

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

# Washington Department of Revenue Property Tax Division

## 2017 Review of Property Tax Administration in Grant County



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# Overview

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## Introduction

This report contains the results of the Department of Revenue's (Department) review of property tax administration processes in Grant County (County).

## Purpose

The primary purpose of this review by the Department is to assist the Grant County Assessor (Assessor) in successfully performing the duties associated with administration of the various property tax programs.

An effective review of the methods employed by the County in administering property tax will promote fair, timely, and uniform property tax assessments.

## Scope of Review

The review is limited in scope. We reviewed the Assessor's role in property tax program administration. We did not review the internal fiscal controls or the internal management of the Assessor's office.

We reviewed selected administrative procedures for compliance with state statutes and regulations. We did not examine all parcels or accounts enrolled in the various programs or the assessed values of these accounts. The processes used to determine value are within the scope of this review and may be addressed in this report.

## Background

### *Duties of the Assessor*

The Assessor is responsible for listing and valuing all real and personal property in the county. In addition to valuing property, the Assessor's Office is responsible for a number of complementary functions, including:

- Maintaining record of ownership and legal description for each parcel of property.
- Maintaining maps of all parcels and taxing districts.
- Calculation of levy rates for the various taxing districts.
- Administration of state-legislated tax exemption and deferral programs.
- Providing property tax related information to the public and other governmental agencies.

## Overview, continued

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### *Duties of the Department*

The Department has the responsibility of general supervision and control over the administration of the assessment of property and the property tax laws of the state. The Department is authorized to direct and advise assessors, boards of equalization, county boards of commissioners, county treasurers, and county auditors as to their duties under the laws of the state relating to property taxation.

The Department has the authority to examine and test the work of county assessors at any time. The County Review Program is one of the Department's principal efforts to address these interests and promote fair, timely, and uniform property tax assessments.

As part of the Department's commitment to assisting the Assessor, this review is conducted with these general goals in mind:

- To ensure that assessment administration is in compliance with state statutes and regulations.
- To provide recommendations to improve assessment operations.
- To identify efficiencies and cost-effective operational improvements.
- To identify immediate and long-term resource needs in the Assessor's office.

### **Information Reviewed**

To complete our review, we gathered information about property tax program administration via interviews, documents provided by the county, as well as through independent verification. The areas we reviewed included (but were not limited to):

- Reporting to officials
- Revaluation

We gathered information through staff interviews, documents provided by the Assessor's staff, as well as through independent verification. To complete our review, we interviewed:

- The Assessor
- The Deputy Assessor
- The Chief Appraiser

### **Acknowledgment**

We thank the Assessor and staff for their cooperation throughout our review. We commend the Assessor for her willingness to look at opportunities to improve the uniformity and administration of property tax.

# Executive Summary

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## About this Review

The Department conducted on-site visits to the Assessor's office. We interviewed the Assessor and staff about the processes and procedures used in administering the County's various property tax programs.

An administrative review of this type is prone to underscore problem areas even in a county that is doing well. Though we may have observed processes or procedures where the County is doing well, those items may not be reflected in this report.

## 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 and the county legislative authority. A change is required to adhere to the law.
- The second category, *Recommendations*, requires the attention of the Assessor and the county legislative authority. We note recommendations as being in the best interest of all parties. We believe improvements in these areas can improve service to the public.

The Department based the requirements and recommendations contained in this report on our analysis 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 three requirements and six recommendations directed toward improving property tax administration in the County. A summary of these items follows.

## **Executive Summary**, continued

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### **Requirements**

1. The Assessor is required to submit accurate, complete, timely reports and certifications to the Department and other County officials. (RCW 84.08.020, 84.08.040, 84.40.040, 84.40.130, 84.40.320, 84.48.50, 84.48.080, 36.21.100, WAC 458-53-030, 458-53-070, 458-53-080, 458-53-140)
2. Revaluation notices must be mailed or transmitted electronically by the Assessor to the Taxpayer when there is any change in the true and fair assessed value of real property, not later than thirty days after an appraisal or reappraisal. (RCW 84.40.045, WAC 458-07-015, WAC 458-12-360)
3. The Assessor is required each year to complete revaluation work by May 31 and new construction valuation by August 31. (RCW 84.40.040 and 36.21.080)

