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Washington Department of Revenue Property Tax Division

2022 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 2022 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, Vader, and Winlock
- Fire Districts: No. 1, No. 2, No. 4, No. 8, No. 11, and No. 13
- Hospital District No. 1
- Cemetery Districts: No. 4, No. 5, No. 7, No. 8, and No. 10
- Timberland Inter-County Rural Library
- Port of Chehalis
- School Districts: No. 226 Adna, No. 234 Boistfort, No. 237 Toledo, No. 300 Onalaska, No. 303 White Pass, and No. 412 Castle Rock
- Riverside Regional Fire Authority No. 1

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 certify both locally and state assessed values to the taxing districts once the certified state assessed utility values are received from the Department.
2. The Assessor is required to levy the amount certified by the county legislative authority when determining the lesser of the levy limitations.
3. The Assessor is required to calculate the statutory maximum rate limit for each regular levy. To do this for cities or towns annexed to a fire and or library district or participate in a regional fire service authority district, the Assessor must deduct the actual rate levied by the fire, library, or regional fire service authority district from \$3.60. If the city or town has a firefighters' pension fund, an additional \$.225 is added to the previous calculation.
4. The Assessor is required to determine whether the total of all regular tax levies, with the exception of levies made by port and public utility districts, applied to real and personal property within the county, exceeds one percent of the true and fair market value.

Recommendations

1. The Department recommends the Assessor provide the most current version of the Department's Levy Certification Form to the taxing districts to use for their levy requests.
2. The Department recommends the Assessor update the reference from Part B to State School Levy Part 2 in her reporting system.

Requirement – Certification of assessed value to taxing districts

Requirement

The Assessor is required to certify both locally and state assessed values to the taxing districts once the certified state assessed utility values are received from the Department.

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)

What we found

The Assessor provided the taxing districts with certified preliminary 2021 assessed values, with an explanation of the information dated November 1, 2021. This assessment data did not include the current year's state assessed utility values as required in RCW 84.48.130.

In an email dated November 10, 2021, the Assessor provided the taxing districts with a second certification of preliminary 2021 assessed values. The email notes these values are the same as the prior values provided to the districts on October 31, but now include the current year's state assessed utility values. This certification meets the requirements of RCW 84.48.130.

The letter dated November 1, 2021, included in the original certification of the 2021 assessed values, includes information to help taxing districts with the levy process. Some of the information included in the letter is incorrect.

The letter incorrectly states, if a district turns in a levy certification after November 30 the district will only be able to collect what it collected in the last year, per RCW 84.52.020. The only time when the county assessor must restrict a district's levy to the prior year's certified requested amount is when:

- The county assessor has certified values to the taxing districts at least 12 business days before November 30, in this case that would require the certification to have occurred on or before November 9, 2021: and
- The county legislative authority or individual taxing district with authority to certify their levy request directly to the county assessor is made after the applicable deadlines in RCW 84.52.070, the first Monday in December for district purposes, December 15 for county purposes, and November 30 for districts authorized to certify their request directly to the county assessor.

Since the Assessor certified the 2021 assessment year preliminary values to the taxing districts on November 10, 2021, one day after the deadline, the levy consequence restricting a district to their prior year's certified levy request does not apply.

Requirement – Certification of assessed value to taxing districts, continued

The letter also incorrectly lists port districts and educational service districts as an exception to the certification deadline of November 30, as referenced in RCW 84.52.020. This statute specifically includes commissioners of port districts, board of directors of school districts of the first class, and the superintendent of each educational service district for each constituent second-class school district.

Port districts do have statutory authority to set alternate dates for a budget hearing after November 30. As stated in the Department's Property Tax Advisory No. 21-1-2021, the ability to hold budget hearings after November 30, does not provide an exception for port districts to certify their budgets or estimates of amounts to be raised by property taxation after the November 30 deadline in RCW 84.52.020.

Action needed to meet requirement

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

- Update the certification cover letter:
 - Explain the correct reasons that limits county assessor to levying no more than the prior year's certified levy request amount; and
 - Remove the language saying port districts and educational service districts are not subject to the certification requirements in RCW 84.52.020.

Why it's important

Providing the taxing districts with a timely certification of assessed values and correct information regarding the district's deadlines to certify their levy requests to either the county legislative author or county assessor will assist the taxing districts with their budget process.

Requirement – City of Morton

Requirement

The Assessor is required to levy the amount certified by the county legislative authority when determining the lesser of the levy limitations.

What the law says

Most taxing districts are required to certify a budget or estimate of the amount of property tax they wish to levy to the county legislative authority on or before November 30 to levy for property taxes (RCW 84.52.020).

