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Washington Department of Revenue Property Tax Division

2019 Lewis 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 Lewis 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 2019 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:

- City/Towns: Centralia, Morton, Napavine, Toledo, and Winlock
- Fire Districts: No. 2, No. 4, No. 6, No. 8, No. 10, No. 13, and Riverside Fire Authority
- Hospital District: No. 1
- Cemetery Districts: No. 1, No. 3, No. 5, and No. 7
- Library District: Timberland Regional Library
- School Districts: No. 14, No. 206, No. 226, and No. 234
- Port Districts: Centralia and Chehalis
- State School Levies Part 1 and Part 2

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 four requirements and two recommendations directed toward improving the accuracy of the levy process.

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

Executive Summary, continued

Requirements

1. The Assessor is required to levy property taxes that have been properly certified to the Assessor. There is a levy consequence when certain criteria is met that would limit the amount of property tax the Assessor can levy. This consequence does not prevent the Assessor from levying any funds on behalf of the district, when the certification is made after November 30.
2. Assessors are required to correct levy errors when the error has caused all taxpayers within a taxing district to pay an incorrect amount of property tax. The error can be corrected on a proportional basis, over a period of no more than three years preceding the year in which the error is discovered.
3. Assessors are required to recalculate a district's levy rate when a levy error or levy error correction has occurred. That corrected rate is used in the following year's levy limit calculations when determining the district's new levy limitation.
4. The Assessor is required to certify the completed tax roll to the Lewis County Treasurer (Treasurer) on or before January 15 and take a receipt from the Treasurer. 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.
5. The county legislative authority is required to certify to the Assessor the amount to be levied for most taxing districts within or coextensive with the county on or before November 30.

Recommendations

1. The Department recommends the Assessor include levy error correction amounts in their levy limit calculations, even if the limitations will not allow the correction to be made due to a limitation.
2. The Department recommends not overriding the numbers that auto-calculate on the Highest Lawful Levy (HLL) calculation worksheet.

Requirements

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

This section contains the requirements we identified.

Property Tax Levy Documentation Cover Letter

Requirement

The Assessor is required to levy property taxes that have been properly certified to the Assessor. There is a levy consequence when certain criteria is met that would limit the amount of property tax the Assessor can levy. This consequence does not prevent the Assessor from levying any funds on behalf of the district, when the certification is made after November 30.

What the law says

Most taxing districts are required to submit their certified budget requests or budget estimates to the county legislative authority clerk no later than November 30. The board of directors of port districts may file their certified levy request with the clerk of the county legislative authority on the first Monday in December.

It is the duty of the county legislative authority to certify to the county assessor the amount of taxes levied upon the property within the county by the county legislative authority for each taxing district by November 30.

If the levy amount is certified to the county assessor after the 30th day of November and the county assessor has certified both the current assessment year's locally and state assessed valuations at least 12 business days before November 30, the county assessor is restricted from levying in excess of the taxing district's previous year's certified levy amount. (RCW 84.52.020, 84.52.070)

What we found

The Assessor provides preliminary levy information to the taxing districts to assist them through the levy process. The information is helpful for the taxing district to complete their levy request process. The cover letter provides dates in which the taxing district must provide their property tax levy request information to the Lewis County Legislative Authority and Assessor, but the cover letter contains incorrect or unclear statements, such as:

- “Should a district's Levy Certification not be received by the Lewis County BOCC by that date, the Assessor will not have authority to levy for the district.” (The referenced received date is after November 30). There is a levy consequence limiting the district's levy to their prior year's certified levy request, when the county legislative authority certifies the levy information to the Assessor after November 30 *and* the Assessor has certified the current year's locally and state assessed values to the districts at least 12 business days before November 30. There are no consequences preventing the Assessor from levying *any* taxes for the district when the certification is made after November 30.
- “Levy Certifications (Budgets) are due to the County Legislative Authority, the Lewis County Board of County Commissioners (BOCC), no later than November 30, 2018, per RCW 84. 52.020.” This statement is correct for most taxing districts, but not all taxing districts, such as port districts.
- “If you wish to receive Administrative Refunds stated in the refund letter you will receive from Lewis County Treasurer's Office, please complete, sign, and return it with the other documentation to the Lewis County Assessor's Office. Please note, it is also required that the Levy Certification includes the Refund Levy amount that you wish to collect; this information belongs in the corresponding line on the Levy Certification.” It is unclear if the Assessor will levy for the refunds if the taxing district does not