### **Recommendations**

1. The Department recommends establishing an audit program designed to facilitate the full and proper listing of all personal property in the county. It is the Assessor's responsibility to assure that all property being assessed and appraised is on a uniform basis. In order to accomplish this task, the Assessor's office must have the necessary staff, funds, and software.
2. The Department recommends the Assessor continue developing and updating an appraisal procedure manual to ensure that property tax is administered uniformly. Providing guidelines in writing helps to achieve and maintain consistency and uniformity between staff members and provides a ready reference for use in the field.
3. The Department recommends the Assessor provide adequate training for new appraisers through appraisal classes and field training. The Assessor should also provide cross training to staff for specialized functions to prepare for when people leave positions or are absent from work.
4. The Department recommends the Assessor collect and verify sales information, which will provide pertinent sales information to create and maintain a sales database.
5. The Department recommends the Assessor continue to work collaboratively with the county information technology staff and software vendor to resolve issues with their computer assisted mass appraisal (CAMA) system.
6. The Department recommends the Assessor use the International Association of Assessing Officers (IAAO) Ratio Study Standard to measure the quality of mass appraisals. The IAAO Standard suggests that the level of assessment be evaluated by using the median assessment ratio for each jurisdiction being reviewed. The IAAO standard states that the median ratio should be between 90% and 110%.

## Requirements

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

This section contains the items we identified following our interview.

## Assessor Must Complete Statutorily Required Reports by the Due Date

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### Requirement

The Assessor is required to submit accurate, complete, timely reports and certifications to the Department and other County officials. (RCW 84.08.020, 84.08.040, 84.40.040, 84.40.130, 84.40.320, 84.48.50, 84.48.080, 36.21.100, WAC 458-53-030, 458-53-070, 458-53-080, 458-53-140)

### What the law says

The Department requires information to be reported as to assessments of property, valid and invalid sales, equalization of taxes, the expenditure of public funds for all purposes, and other information that we may request. (RCW 84.08.020(3))

The law mandates some reports and their due dates. Other reports are required by the Department by specific dates in order to provide meaningful information to state and local officials. Reporting is not optional, but a duty of office.

### What we found

Due to the inability to complete revaluation and new construction assessments in a timely manner, five required reports and certifications were not delivered timely, including:

- Assessor's Certificate of Assessment Rolls to the County Board of Equalization
- Assessor's Certificate of New Construction Value to the County Board of Equalization
- Real Property Sales Study (Ratio Study Valid and Invalid Sales Report)
- Real Property Stratification Report
- Abstract of Assessed Value

### ***Assessor's Certificate of Assessment Rolls to the County Board of Equalization and Assessor's Certificate of New Construction Value to the County Board of Equalization***

The Assessor signed the 2016 Certificate of Assessment Rolls to the Board of Equalization and the 2016 Certificate of New Construction to the Board of Equalization on December 29, 2016.

The consequences of the Assessor's delay in certifying the assessment roll were:

- The assessment roll was not officially closed timely.
- The Board of Equalization (BOE) was not able to proceed with hearing petitions until officially notified of the roll closure.
- The Department was required to estimate the County's 2016 real property ratio.

*Note:* Estimating a ratio (although legally permissible), can seriously affect the results of the County's ratio, which is used to calculate the state school levy and the equalization of utility assessments. In addition, late certification of values to neighboring counties with joint taxing districts' could effect their ability to certify their levy rates timely.



***Real Property Sales Study (Ratio Study Valid and Invalid Sales Report)***

Assessment staff could not complete the Valid and Invalid Sales Report until the 2016 assessment roll was officially closed, and the values updated. Since the roll was not closed until December 29, 2016:

- The sales study documents were not received during the 2016 assessment year.
- The 2016 real property ratio could not be calculated utilizing actual real property sales data.

***Real Property Stratification Report***

The Assessor did not send the Department the Real Property Stratification Reports until December 29, 2016. The delay in receiving the report resulted in:

- The 2016 real property ratio could not be calculated utilizing actual property assessed values.
- Delays in completing the ratio.

