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Washington Department of Revenue Property Tax Division

2016 Garfield County Levy Audit A Summary Report



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Overview

Introduction

This report contains the results of the Department of Revenue's (Department) audit of Garfield County Assessor's (Assessor) levy calculations for the 2016 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 are not exceeded.

Purpose

The primary purpose of a levy audit by the 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's for the 2016 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

The Department reviewed the following information for the 2016 tax year.

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

We do not review every taxing district's levy. We audited approximately 70 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 districts for the 2016 tax year.

- County General and Road
- City of Pomeroy
- Fire District No. 1
- Garfield County Hospital District
- Garfield County Port
- Pomeroy School District No. 110

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.
- The second category, *Recommendations*, the department believes the assessor could improve their current process by making voluntary changes in procedure.

The Department based the requirements and recommendations 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 Department identified two requirements and two recommendations directed toward improving the accuracy of the levy process.

The items identified may be specific to the assessor's duties, the taxing district duties, county legislative authority duties, or they may have shared components of responsibility. We have listed a summary of these items in the requirements and recommendation sections.

Requirements

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

This section contains the following requirement topics:

Topic	See Page
Tax Roll Certification	6
Budget and Levy Certifications	7

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)

What the law says

Upon completion of the extension of the tax roll, it is the duty of the Assessor to include a certification of the tax roll that includes a date and a certification as well as the levy rates and tax amounts.

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. The assessor must also supply the county auditor with an abstract of the tax roll showing the total amount of collection for each taxing district.

What we found

The Assessor did provide levy rates and the extension of taxes to the Garfield County Treasurer (Treasurer), however, the document did not contain a certification, date, or signature of receipt from the Treasurer.

Action needed to meet requirement

The Assessor must take the following actions:

- Certify the completed tax roll to the Treasurer on or before January 15. The certification should include the language specified in the statute:

I,, assessor of county, state of Washington, do hereby certify that the foregoing is a correct list of taxes levied on the real and personal property in the county of for the year two thousand

Witness my hand this day of, 20., County Assessor

Why it's important

State law directs the county assessor to formally certify the tax roll to the county treasurer. The use of this format enhances the transparency of levying property tax.

Budget and Levy Certifications

Requirement

Most taxing districts that intend to levy a property tax are required to certify an amount to levy to the county legislative authority. (RCW 84.52.020)

The county legislative authority is required to certify to the assessor the amount to be levied for each of the taxing districts coextensive with their county. (RCW 84.52.070)

What the law says

RCW 84.52.020 requires most taxing districts to certify a budget or a budget estimate to the county legislative authority on or before November 30 for levying property taxes.

RCW 84.52.070 requires that the county legislative authority 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.

What we found

The Assessor received a copy of each districts' budget request from the individual taxing districts.

The county legislative authority did not certify the amounts levied by the boards of each taxing district within Garfield County to the Assessor.

Action needed to meet requirement

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 requests 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 statute requirements.

Why it's important

To enhance the transparency in the governmental process of levying property tax.

Recommendations

For the items listed as “Recommendations,” the Department believes the Assessor, taxing district, and/or county legislative authority could improve by making voluntary changes in procedure.

This section contains the following topics:

Topic	See Page
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Highest Lawful Levy Worksheets

Recommendation

The Assessor should use the Department's most current highest lawful levy form (REV 64 0007) for the calculation of levy limits and rates.

What we found

The Assessor is using an outdated highest lawful levy worksheet form, revised as of December 23, 2009. The current version of the highest lawful levy worksheet was revised September 11, 2015.

Action recommended

Use the most current version of the highest lawful levy form, available on the Department's website. (dor.wa.gov) (REV 64 0007, 9/11/15)

The current form includes the ability to enter the dollar amount increase and percentage increase as shown on the taxing district's resolution form. If these two values do not balance with each other, the lesser of the values will be carried forward throughout the levy calculations.

Why it's important

Using the most updated highest lawful levy form increases accuracy within the levy rate calculations.

Fire District No. 1 Taxable Value

Recommendation

Fire District No. 1 and Garfield County Hospital share the same boundaries, but may not share the same taxable value. The Assessor should determine whether there are any wholly unimproved parcels within the Fire District No. 1 boundaries and remove those parcels from the Fire District No. 1 taxable value for the levy calculation of that taxing district.

What we found

Fire District No. 1's taxable value is identical to the Garfield County Hospital District for the 2015 assessment year. Even though these two taxing districts share the same boundaries, RCW 52.16.170(1) excludes wholly unimproved property from the fire district's regular levy. Since the two districts have the same taxable value for the 2015 assessment year it raises the question, are wholly unimproved parcels included in the taxable value used for calculation of the levy rate for the Garfield Fire District No. 1.

RCW 52.16.170 (1) states:

(1) If the lands are wholly unimproved, they shall be subject to forest protection assessments but not to fire protection district levies;

RCW 76.04.005(23) defines unimproved lands;

(23) "Unimproved lands" means those lands that will support grass, brush and tree growth, or other flammable material when such lands are not cleared or cultivated and, in the opinion of the department, are a fire menace to life and property.

As part of the 2012 Garfield County Levy Audit, the Department recommended that the Assessor determine if there are any wholly unimproved parcels within Fire District No. 1 and remove any taxable value derived from those parcels for the calculation of the regular levy rate for the fire district. In response to the audit recommendation, the Assessor stated that Fire District No. 1 responds to all fire calls within their boundaries.

Since the fire district's taxable value remains the same as the hospital district's it could mean two things, there are no wholly unimproved property within the fire district or the Assessor did not follow the Department's recommendation in the 2012 audit.

Garfield County does not have any individual property characteristics or geographic mapping information available online for the Department to recommend the Assessor review specific property that may be wholly unimproved. We searched Century 21 Realty's website for unimproved property and located MLS Listing No. 125972, 125973, and 125974 (section 34, township 10, and range 42). The photos of the property appear to meet the definition of unimproved property. This further raises the question whether or not Fire District No. 1 has any wholly unimproved parcel in their district or not.

Fire District No. 1 Taxable Value, continued

Action recommended

The Department recommends the Assessor remove any wholly unimproved parcels from the Fire District No. 1 tax base for the regular levy calculations.

A levy correction is required if the wholly unimproved parcels were included in the base for the regular levy calculations.

Why it's important

All taxpayers within a taxing district will pay an incorrect tax amount if the taxable assessed value is not accurate. Currently, some taxpayers may be paying taxes to the district in error.

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 in 2017 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 or recommendations in our report, please contact the contributing staff member listed below:

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Appendix – General Information

Introduction

General information provided to assist all assessors and taxing districts.

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This section contains the following topics:

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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 a taxing district can levy, 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 compensation calculated by multiplying 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, and
 4. any increase in 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

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 Levies Operation Manual,
http://dor.wa.gov/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).

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 the following:

1. New Construction,
2. Improvements to property,
3. Wind turbines,
4. Solar, biomass, and geothermal facilities (if the facilities generate electricity), and
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
- <http://dor.wa.gov/docs/forms/PropTx/Forms/OrdinanceResolution.doc>

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 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 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 purposes

Reference:

- RCW 84.52.043

Regular Levy Limitations, continued

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 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

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: 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
- <http://dor.wa.gov/content/GetAFormOrPublication/PublicationBySubject/PropertyTax/BallotMeasures/>

Timber Assessed Value (TAV)

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 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 excel 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 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, 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 district’s 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, wind turbines, solar, biomass, and geothermal facilities, if the facilities generate electricity, and the increased value of state-assessed property, 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.