return the letter from the county treasurer. The Assessor correctly stated the refund levy request must be included in the taxing district's certified levy request. While reviewing the supporting documentation, it was discovered the City of Morton returned the letter selecting the option to levy for a refund in the amount of \$1,044.94. This request was not included in their budget certification to the county legislative authority and the Assessor correctly did not include the refund levy amount in her levy limit calculations. This is an example of requiring the return of this letter as it conflicts with the districts levy certification document.

The Department did not find any levies incorrectly limited to their prior year's certified levy request.

Action needed to meet requirement

The Assessor is required to take the following action(s) if she continues to provide the cover letter with the preliminary levy information:

- Remove the statement, "Should a district's Levy Certification not be received by the Lewis County BOCC by that date, the Assessor will not have authority to levy for the district." as this incorrect. The Assessor may wish to replace this statement regarding her ability to levy more than the district's previous year's certified levy amount if certification of levy requests from the county legislative authority is made after November 30 and if she has certified both the locally and state assessed values to the taxing districts at least 12 business days before November 30.
- Update the language regarding a taxing district's deadline to certify their levy request to the county legislative authority as not all taxing districts are required to certify their levy requests or estimated levy request to the county legislative on or before November 30.
- Remove the language requiring the district sign and return the refund letter from the Lewis County Treasurer. The inclusion of the refund levy amount in the district's certified levy request meets the statutory requirements for the levy to be made.

Why it's important

State law directs the taxing districts, including the county legislative authority, and county assessors to complete different tasks by an appropriate date. Communicating the correct dates and consequences if the task is not completed timely, is crucial to ensure the correct amount of property taxes are levied.

City of Winlock

Requirement

Assessors are required to correct levy errors when the error has caused all taxpayers within a taxing district to pay an incorrect amount of property tax. The error can be corrected on a proportional basis, over a period of no more than three years preceding the year in which the error is discovered.

Assessors are required to recalculate a district's levy rate when a levy error or levy error correction has occurred. That corrected rate is used in the following year's levy limit calculations when determining the district's new levy limitation.

What the law says

If an error has occurred in the levy of property taxes that has caused all taxpayers within a taxing district, other than the state, to pay an incorrect amount of property tax, the assessor shall correct the error by making an appropriate adjustment to the levy for that taxing district in the succeeding year. The adjustment shall be made without including any interest. If the governing authority of the taxing district determines that the amount of the adjustment in the succeeding year is so large as to cause a hardship for the taxing district or the taxpayers within the district, the adjustment may be made on a proportional basis over a period of not more than three consecutive years. (RCW 84.52.085)

What we found

2015 levy for 2016 tax year:

Following the certification of the 2016 tax year roll, the Assessor discovered they applied an incorrect statutory maximum rate to the City of Winlock's regular levy resulting in an overlevy. The correct statutory maximum rate is \$2.208376876040 per \$1,000 assessed value rather than the certified statutory maximum levy rate of \$2.414975907289 per \$1,000 assessed value.

City's Statutory Maximum Base Rate	\$3.600000000000
Less Fire District 15's 2016 Tax Year Certified Levy Rate	\$0.982155123960
Less Timberland Regional Library District's 2016 Tax Year Certified Levy Rate	\$0.409468000000
City of Winlock's 2016 Tax Year Statutory Maximum Rate	\$2.208376876040

In addition to calculating the district's statutory maximum rate and amount incorrectly, it appears the formula carrying forward the statutory maximum rate amount to the final steps of the levy limit review in the Department's levy limit worksheet, REV 64 0007e(x) (7/9/14), was overwritten and the actual amount levied of \$162,828.36 was carried forward as the district's statutory maximum rate limit instead of the levy limit of \$162,861.96. The sum of these errors resulted in an overlevy of \$13,899.09.