***Abstract of Assessed Value***

The Department received an Abstract of Assessed Values on December 29, 2016. Submitting the abstract late results in:

- Delays in review and resolution of issues in the reporting.
- Delays in calculating the state school levy.

**Action needed to meet requirement**

The Assessor should develop policies, procedures, and training to ensure the accurate and timely reporting to the BOE, County Auditor, County Treasurer, and the Department. Although some reporting dates are guidelines and not absolute requirements, missing them can adversely affect the property tax process and the other departments and entities that rely on the Assessor's work. Staff training should include procedures for proper querying of the database and the production of required reports.

***Assessor's Certificate of Assessment Rolls to the County Board of Equalization***

The Assessor must certify the taxable (assessed) value of all locally assessed real and personal property after revaluation is complete. The Assessor's Certificate of Assessment Rolls to the County Board of Equalization (form 64 0051) serves as a permanent record of locally assessed values for the county (forest land, current use land, improvements on current use land, senior frozen value, real property, and personal property). The Assessor is required to deliver the certificate to the BOE, with a copy to the Department by July 15 each year. (RCW 84.40.320)

***Assessor's Certificate of New Construction Value to the County Board of Equalization***

The Assessor must certify the value of new construction added to the assessment roll. (RCW 84.40.040) The Assessor's Certificate of New Construction Value to the Board of Equalization (form 64 0059), provides the value of new construction added to the assessment roll. The Assessor is required to deliver the certificate to the BOE, with a copy to the Department by September 15 each year.

***Real Property Sales Study (Ratio Study Valid and Invalid Sales Report – current year)***

The Assessor is required to submit a sales study to the Department each year. The sales study consists of all sales occurring in the county between May 1 (preceding January of the current assessment year) and April 30 (of

the current assessment year). The Assessor must deduct one percent from each recorded sales price, as adjustments for values transferred that are not assessable as real property. All sales must be reviewed and coded by the Assessor as valid or invalid sales as per WAC 458-53-070 and 458-53-080. Prior to running the report, all assessed values must be updated to reflect the current year's values.

***Real Property Stratification Report / Personal Property Stratification Report***

The Assessor must complete and return the stratification reports as soon as the current assessment year is completed and the revaluation and new construction rolls are closed. The Department uses these reports to calculate the current year's real and personal property ratios. They are also necessary for utilization in the random sampling process for the next year's real and personal property ratio studies.

***Abstract of Assessed Value***

The Assessor is required to complete and return the Abstract of Assessed Value (October 31). The Abstract of Assessed Value reports the various components of real and personal property values used to calculate the state school levy, produce statistical reports, and assist in determining the impact of proposed legislation. The Department sends a letter requesting this information along with instructions each year by the end of September.

***Reliance on Assessor to report timely***

The Department and other state and local officials rely on the Assessor's reports to complete several critical functions throughout the year. The timeliness of these reports is critical to keeping work on schedule, as the delay of any of these reports will often delay the Department, the BOE, or other county officials from completing their obligations in accordance with the Property Tax Calendar and the County Assessor's Manual. The Property Tax Calendar is updated each year and located online at [dor.wa.gov/docs/Pubs/Prop\\_Tax/PropCal.pdf](http://dor.wa.gov/docs/Pubs/Prop_Tax/PropCal.pdf). The County Assessor's Manual is available online at [http://dor.wa.gov/Docs/Pubs/Prop\\_Tax/AssessorRefManual.doc](http://dor.wa.gov/Docs/Pubs/Prop_Tax/AssessorRefManual.doc).

The Department recommends the Assessor develop policies, procedures, and training to ensure accurate and timely reporting to the Department. At least one staff member or contract person should be trained and responsible for completing the assessment roll reports. Staff must receive training to properly query the database and produce required reports.

The Assessor must ensure that timelines are met and the reports are run and delivered timely to the Department.

**Why it's important**

Accurate and timely reporting promotes integrity and public confidence in the equalization of the centrally assessed utility values, the state school levy calculation, and ensures the fair and equal administration of property tax in the county and the state of Washington.