The county legislative authority is required to certify to the county assessor the amount to be levied for most taxing districts on or before the first Monday in December, for district purposes, and on or before December 15 for county purposes. If the certification is made after the applicable deadline and the assessor has certified the assessed values to the taxing districts at least 12 business days before November 30, the assessor may not levy any more than the certified levy amount for the previous year for the taxing district. (RCW 84.52.070)

What we found

The Lewis County Legislative Authority certified a levy request amount of \$250,258.97, for the City of Morton, to the Assessor on December 6, 2021, in Resolution 21-423. This resolution includes the following statement “Nothing in this certification should be construed to prevent the amounts below from being conformed to the intent of the district or otherwise modified as required or permissible under the law.”

The Assessor provided the Department with a copy of the City of Morton’s levy request certification to the Lewis County Legislative Authority with a total certified levy request amount of \$250,258.97. This amount has been crossed out and replaced with a total levy request amount of \$252,761.56 *which includes* a refund amount of \$2,145.00 with the initials TC beside the new amounts. The document is signed by Tamara Clevenger and dated November 4, 2021, and date stamped as being received by the Lewis County Legislative Authority on November 29, 2021. It is unclear to the Department when the levy request amount was changed by the district.

The Assessor did not determine the lesser of the levy limitations for the City of Morton using the levy amount certified to the Lewis County Legislative Authority in the district’s certification document, \$252,761.56. Instead the Assessor added the refund levy amount, \$2,145.00, to the district’s total levy request that already included this amount.

This resulted in an overlevy error of \$2,145.00.

Requirement – City of Morton, continued

Action needed to meet requirement

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

- Notify the City of Morton of the levy error. If the correction in the succeeding year will cause a hardship for either the taxing district or taxpayers, the district may request the correction be made on a proportional basis over a period of no more than three years.
- Use the corrected 2022 levy rate, provided in Appendix A, when calculating the rate for the 2023 tax year as if the error had not occurred.

Due to the timing of the final audit report, if the Assessor does not have time to coordinate the overlevy error correction with the taxing district, the levy reduction must be implemented during the 2023 levy calculations for the 2024 tax year.

Why it's important

To ensure taxing districts do not levy more or less than their maximum levy amount allowable by law and the taxpayers pay the correct amount of property tax.

Requirement – Statutory maximum levy rate for cities and towns annexed to a fire/library district

Requirement

The Assessor is required to calculate the statutory maximum rate limit for each regular levy. To do this for cities or towns annexed to a fire and or library district or participate in a regional fire service authority district, the Assessor must deduct the actual rate levied by the fire, library, or regional fire service authority district from \$3.60. If the city or town has a firefighters’ pension fund, an additional \$.225 is added to the previous calculation.

What the law says

When a city or town is annexed to a fire and or library district, or participates in a regional fire service authority, the city or town’s statutory maximum levy rate is \$3.60 per thousand dollars assessed value, less the actual levy rate of the fire, library district, and or regional fire service authority district for that particular year, plus an additional \$0.225 per thousand dollars assessed value if the city or town has a firefighters’ pension fund (RCW’s 52.04.081, 41.16.060, 84.52.044, and 27.12.390).

What we found

The Assessor calculated the statutory maximum levy rates for the City of Morton, City of Centralia, and City of Winlock using a different levy rate than what was certified to her by the Timberland Inter-County Rural Library District. The Assessor deducted a rate of \$0.287998035649 from the districts’ base rate of \$3.60 instead of the library’s certified rate of \$0.287998.

The district’s statutory maximum levy rate for the 2021 tax year should have been calculated as follows:

City	Base Rate	Library Rate	Fire or Regional Fire Service Authority Rate	Fire Fighter Pension Fund	Correct Statutory Maximum Rate	Rate Used by Assessor
City of Morton	\$3.60 -	\$0.287998 -	\$0.442857362340 +	\$0.225 =	\$3.094144637660	\$3.094144602011
City of Centralia	\$3.60 -	\$0.287998 -	\$1.331516559207 +	\$0.225 =	\$2.205485440793	\$2.508485405144
City of Winlock	\$3.60 -	\$0.287998 -	\$1.28 +	\$0.000 =	\$2.032002	\$2.032001964351

The incorrect statutory maximum rates did not result in an under or overlevy error for these districts.