Assessor's Certified Levy Calculations						
District's Taxable Value	X	Statutory Maximum Levy Rate Per \$1,000 Taxable Value	=	Levy Limit	Actual Amount Levied	Certified Levy Rate
\$67,438,338		\$2.414975907289		\$162,861.96	\$162,828.36	\$2.414477652163
Assessor's Corrected Levy Calculations						
District's Taxable Value	X	Statutory Maximum Levy Rate Per \$1,000 Taxable Value	=	Levy Limit	Actual Amount Levied	Overlevy Amount
\$67,438,338		\$2.20837687604		\$148,929.27	\$162,828.36	\$13,899.09

The Assessor notified the City of Winlock of the error on November 8, 2016. The City of Winlock responded and requested the error be correct over a three-year period. This results in a levy error correction of \$4,633.03 for the 2017, 2018, and 2019 tax years.

2016 levy for 2017 tax year:

The Assessor implemented the first of three levy error corrections in the amount of \$4,633.03. The Assessor increased the district's levy limit due to increases for new construction, construction of wind turbine, solar, biomass, and geothermal facilities, improvements to property and state assessed utility property using the 2016 tax year certified levy rate of \$2.414477652163, which included a levy error. The correct rate that should have been used is \$2.208374786040. Since the lesser of all the levy limitations is the district's certified budget request, using the incorrect rate did not result in a levy error.

2017 levy for 2018 tax year:

The Assessor contacted the district in a letter dated January 19, 2018, to notify them of an additional levy error from the 2016 tax year levy calculations. She notes a clerical error occurred resulting in a revised overlevy error in the amount of \$14,541.40 for the 2016 tax year.

The Assessor recalculated the 2015 levy for 2016 tax year levy limitations using a taxable value of \$67,220,648 instead of \$67,438,338. The Assessor applied the corrected taxable value to a statutory maximum rate of \$2.205973330412. It is unclear to the Department why the Assessor did not use the previously corrected 2016 tax year statutory maximum rate, \$2.208376876040. The Assessor did not provide any supporting data indicating the 2016 tax year certified levy rates for the Timberland Regional Library and/or Fire District No. 15, that are annexed to the City of Winlock, were discovered to be in error after the 2016 tax year levy information was certified. The Assessor should have used the levy rate of \$2.208376876040.

The Department also notes that the 2018 tax year levy calculations for Cemetery District No. 1, which is part of this audit and includes territory within the City of Winlock, does not reference a levy error correction stemming from the 2016 tax year. This leads the Department to believe the taxable value error only occurred to the City of Winlock and not any other taxing districts offering services to properties located within the City of Winlock.

Using the district's corrected taxable value of \$67,220,648 and previously corrected statutory maximum levy rate, \$2.208376876040, the district's statutory maximum levy amount is \$148,448.52 for the 2016 tax year. This is also the district's lesser levy limitations for the 2016 tax year. The use of the incorrect taxable value and statutory maximum levy rate results in an additional 2016 tax year overlevy error of \$480.75.

Department's Corrected Levy Calculations						
District's Corrected Taxable Value	X	Statutory Maximum Levy Rate Per \$1,000 Taxable Value	=	Corrected Levy Limit	Previously Correct Levy Limit	Additional Overlevy Amount
\$67,220,648		\$2.208376876040		\$148,448.52	\$148,929.27	\$480.75

Rather than treating this additional 2016 tax year levy error as a newly discovered levy error, the Assessor added the additional levy error to the original levy error and then proportioned that amount into two additional levy error corrections, one for the 2018 tax year and the final correction for the 2019 tax year, as noted in her letter to the district dated January 19, 2018.

The Assessor should have treated this additional levy error correction as a separate correction. Since this error was not discovered until January 2018, the district has the option of implementing the correction over a period not to exceed three years from the year the error was discovered. Since the additional error was discovered in 2018, prior to certifying the 2018 tax year levy rates, the additional correction could have been implemented during the 2018, 2019 and 2020 tax years.