## Provide Taxpayers With Change of Value Notices

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### Requirement

Revaluation notices must be mailed or transmitted electronically by the Assessor to the Taxpayer when there is any change in the true and fair assessed value of real property, not later than thirty days after an appraisal or reappraisal. (RCW 84.40.045, WAC 458-07-015, WAC 458-12-360)

### What the law says

The Assessor must give notice of any change in the true and fair value of real property for the tract or lot of land and any improvements thereon no later than thirty days after appraisal. However, no such notice may be mailed during the period from January 15th to February 15th of each year. Furthermore, no notice need be sent with respect to changes in valuation of publicly owned property exempt from taxation under provisions of RCW 84.36.010 or of forestland made pursuant to chapter 84.33 RCW.

The notice must contain a statement of both the prior and the new true and fair value, stating separately land and improvement values, and a brief statement of the procedure for appeal to the board of equalization and the time, date, and place of the meetings of the board.

The notice must be mailed or transmitted electronically by the Assessor to the Taxpayer.

### What we found

The Assessor only sends a change of value notice to taxpayers when the change in assessed value is greater than \$1,000. Taxpayers do not receive a change of value notice when the amount of change is \$1,000 or less.

### Action needed to meet requirement

The Assessor must begin sending a change of value notice by mail or electronically to the Taxpayer when there is any change in the true and fair value of the real property that is the subject of the appraisal. Office policies and procedures should be updated to ensure all staff are aware of the requirement to send notices.

### Why it's important

Sending Taxpayers a notice stating the change in assessed value, regardless of the amount of change, ensures Taxpayers are treated equitably. Not sending notices to some taxpayers implies that there has been no change in assessed value for those parcels. Additionally, the notice informs Taxpayers of their right to appeal a new assessed value, provides contact information about the appeal process, and provides information about programs for qualifying seniors.

## Dates of Completion for Inspection and Valuation of Real Property

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### Requirement

The Assessor is required each year to complete revaluation work by May 31 and new construction valuation by August 31. (RCW 84.40.040 and 36.21.080)

### What the law says

The Assessor must complete inspection and valuation of property by May 31 of each year, except for new construction and mobile homes that have an August 31 date for completion of listing on the assessment roll. The Assessor must notify the taxpayer of the change in value within 30 days of the appraisal. The Assessor must certify the assessed values to the county board of equalization by July 15, with certification to the Department of new construction values by September 15.

Following statutorily prescribed dates for completing inspections and valuation work leads to timely completion of subsequent steps in the assessment process. The Department's publication, *Property Tax Calendar* outlines important dates and functions in the assessment and property tax process. Late completion of property inspections and valuation work may delay:

- Scheduling of county board of equalization (BOE) hearings.
- Completion of the Department's Ratio Study.
- Distribution of centrally assessed values to counties by the Department.
- Preparation of taxing district budgets.
- Completion of the levy process.
- Completion of county reports required by the Department for calculating the state school levy.

Additionally, late completion of assessment work in one year usually results in a late start beginning work for the next year. The assessment and taxation process is dependent on following sequential steps and the process is most effective if each step is timely completed.

### What we found

The Assessor was late completing revaluation and new construction work for the 2016 assessment year, which delayed certification of assessed values until December 29. For the three years prior to 2016, the Assessor signed the certification of real property values to the BOE and certified new construction values prior to October 16.

The following table illustrates a four-year history of key dates:

Description	Required Date	Actual Completion Date			
		2013	2014	2015	2016
Real Property Inspection	5/31	08/19/2013	07/01/2014	08/01/2015	10/17/2016
Certification of RP Values	7/15	10/16/2013	09/02/2014	10/01/2015	12/29/2016
New Construction Inspection	8/31	10/16/2013	09/01/2014	08/31/2015	07/29/2016
Certification of NC Values	9/15	10/16/2013	09/02/2014	10/01/2015	12/29/2016

Source: Grant County’s Revaluation Progress Reports and certifications annually submitted to DOR

**Assessment software**

The Assessor stated that on-going computer software malfunctions caused the delay completing work scheduled for the 2016 assessment year. System issues included automated calculations of depreciation that were incorrect and senior exemption parcels were dropping out of the system. The system would not retain previous changes to records, which required many parcels to be updated multiple times.

