08	0	0.00	43,724.46	66,898,237	3.375000000000	
Actual Levy:								Summary of Levy Limits:				
Assmt Taxes	Previous	Lesser of	Previous Yr's	Tax Added	Tax Added	Authorized	Refund	Certified	Limit Per	Levy Limit	Authorized	
Year Due	Year's	Resolution's \$ or %	Levy plus	for	for	Levy by Res.		Budget	Stat. Rate	Plus Refund	Levy By Res.	
	Levy		Increase	State Assd	Annex.				Maximum		Plus Refund	
				New Const								
2022	2023	42,386.16	1.000%	42,810.02	451.08	0.00	43,261.10	0.00	42,818.00	225,781.55	43,724.46	43,261.10
Assmt Taxes	Current Year's	Levy Correction	Total Levy	Actual	Actual Levy	Correct	Over/Under		New Highest	Levy Rate		
Year Due	Max Levy		w/ Correction	Amount	Rate	Levy Rate	Levy		Lawful Levy Since	Without Levy		
				Levied					1985	Error or Levy		
										Error Correction		
2021	2022				.76963189905							
2022	2023	42,818.00	0.00	42,818.00	42,837.24	.6403343633	.6400467623	19.24	43,724.46	0.640046762300		