The Assessor did not provide any documentation from the district stating how they wanted to proceed with the second 2016 tax year levy error correction.

The Assessor implemented a levy error correction in the amount of \$4,954.19, labeling this as the second of three corrections. If the district directed the Assessor to implement the second, additional, levy error correction over a two-year period, as calculated in her letter dated January 19, 2018, the total correction should have been \$4,873.40, one third of the first error, \$4,633.03, plus one half of the second error, \$240.37.

2018 levy for 2019 tax year:

The Assessor implemented a \$4,954.18 levy correction, labeling the correction as the third of three corrections. This third correction results in an underlevy for the City of Winlock in the amount of \$161.56, due to the use of an incorrect statutory maximum rate limit when the Assessor corrected her second levy error for the 2016 tax year.

Action needed to meet requirement

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

- Calculate the statutory maximum rate each year for the cities/towns annexed to a fire and/or a library district by beginning with the \$3.60 statutory maximum and deducting the actual rate levied by the fire and/or library district, and adding an additional \$0.225 per thousand dollars assessed value if the city or town has a firefighter's pension.

Why it's important

Accuracy in calculating the levy limits that include annexations and the statutory maximum levy rate ensures the city is levying and taxpayers are paying the correct amount of property tax.

Tax Roll Certification

Requirement

The Assessor is required to certify the completed tax roll to the Lewis County Treasurer (Treasurer) on or before January 15 and take a receipt from the Treasurer. 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 84.52.080)

What we found

The Assessor provided the 2019 tax roll certification to the Department. This certification does not include the statutorily required language, as stated in RCW 84.52.080. The certification also did not include a receipt from the Treasurer.

The Lewis County Auditor (Auditor) signed the Assessor's certification letter on January 15, 2019. It is unclear if the Assessor provided an abstract of the tax roll to the Auditor.

Action needed to meet requirement

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

- Certify the completed tax rolls to the Lewis County Treasurer on or before January 15, taking a receipt from the Treasurer. The certification must include the levy rate, total tax, and the certification 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*

The Assessor could show receipt from the Treasurer by having the Treasurer sign and date the certification.

- The Assessor must provide an abstract of the tax roll to the Auditor at the same time she certifies the tax roll to the Treasurer.

Why it's important

State law requires specific language be used when certifying the rolls to the treasurer. Providing the Auditor with the abstract shows transparency.

Certification of Levies to Assessor

Requirement

The county legislative authority is required to certify to the Assessor the amount to be levied for most taxing districts within or coextensive with the county on or before November 30.

What the law says

It is the duty of the assessor of each county, after receiving the certificate of assessed value for state assessed property from the Department, to apportion and apply that value to the county tax roll. When the tax roll is complete, it is the assessor's duty to certify the total assessed value of property in the county as shown by the completed tax rolls to the officers authorized by law to estimate expenditures and/or levy taxes for each taxing district in the county the total assessed value of the property in such taxing district. (RCW 84.48.130)

Most taxing districts are required to certify a budget or budget estimate 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 the amount to be levied for most of the taxing districts, including the county, to the county assessor on or before November 30 of each year as not all taxing districts have statutory authority to make a property tax levy. For example, the county legislative authority must make the property tax levy against real and personal property for general taxes for fire districts. (RCW 84.52.070) (RCW 84.16.040)

If a levy amount is certified to the county assessor after the thirtieth day of November, the county assessor may use no more than the county legislative authority's certified levy amount for the previous year for the taxing district. This levy consequence 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 30. (RCW 84.52.070(3))

What we found

The Assessor did not provide a written certification of levies from the Lewis County Board of County Commissioners (BOCC) to the Department for the levy audit.

The Assessor did not certify 2018 assessed values to the taxing districts prior to certifying as required in RCW 84.48.130.

In the letter dated August 14, 2019, the BOCC state they use a "practical certification process." The clerk of the BOCC and the Assessor compiled binders of the levy requests and then reviewed the binder on November 30 to ensure both the BOCC and Assessor have the same information. The BOCC also provided their "wrap up meeting minutes" from December 17, 2018, in which Eric Eisenberg, Chief Civil Deputy Prosecuting Attorney, referenced this process.