At the time of our review, the County did not have a contract with the current assessment software vendor. During 2015, the Assessor submitted a draft request for proposal (RFP) for new assessment software that is pending with the Board of County Commissioners (BOCC). To address the ongoing software issues in the Assessor’s office, the BOCC assigned a County information systems (IS) person as the liaison between the Assessor and the current software vendor. The County reports resolution of the system problems that delayed work in 2016. The Assessor has also decided to limit any significant system upgrades/changes for the 2017 assessment year to maintain continuity and functionality so that work can be completed timely.

**Staffing**

At the time of the review, the Assessor had filled four vacant appraiser positions in the past 16 months. Most of the vacancies were filled through internal job announcements. Although some new staff had assessment office experience they were not accredited appraisers when they were hired into appraiser positions.

**Training**

The four new appraisers are in appraiser trainee status until they receive accreditation from the Department. During 2016 and 2017, the new appraiser trainees attended appraisal classes and conducted appraisal work under supervision of an accredited appraiser. The office’s addition of new staff and use of experienced appraisers to train new staff affected weekly production numbers, but production is expected to increase as new appraisers gain experience.

**Action needed to meet requirement**

The Assessor must continue to work towards timely completion of inspection and valuation work.

- Refer to the Department’s publication, [Property Tax Calendar](#). As closely as possible, realign completion of valuation and new construction work with required dates.
- Continue with the Assessor’s work plan to meet target dates for completing 2017 work and monitor the office’s progress completing work. The management team tracks production on a weekly basis to measure actual production against target dates. The significant delay completing work in 2016 reduced the amount of time available for the Assessor and her staff to complete work scheduled for 2017. The Assessor has set a

September 30 target date for completing 2017 revaluation and new construction work. The Assessor's goal is to send change of value notices by the end of October. An October completion date is several months better than 2016 and would place the office in a better position for timely completion of work in 2018.

- Develop a contingency plan for completing work during periods of vacancies. The office is now fully staffed, but anticipates the possibility of additional staff turnover in the future.
- Continue increasing the depth of knowledge in the office for specialized appraisal functions. Provide staff training in specialized appraisal work related to mass appraisal techniques.
- Continue to review and refine work assignments within the office to increase efficiencies and provide cross-training for back-up personnel.
- Continue to provide mass appraisal training to the office staff as time allows.

### **Why it's important**

Completing work in alignment with the Property Tax Calendar promotes timely completion of each step in the valuation, assessment, levy, and taxation process. If assessment and valuation processes are not completed in a timely manner, those delays have significant impacts on the entire assessment process, including the work of other county officials such as the treasurer, county board of equalization, and the various local taxing districts.

## Recommendations

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For the items listed as *Recommendations*, the Department believes the Assessor could improve program compliance and service to the public by making voluntary changes in procedure.

This section contains the items we identified following our interview.

## Audit Program For Personal Property

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### Recommendation

The Department recommends establishing an audit program designed to facilitate the full and proper listing of all personal property in the county. It is the Assessor's responsibility to assure that all property being assessed and appraised is on a uniform basis. In order to accomplish this task, the Assessor's office must have the necessary staff, funds, and software.

### What we found

At the time of our review, the Assessor did not have an audit program in place for personal property, but the staff reviews the audit reports the Department uses in the Ratio Study. The Assessor sends all new businesses a letter about filing their personal property listings.

### Action recommended

Implement an audit program that will place an emphasis on major accounts, accounts with significant changes from the previous year, accounts that have leased equipment, and accounts that are suspected of being improperly reported. All accounts should be audited periodically and a physical inspection will help to verify the completeness of reports.

In determining whether all assessable items have been reported, special attention should be directed to standby equipment, permanently idled equipment, retired or fully depreciated equipment, and uninstalled equipment. Regardless of book values, such equipment must be listed and valued unless specifically exempted.