Requirement – Statutory maximum levy rate for cities and towns annexed to a fire/library district, continued

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 and towns annexed to a library, fire district, or participate in a regional fire protection authority, beginning with the \$3.60 statutory maximum rate allowed, then deduct the actual rate of the annexed library or regional fire protection authority district. Add an additional \$.225 to the statutory maximum rate if the city has a firefighters' pension fund.
- Review the other statutory maximum rate limit calculations for the cities or towns annexed to the Timberland Inter-County Rural Library District that were not included in this audit to see their statutory maximum rate limits were also incorrectly calculated and if they were, did an over or underlevy occur.

Why it's important

The statutory maximum levy rate for cities annexed to a fire or library district must be calculated each year to ensure the city is not levying more or less than the law allows.

Requirement – 1 Percent constitutional limit

Requirement

The Assessor is required to determine whether the total of all regular tax levies, with the exception of levies made by port and public utility districts, applied to real and personal property within the county, exceeds one percent of the true and fair market value.

What the law says

The aggregate of all regular tax levies, with the exception of levies made by port and public utility districts, upon real and personal property by the state and all taxing districts, shall not exceed one percent of the true and fair value of such property (RCW 84.52.050).

What we found

The Assessor did not include Part 2 of the State School Levy in the 1 percent constitutional limit verification, for the 2022 tax year.

The Assessor provided the Department with the 1 percent constitutional limit verification, for the 2022 tax year. The verification listed a total levy rate for each tax code area but did not list which taxing districts were included in the tax code areas.

The Department used the Consolidated Tax Code Areas and Rates for Tax Year 2022 Report to determine which taxing districts were included in the tax code areas and subject to the 1 percent constitutional limit. The review of the verification and the report showed the State School Levy Part 2 levy rate was not included in the Assessor's 1 percent limit verification. This did not result in any tax code area exceeding the 1 percent constitutional limit.

Action needed to meet requirement

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

- Include Part 1 and Part 2 of the State School Levy in the 1 percent constitutional levy limit verification.

Why it's important

To ensure taxing districts do not levy more or less than their maximum levy amount allowable by law and the taxpayers pay the correct amount of property tax.

Recommendation – Levy Certification Form

Recommendation

The Department recommends the Assessor provide the most current version of the Department’s Levy Certification Form to the taxing districts to use for their levy requests.

What we found

Most of the taxing districts included in this levy audit used an outdated version of the Department’s levy certification form. The use of the outdated form required the Assessor to add each district’s refund levy request to their levy amount requested, which increases the margin for error.

Action recommended

The Department recommends the Assessor:

- Encourage taxing districts to use the most current version of the Department’s Levy Certification form (REV 64 0100), available on our website (dor.wa.gov). The current version allows a taxing district to enter a request for each levy and calculates the total, including refund and or correction levies. Using the Department’s current version of the levy certification form reduces the margin of error in the levy certification process.

Why it’s important

Using the updated levy certification form increases accuracy in the levy certification process.

Recommendation – Assessor’s Reports

Recommendation

The Department recommends the Assessor update the reference from Part B to State School Levy Part 2 in her reporting system.

What we found

The Assessor creates a yearly tax booklet that contains levy information and published it on her website. In this booklet, she makes reference to Part 2 of the State School Levy as “Part B”.

Action recommended

The Department recommends the Assessor:

- Change the title from Part B to State School Levy Part 2.

Why it’s important

Using a consistent title for this property tax levy, as referenced in the Department’s website, [Funding education](#), and other county assessor’s websites, reduces confusion amongst taxpayers across the state of Washington.

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 2023. 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:

Washington State Department of Revenue
Property Tax Division
PO Box 47471
Olympia, WA 98504-7471
(360) 534-1400
<http://dor.wa.gov>

Appendix A

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

Levy Limit Calculation for District: City of Morton											
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 checked="" type="checkbox"/> Firemen's Pension?
					New Const						<input type="checkbox"/> Lid Lift?
2021 2022	258,568.55	101.00000%	261,154.24	2,270,793	4,893.40	0	0.00	266,047.64	156,624,113	3.094144637660	
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							
2021 2022	250,258.97	1.000%	252,761.56	4,893.40	0.00	257,654.96	2,145.00	252,761.56	484,617.66	268,192.64	259,799.96
Assmt Taxes	Current Year's	Levy Correction	Total Levy	Actual	Actual Levy	Correct	Over/Under	New Highest	Levy Rate	Without Levy	
Year Due	Max Levy		w/ Correction	Amount	Rate	Levy Rate	Levy	Lawful Levy Since	Error or Levy	Error Correction	
				Levied				1985			
2020 2021					2.154930143716						
2021 2022	252,761.56	0.00	252,761.56	254,906.56	1.627505210516	1.613810001273	2,145.00	266,047.64	1.613810001273		