The Department requested written documentation delegating the certification requirement to the clerk of the BOCC. The BOCC provided the Department with resolution 16-274, in which their current clerk was appointed to the position. This document did not transfer the certification duties of the BOCC to the clerk.

Action needed to meet requirement

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

- To obtain a written certification of levies from the BOCC before certifying the tax roll.
- To continue educating the BOCC on the certification of levies process.
- If the districts continue to provide their levy requests directly to the Assessor, the Assessor could provide the BOCC a written document with the levy request data and have the BOCC certify this document back to the Assessor.

Why it's important

Not all taxing districts have the authority to levy property taxes on their own behalf. The written certification of levies from the BOCC authorizes the levies to be made for the districts.

Recommendations

For the items listed as “Recommendations,” the Department believes the Assessor could improve by making voluntary changes in procedure.

This section contains the recommendations we identified.

Riverside Fire Authority

Recommendation

The Department recommends the Assessor include levy error correction amounts in their levy limit calculations, even if the limitations will not allow the correction to be made due to a limitation.

What we found

The Assessor did not include the third and final levy error correction in the Riverside Fire Authority's 2019 tax year levy limit calculations. Although this did not lead to an over/under levy amount, it was difficult to follow which tax years the levy error correction had been implemented.

Action recommended

The Department recommends the Assessor:

- Include all levy error corrections in the levy limit calculations.

Why it's important

To provide transparency of property taxation to the taxpayers within a taxing district.

City of Centralia

Recommendation

The Department recommends not overriding the numbers that auto-calculate on the Highest Lawful Levy (HLL) calculation worksheet.

What we found

The Assessor overrode the Highest Lawful Levy for the City of Centralia 2017 levy year/2018 tax year worksheet. The greater of the levy limit and the statutory maximum rate limit for this tax year is \$2,170,172.58. The Assessor overrode this limitation and inserted \$2,141,819.98. This amount represents the district's highest lawful levy since 1986, not the highest lawful levy for the 2018 tax year.

This did not result in an over/under levy amount.

Action recommended

The Department recommends the Assessor:

- Not override the calculations on the worksheet unless it is well documented.
- Make note of any changes on the HLL worksheet to explain why the change was made.

Why it's important

To provide transparency of property taxation within a taxing district.

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 February 2021. 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
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Olympia, WA 98504-7471
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Appendix – General Information

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

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

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, chapter 3
- https://dor.wa.gov/sites/default/files/legacy/Docs/Pubs/Prop_Tax/LevyManual.pdf

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

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.

References and forms:

- RCW 84.55.120
- <https://dor.wa.gov/legacy/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.

The county legislative authority must certify the amount to levy or budget estimates 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 and forms:

- 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 levies)
- Port districts
- Public utility districts
- Conservation futures
- Criminal justice
- Emergency medical services
- Affordable housing
- County ferry districts
- County transit
- Regional transit authority

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 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

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
- Only school district enrichment levies are 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
Enrichment	Schools	2-4 years
Maintenance & Operational (M&O)	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)

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 standing timber were taxable as real property for all excess levy calculations.

Components of TAV

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

- Composite tax rate
- County Timber Assessed Value (TAV)
- Total County 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 Enrichment	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"> 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 levy request. 3. Levy limit (with a 100% limit factor). 4. Statutory maximum amount.
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"> 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 levy request. 3. Levy limit (with a limit factor up to 101% depending on the district's population). 4. Statutory maximum amount.
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.1