To verify that all taxable property is reported, compare the total reported costs with those shown in the general ledger or balance sheet of the business. It is important that acquisition costs include charges for freight and installation and costs necessary to make equipment operational. Remember, sales tax is not taxable and should be deducted from the asset's total cost. In addition, the cost of an asset should reflect the gross cost before an adjustment for trade-in allowance.

Verify that leased items, of which the business is either lessor or lessee, have been properly reported and assigned to the correct party. If leasehold improvements exist, the appraiser must ensure that they are being assessed on either the real property roll or the personal property roll and not double assessed. When in doubt, assess the leasehold improvements as personal property. A double assessment can be fixed if one is made. Simultaneous review of real and personal property records can help assure an accurate assessment of leasehold improvements. An audit program that is carefully planned and managed and then properly executed is a tremendous asset to any county. The program is usually cost-effective and, if properly managed, gives credibility to the Assessor's office.



## **Why it's important**

It is important to perform audits for the following reasons:

1. Ensure uniformity.
2. Ensure correctness of property listed.
3. Ensure complete listing of all property.
4. Taxpayers will not always list correctly, whether through ignorance of law or misinterpretation of requirements.
5. Verify that the costs listed conform to office standards, i.e., cost includes freight and installation, but not sales tax.

The purpose of an audit is to verify that all personal property items have been reported and that the information given is accurate. A well-managed program will pay for itself through the discovery of omitted property and value. Law requires that omitted property and value be placed on the rolls for the current year and any previous year for which the omission was made up to a maximum of three prior assessment years.

## Procedures Manual

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### Recommendation

The Department recommends the Assessor continue developing and updating an appraisal procedure manual to ensure that property tax is administered uniformly. Providing guidelines in writing helps to achieve and maintain consistency and uniformity between staff members and provides a ready reference for use in the field.

### What we found

During our review, we were informed the Assessor and staff are currently working on a procedures manual.

### Action recommended

We recommend a comprehensive appraisal procedure manual that contains information useful to the appraisers in performing their duties. Recommended items might include:

1. Assessment data definitions, including photographic examples from Grant County, standard guidelines related to building quality, condition, detached structures, attached structures, land characteristics, etc. Examples are available from the Department.
2. Instructions for data entry.
3. Required forms to be used for such things as: new construction, additions to improvements, destroyed property, sales verification, etc.
4. Helpful information or links to available information on the Department's websites, which may be helpful to both staff and taxpayers.
5. Appeal procedures.
6. Inspection guidelines for classified current use land.
7. Inspection guidelines for exemption and deferral eligible property.
8. Property Tax Calendar.
9. A schedule for at least annual reviews to update, refine, and improve the written procedures.

### **Why it's important**

A written appraisal procedure manual helps achieve consistency among appraisal staff and greater uniformity for taxpayers by providing the following benefits:

1. An excellent training tool for new appraisers or those transitioning to utilization of mass appraisal techniques.
2. Readily used in the field as a reference tool for appraisers.
3. Easily updated or amended as necessary.
4. Ensures consistent application of property tax laws and rules.
5. Ensures consistent application of policies and procedures.
6. Promotes use of uniform appraisal practices throughout the county.

## Training

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### Recommendation

The Department recommends the Assessor provide adequate training for new appraisers through appraisal classes and field training. The Assessor should also provide cross training to staff for specialized functions to prepare for when people leave positions or are absent from work.

### What we found

The Assessor provides training to the new appraisers. Due to ongoing vacancies in positions, training multiple new appraisers has been a time consuming task for the more experienced staff. The Assessor has been able to send staff to required appraisal classes and other property tax training that requires funding by the County.

### Action recommended

Continue providing required training for new appraisers and specialized training to both new and long-termed staff. We recommend all staff maintain an adequate level of knowledge about the administration of property taxes through formal training or other learning opportunities. Sharing of experience and discussion among new and long-term appraisal staff enhances formal training. Provide opportunities for cross-training between appraisers as well as other office staff for various functions. Cross training leads to more knowledgeable staff who can step up and fill voids when there are vacancies or people absent from work.

