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Washington Department of Revenue Property Tax Division

2020 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 2020 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: Burlington, Hamilton, Mount Vernon, and Sedro Woolley
- Fire Districts: 2, 3, 6, 8, 11, and 24
- Hospital Districts: 2 and 304
- Cemetery Districts: 1, 3, 4, and 6
- School Districts: Burlington-Edison No. 100, Concrete No. 11, La Conner No. 311, Mount Vernon No. 320, and Darrington No. 330
- Port District No. 1
- Fidalgo Park and Recreation District

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

Executive Summary, continued

Requirements

1. The Assessor is required to certify both locally and state assessed values to the taxing districts once they have received the certified assessed valuation of state assessed utility companies assessed by the Department.
2. The Assessor is required to calculate a levy rate for each taxing district's levy using the assessed value of the property within the district.

Recommendations

1. The Department recommends the Assessor update reports and letters to display accurate titles for the school district enrichment levies.
2. The Department recommends the Assessor update the language in the *Notice of Available Refund Levy* letter so it does not include language that may conflict with a taxing district's levy certification.

Requirement – Certification of assessed values to taxing districts

Requirement

The Assessor is required to certify both locally and state assessed values to the taxing districts once they have received the certified assessed valuation of state assessed utility companies assessed by the Department.

What the law says

Assessors must certify the total assessed value, both locally and state assessed, to the taxing districts within their county once they have received the certified taxable values for state assessed property by the Department (RCW 84.48.130).

What we found

The Assessor stated he did not certify the locally assessed values and state assessed utility values to the taxing districts, for the 2020 tax year.

Action needed to meet requirement

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

- Certify the total assessed value, including both locally assessed values and state assessed utility values, to the taxing districts once he has received the certified state assessed values from the Department.

Why it's important

Timely certification of assessed values to the taxing districts will assist the taxing districts with their budget process.

Requirement – Fidalgo Park and Recreation District

Requirement

The Assessor is required to calculate a levy rate for each taxing district's levy using the assessed value of the property within the district.

The Assessor is required to correct a levy error when all of the taxpayers within a taxing district pay an incorrect amount of property tax. The correction of a levy error cannot result in a levy that exceeds the levy's maximum levy rate.

What the law says

When a taxing district levies a tax, the assessed value of the property of the district is considered the taxable value used to make the levy (RCW 84.52.040).

A park and recreation district may impose regular property tax levies in an amount equal to sixty cents or less per thousand dollars of assessed value of property in the district in each year for six consecutive years when specifically authorized so to do by the voters (RCW 36.69.145).

The ballot proposition authorizing a taxing district to impose the regular property tax levies authorized in RCW 29A.36.210 must contain in substance the following:

- The name of the taxing district to be authorized to impose regular property tax levies.
- The maximum rate per thousand dollars of assessed valuation for each of the maximum consecutive years allowable.
- Vote of yes or no

If an error has occurred in the levying of property taxes that has caused all taxpayers within a taxing district 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 (RCW 84.52.085(1)).

A correction of an error in the levying of property taxes shall not be made for any period more than three years preceding the year in which the error is discovered (RCW 84.52.085(1)(a)).

Requirement – Fidalgo Park and Recreation District, continued

What we found

The Skagit County general election on November 3, 2015, election included a ballot measure asking the voters to approve a six-year property tax levy, to continue to fund the Fidalgo Park and Recreation District (FPR). The levy started with the 2016 tax year and ends with the 2021 tax year.

The ballot measure, authorized in Resolution No. 330, contains conflicting information. It references RCW 36.69.140, which authorizes park and recreation districts to levy an excess property tax levy, yet includes language describing the levy limitations of a regular levy. August 24, 2016, FPR wrote a letter to the Assessor confirming that the voters “approved a regular levy, not a special levy”.

The Assessor applied the one percent growth limit to the levy treating it like a regular levy, but used the taxable value of the district as if it was an excess levy, exclusive of timber assessed value, when calculating the levy rate. Using the Assessor’s Property Search program on their website, the Department confirmed the FPR levy was incorrectly excluded from parcels that qualify for the exemption under RCW 84.36.381, commonly referred to as the Senior Citizen/Disabled Person property tax exemption.

Treating the levy calculations as a regular levy, but applying the levy to individual parcels as if it was as an excess levy did not result in an over or underlevy of taxes for the district. The Assessor correctly levied \$729,525.40 on behalf of the district. But, the use of an incorrect tax base when determining the levy rate resulted in all taxpayers in the district to pay an incorrect amount of tax. Parcels not subject to the exemption under RCW 84.36.381 paid too much tax, while the parcels that were incorrectly exempted from the levy did not pay any taxes to the levy when they should have.

The Assessor incorrectly calculated the levy’s statutory maximum levy limit using a rate of \$0.60 per \$1,000 assessed value instead of the voter approved maximum rate of \$0.1394. This did not result in a levy error as the levy was limited to the one percent growth limit.

Requirement – Fidalgo Park and Recreation District, continued

Action needed to meet requirement

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

- Calculate the FPR levy rate for their six-year regular levy using the district's regular levy assessed value, for the 2020 tax year.

Why it's important

An accurate assessed value ensures taxing districts do not levy more or less than their maximum levy amount the law allows and taxpayers pay the correct amount of property tax.

Recommendation – Levy report labels

Recommendation

The Department recommends the Assessor update reports and letters to display accurate titles for the school district enrichment levies.

What we found

The Assessor's Levy Rate Sheet lists maintenance and operations (M&O) levies for the school districts. Beginning in the 2019 tax year, M&O levies no longer exist for school districts, they are enrichment levies (EHB 2242).

Action recommended

The Department recommends the Assessor:

- Relabel the school district M&O levies in the Assessor's Levy Rate Sheet to show they are enrichment levies, for the 2021 tax year.
- Update all reports that include school district enrichment levies.

Why it's important

Correct titles for property tax levies provides taxpayers with transparency within the levy process.

Recommendation – Notice of available refund levy

Recommendation

The Department recommends the Assessor update the in the *Notice of Available Refund Levy* letter so it does not include language certifying a refund levy request to the Assessor.

What we found

The Assessor provides taxing districts with a *Notice of Available Refund* letter that appears to act as a certification to the Assessor for refund levies. It also includes a statement, the refund levy amount is in addition to your district's *2020 Tax Levy Budget Request*.

The letter informs taxing districts there are refunds available if they wish to levy for them and instructs districts to sign and return the letter, to the Assessor, if they wish to levy for refunds. Taxing districts are required to certify their levy amount to the county legislative authority, with the exception of cities with a population of three hundred thousand or more (RCW 84.52.020).

The *Notice of Available Refund* letter states the refund levy certification is “in addition” to a district's 2020 tax levy budget request. This statement creates a conflict between the refund letter and a taxing district's levy certification to the county legislative authority. A taxing district's levy certification to the county legislative authority should include the district's total levy request, including refund levies.

Action recommended

- The Department recommends the Assessor:
- Remove the certification language in the *Notice of Available Refund Levy* letter. Use the letter to provide taxing districts with refund levy amounts available to them, not as a certification document.
- Instruct taxing districts to include a specific dollar amount for refund levy requests in their levy certification to the Skagit County Legislative Authority.

Why it's important

Proper levy certification ensures taxing districts levy the amount allowed by law and provides taxpayers with transparency in the property tax levy process.

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

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 the Property Tax Division at (360) 534-1400.

For additional information contact:

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