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

Levy Limit Calculation for District: Winlock 2016												
Assmt Taxes	Highest	Limit	Highest	State Assd	Tax Added	Annexed	Tax Added	Levy	Assd	Stat	<input checked="" type="checkbox"/>	Annexed to Library?
Year Due	Lawful Levy	Factor	Lawful plus	New Const	for	Value	for	Limit	Value	Rate	<input checked="" 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?
2015 2016	166,204.63	1.00000%	167,866.68	745,493	1,800.35	0	0.00	169,667.03	67,220,648	2.208376876040		
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								
2015 2016	163,482.69	0.000%	163,482.69	1,800.35	0.00	165,283.04	1,046.83	162,828.36	148,448.52	170,713.86	166,329.87	
Assmt Taxes	Current Year's	Levy Correction	Total Levy	Actual	Actual Levy	Correct	Over/Under					
Year Due	Max Levy		w/ Correction	Amount	Rate	Levy Rate	Levy					
				Levied								
2014 2015					2.414975907289							
2015 2016	148,448.52	\$0.00	148,448.52	162,828.36	2.414477652163	2.208376807078	14,379.84					

Appendix A.2

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

Levy Limit Calculation for District: Winlock 2017												
Assmt Taxes	Highest	Limit	Highest	State Assd	Tax Added	Annexed	Tax Added	Levy	Assd	Stat	<input checked="" type="checkbox"/>	Annexed to Library?
Year Due	Lawful Levy	Factor	Lawful plus	New Const	for	Value	for	Limit	Value	Rate	<input checked="" 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?
2016 2017	166,204.63	1.00000%	167,866.68	318,430	703.21	0	0.00	168,569.89	71,081,852	2.251137599549		
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								
2016 2017	162,828.36	0.000%	162,828.36	703.21	0.00	163,531.57	1,488.17	142,634.14	160,015.03	170,058.06	165,019.74	
Assmt Taxes	Current Year's	Levy Correction	Total Levy	Actual	Actual Levy	Correct	Over/Under					
Year Due	Max Levy		w/ Correction	Amount	Rate	Levy Rate	Levy					
				Levied								
2015 2016					2.20837687604							
2016 2017	142,634.14		142,634.14	138,001.00	2.00662	2.006618229361	(4,633.14)					

Appendix A.3

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

Levy Limit Calculation for District: Winlock 2018												
Assmt Taxes	Highest	Limit	Highest	State Assd	Tax Added	Annexed	Tax Added	Levy	Assd	Stat	<input checked="" type="checkbox"/>	Annexed to Library?
Year Due	Lawful Levy	Factor	Lawful plus	New Const	for	Value	for	Limit	Value	Rate	<input checked="" 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?
2017 2018	166,205.00	1.00000%	167,867.05	1,789,049	3,589.94	0	0.00	171,456.99	76,270,430	2.310137760030		
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								
2017 2018	138,001.11	0.000%	138,001.11	3,589.94	0.00	141,591.05	0.00	141,146.00	176,195.20	171,456.99	141,591.05	
Assmt Taxes	Current Year's	Levy Correction	Total Levy	Actual	Actual Levy	Correct	Over/Under					
Year Due	Max Levy		w/ Correction	Amount	Rate	Levy Rate	Levy					
				Levied								
2016 2017					2.006618229362							
2017 2018	141,146.00		141,146.00	136,191.81	1.78564366295	1.85059924272	(4,954.19)					

Appendix A.4

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

Levy Limit Calculation for District: Winlock 2019											
Assmt Taxes	Highest	Limit	Highest	State Assd	Tax Added	Annexed	Tax Added	Levy	Assd	Stat	<input checked="" type="checkbox"/> Annexed to Library?
Year Due	Lawful Levy	Factor	Lawful plus	New Const	for	Value	for	Limit	Value	Rate	<input checked="" 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?
2018 2019	171,456.62	1.00000%	173,171.19	2,226,538	4,120.43	0	0.00	177,291.62	84,767,450	2.387495676475	
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							
2018 2019	136,191.81	21.350%	165,268.76	4,120.43	0.00	169,389.19	564.52	176,735.71	202,381.92	177,856.14	169,953.71
Assmt Taxes	Current Year's	Levy Correction	Total Levy	Actual	Actual Levy	Correct	Over/Under				
Year Due	Max Levy		w/ Correction	Amount	Rate	Levy Rate	Levy				
				Levied							
2017 2018					1.850599242721						
2018 2019	169,953.71		169,953.71	164,999.53	1.946496326125	2.004940710555	(4,954.18)				