Attending training provides an opportunity to gain information and encourages discussion with other counties about their administrative processes. The Property Tax Resource Center (PTRC) contains the current calendar of training provided by the Washington State Association of County Assessors (WSACA) and the Department. There is yearly education on personal property, appraisal, exemptions and deferrals, current use, and levy calculation, some of which is available by webinar. In addition, WSACA provides training scholarships for counties that show a financial need for assistance.

### Why it's important

Training is important to ensure proper administration of property tax laws and for consistency in the appraisal process. The benefits of a well trained staff are many:

- It will improve morale of employees.
- It will require less supervision by the administration.
- There will be fewer errors to correct, which take time away from other duties.
- Employees may be more prepared to take advantage of promotional opportunities.
- Most importantly – it will increase productivity.

## Verify Sales To Make Sure Property Information Is Correct

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### Recommendation

The Department recommends the Assessor collect and verify sales information, which will provide pertinent sales information to create and maintain a sales database.

### What we found

The Assessor's staff reports that sales verification does not typically include an on-site inspection of the property, but online information is used to verify sales. For 2017 the new sales analyst has been sending sales questionnaires to buyers and sellers of recently sold property. The response rate is about 50 percent. The staff has plans to conduct on-site inspection of recently sold property if time allows.

### Action recommended

The Assessor should maintain a sales database of verified sales that reflects the property characteristics as well as the property rights transferred and permitted uses at the time of sale. This information should be frozen in the CAMA system, or other sales database, to allow for future use in sales analysis. Changes to the property records and assessed values must be in accordance with laws, rules, and the county's revaluation plan.

Sales data can be acquired by using a wide variety of sources including recorded legal documents, real estate excise tax affidavits (REET), sale verification questionnaires, telephone interviews of interested parties, private real estate company websites, leasing agents, field inspections, and certified property managers.

Sales data is essential for calibrating and specifying cost, income, and market valuation models as well as developing sales ratio studies. The reliability of any ratio study or valuation model depends on the quality and quantity of the data. Accurate land and improvement characteristics at the time of sale are required for proper comparison. Verifying sales helps to determine whether adjustments are necessary.

It is important to remember the data for both sold and unsold property should be treated in a consistent manner and changes should not be made to sales that have not been reflected on similar unsold parcels that are affected by the same influence.

#### ***Data collected should include:***

- Property characteristics at time of sale including quality and condition.
- Property segregations or multi-parcel sales.
- Property demolition, renovation, and/or additions.
- Full consideration involved (sale price, fee simple).
- Date of transfer.
- Instrument number.
- Time on market.
- Legal description, address, and parcel identifier.
- Names, addresses, phone numbers, and other contact information of buyer and seller.
- Relationship of buyer and seller.

- Type of transfer and deed.
- Interest transferred.
- Type of financing.
- Personal property included.

***Important considerations for developing a sales verification process:***

- Develop written procedures.
- Extreme outliers of sales price to assessed value ratios should not be the only sales verified.
- Make sales surveys easy for the recipient to fill out and read.
- Link the sales database to the Geographic Information System for an additional analysis tool.
- Train staff to read and understand REET affidavits and other sales documentation.
- Read seller-carried contracts. Watch for clauses regarding growing crops (non taxable), water rights, life estates in residence, or other elements that potentially influence sales.

For more information, please refer to the IAAO website:

- *Standard on Verification and Adjustment of Sales (November 2010)*
- *Standard on Ratio Studies (April 2013)*

### **Why it's important**

Sales data is required in all applications of the sales comparison approach, in the development of land values and market-based depreciation schedules in the cost approach, and in the derivation of capitalization rates or discount rates in the income approach. To help achieve uniformity and equity in taxation, it is essential to verify sales. Verification is necessary for meaningful ratio analysis, accurate sales comparison, development of trend factors, calibration of models, and adjustment of tables and schedules.

## **Assessor should continue to collaborate with the information technology staff and software vendor to resolve system issues**

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### **Recommendation**

The Department recommends the Assessor continue to work collaboratively with the county information technology staff and software vendor to resolve issues with their computer assisted mass appraisal (CAMA) system.

