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Washington Department of Revenue
Property Tax Division

**2014 Whatcom County Levy
Audit**
A Summary Report



September 2014

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Overview

Purpose

The primary purpose of a levy audit by the Department of Revenue (Department) is to assist the county assessor in successfully performing the duties associated with levying 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.

Method of Calculation

The Department calculated the levy limits and levy rate for several of the taxing district for the 2014 tax year. To determine whether an error occurred, the Department compared the amount levied for the district with 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

Below is the information that the Department reviewed for the 2014 tax year.

- Resolutions adopted by the districts
- Levy certificates (budgets)
- Administrative and adjudicated refunds
- Ballot measures
- Levy limit worksheets
- The State levy letter

We do not review every taxing district's levy. We audit approximately 40 percent of the taxing districts.

The scope of the audit did not include the review of earmarked funds.

Taxing Districts Selected

Below are the taxing districts that the Department reviewed for the 2014 tax year:

- Whatcom County General Fund and Road
 - Flood Control District
 - Cities: Blaine, Ferndale, Everson, and Nooksack
 - Fire Districts Nos. and EMS levies: 4, 7, 8, 14, 16, and 19
 - Point Roberts Public Hospital District
 - Point Roberts Park and Recreation District 1
 - Port of Bellingham
 - Cemetery districts: 2, 6, 8, and 9
 - School Districts: Sedro Wooley, Bellingham, Ferndale, and Meridian
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Executive Summary

Introduction

This report contains the results of the Department's audit of Whatcom County Assessor's (Assessor) levy calculations for the 2014 tax year.

The objectives of the audit are to assist the Assessor in the levy process, to ensure that taxing districts levy the correct amount of property tax revenues, and to ensure that limits have not been exceeded.

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, taxing districts, and the county legislative authority. A change is required to adhere to the law.
- For the items listed as "Recommendations," the Department believes the Assessor could improve their current process by making voluntary changes in procedure.

The Department based the requirement contained in this report 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 following items were discovered in the Department's audit:

- The Assessor is required to certify the completed tax roll to the treasurer on or before January 15. (RCW 84.52.080 (4))
- The regular levies were within the limitations governing property taxes.
- The excess levies were within the limitations governing property taxes.
- It is apparent that the Assessor takes great care in ensuring that the levy calculations are within the limits of the law.

The Department identified one requirement directed towards improving the accuracy of the levy process.

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Executive Summary, Continued

Requirements

1. The Assessor is required to certify the completed tax roll to the treasurer on or before January 15. (RCW 84.52.080 (4)) 7

Requirements

Introduction

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

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Tax Roll Certification

Requirement **The Assessor is required to certify the completed tax roll to the treasurer on or before January 15. (RCW 84.52.080 (4))**

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 receipt from the treasurer.

The tax roll prepared by the county assessor contains both real and personal property values, the amount of taxes levied, and the levy rates.

What we found The Assessor certified the tax roll to the Whatcom County Treasurer (Treasurer) on February 4, 2014, which was after the statutory due date.

Action needed to meet requirement The Department recommends the Assessor take the following actions:
Certify the completed tax roll to the Treasurer on or before January 15.

Why it's important State law gives dates by which the assessor is expected to complete different tasks. If missed, by a substantial amount of time, it adversely affects the property tax process and the other departments and entities that rely on the assessor's work.

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 follow up February 2015 to review the corrections made. This will give the Assessor an opportunity to make and document the corrections and to provide information to the Department about any issues they encountered during the implementation process.

Questions

For questions about specific requirements in our report, please contact the contributing staff members listed below:

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Appendix – General Information

Introduction General information is provided to assist all assessors and taxing districts.

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Regular Levy Limitations

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 that can be levied by a taxing district, other than the state, 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 component calculated by multiplying the increase in assessed value of the district from the previous year attributable to new construction, improvements to property, wind turbines and any increase in the assessed value of state assessed property, by the actual regular property tax levy rate of that district for the preceding year, or the last year the taxing district levied taxes.

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

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	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

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Regular Levy Limitations, Continued

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 Operation 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) and in the levy manual, chapter 3.

Reference:

- RCW 84.52.043
 - *Property Tax Levy Operation Manual*,
http://dor.wa.gov/Docs/Pubs/Prop_Tax/LevyManual.doc, (chapter 3)
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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).

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, the district cannot levy more than it received in the previous year, other than the amount resulting from new construction, improvements to property, newly constructed wind turbines, and 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
 - <http://dor.wa.gov/docs/forms/PropTx/Forms/OrdinanceResolution>
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Regular Levy Limitations, Continued

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:* this 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 county 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
 - <http://dor.wa.gov/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 to be prorated, in the 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 purposes

Reference:

- RCW 84.52.043
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Continued on next page

Regular Levy Limitations, Continued

**1 Percent
Constitution 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 PUD 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
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Refunds

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: When adding a refund to the levy, the statutory rate limit cannot be exceeded.

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)
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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.
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Excess Levies This table lists types of excess levies:

Type of Levy	Taxing District	Duration
Bond	Most districts	Long term debt, usually 15 – 20 years
Maintenance & Operation (M&O)	School and Fire Districts	2 – 4 years
General	Most districts except school and fire districts	1 year
Technology	School	2 – 6 years
Transportation 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
 - DOR Publication: [Ballot Measure Requirements for Voted Levies](#)
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Timber Assessed Value (TAV)

What is Timber Assessed Value

Timber assessed value is used both to determine 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 was 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

Once these calculations have been made, 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 should 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 budget but no resolution	the district's levy is the lesser of the following: <ol style="list-style-type: none"> 1. Previous year's levy <i>plus</i> any increase resulting from new construction, improvements to property, newly constructed wind turbines, and the value of state-assessed property, 2. Current year's certified budget, 3. Levy limit (zero percent increase), 4. Statutory maximum amount.
a resolution, but no budget or levy certificate	the assessor does not have the statutory authority to levy on behalf of the taxing district.
a certified budget and resolution	the districts levy is the lesser of the following: <ol style="list-style-type: none"> 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, newly constructed wind turbines, and the value of state-assessed property values, 2. Current year's certified budget, 3. Levy limit (up to 1 percent depending on the population of the district), 4. Statutory maximum amount.
neither a certified budget nor a resolution	the assessor does not have the statutory authority to levy on behalf of a taxing district.