### **What we found**

Prior to our review, we had numerous reports of system issues which had caused delays in the work of the Assessor's office. In addition, reports indicated the vendor was not providing timely response to those issues. At the direction of the board of county commissioners (BOCC), information technology (IT) staff from the Central Services Department, began as the liaison between the Assessor's office and the software vendor. All of the active issues had been successfully addressed prior to our review. The software was functioning without problems and the Assessor was hopeful that they would be able to maintain their functionality. The Assessor intends to make no changes to the system this year in order to ensure that the system will remain stable.

### **Action recommended**

The Assessor should continue to work closely with their software vendor and Central Services Department to address any future issues. In addition, proposed enhancements should be discussed with the Central Services Department to get an IT perspective. It is also useful to discuss potential changes and problems with other counties that utilize the same software. Other users may have encountered similar problems and could have suggestions for correcting problems. There is an active user group for the thirteen Washington counties that use the same software as the Assessor.

### **Why it's important**

The administration of property tax, including conducting mass appraisal, requires fully functioning administrative and appraisal software. It is important to work in conjunction with the County IT staff, because they have the education and experience to address system issues and communicate concerns to the vendor. It is very important to work with someone with software expertise that understands the impact of changes to the system and how they might impact other programming.

## Meet the IAAO standard for median assessment ratio

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### Recommendation

The Department recommends the Assessor use the International Association of Assessing Officers (IAAO) Ratio Study Standard to measure the quality of mass appraisals. The IAAO Standard suggests that the level of assessment be evaluated by using the median assessment ratio for each jurisdiction being reviewed. The IAAO standard states that the median ratio should be between 90% and 110%.

### What we found

In 2016, the Assessor’s office was not able to complete their work until after December 1<sup>st</sup>, which prevented them from providing the Department with sales study data by the due date. The Department was forced to calculate an estimated ratio based on prior year’s data for the 2016 assessment year. Between 2012 and 2014, the level of assessment or ratio for the County was outside the IAAO’s recommended range for the median ratio. While in recent years the median is within the range recommended by IAAO, the mean ratio used for equalization by the Department is significantly lower. The lower mean ratio is caused by lower assessed value to sale price ratios for non-residential property.

Recent real property ratios for Grant County are as follows:

Assessment Year	Median	Weighted Mean
2016	92%	80%
2015	91.75%	84.1%
2014	88%	80.8%
2013	89%	79.2%
2012	86%	88%

In 2016, thirty-three counties met the IAAO standard for median ratio, while six counties did not and had a level of assessment at less than 90% or greater than 110%.

### Action recommended

The county appraisers should be using ratio studies and other statistical analysis to test how well they are doing in the appraisal process. They should analyze both their level of assessment and the uniformity of their assessments. Calculating the statistical measures recommended by the IAAO provides a way to test whether valuation models and methods are working to accurately value all parcels at 100% of market value each year. Excel provides an easily accessible tool for calculating most of these measures. The IAAO provides training and publications explaining the use of statistical measures and how to calculate them. The Department produces reports that explain statistical analysis and calculates these measures for each county. The reports are published annually and posted on the Department website in the Statistics section of Property Tax.

- [Real Property Ratio Summary Statistics Report](#)
- [Measuring Real Property Appraisal Performance in Washington’s Property Tax System.](#)



### **Why it's important**

Ratio studies are used for measurement of the level of assessment and uniformity of mass appraisal models. They also provide:

- Internal quality assurance and identification of appraisal priorities.
- Determination of whether administrative and statutory standards have been met.
- Determination of time trends which could be used for adjustment of appraised values between reappraisals.

Assessors, appeal boards, taxpayers, and taxing authorities can use ratio studies to evaluate the quality and uniformity of assessments.

## Next Steps

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### **Prioritizing Requirements and Recommendations**

The Department is committed to assisting the County in the implementation of the recommendations contained in this report. Once the Assessor receives a final copy of this review, the Department will (if requested) consult with the Assessor to help prioritize the work that must be completed.

### **Follow-up**

The Department is committed to the success of the Assessor by ensuring they comply with state statutes and regulations.

The Department will follow up in six months to review the changes implemented. This will give the Assessor an opportunity 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  
PO Box 47471  
Olympia, WA 98504-7471  
<http://dor.wa.gov>