



# Property Tax Review

March 2006

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### Special points of interest:

- **Quarterly Reminders** (see page 5)
- **Upcoming Training** (see page 6)

## Time Will Tell

By Peri Maxey, Assistant Director

This Legislative Session brought with it a proposal to drastically change the property tax system from one of uniformity amongst property owners to a system that puts predictability before uniformity recognizing that property value increases are not always consistent with household income increases. A proposal like this surely brings out the philosophical questions as to what is more important; fairness as it relates to equal treatment or fairness as it relates to predictability. One thing is clear – the answer isn't simple.

The House Finance Committee held a hearing on the House Joint Resolution to amend the Constitution. Many people turned out to speak of personal examples when property values soared beyond their wildest imagination. Equating increases in taxes with the large changes in assessed value, these folks were very concerned that they would soon not be able to afford their homes. But the property tax system is not that simple. Large changes in assessed value do not necessarily mean corresponding large changes in

taxes. Initiative 747 passed by voters in 2001 limited each district's levy increase each year to a maximum of 1% unless voter approval is sought. But new construction, increases in the value of state assessed property, and improvements made to property can all affect the districts' levy. Voter

... what is more important, fairness as it relates to equal treatment or ...

approved measures for school construction or district maintenance and operation also have an effect on the final tax statement. It isn't easy to tie the

increases in taxes to any one item.

This measure drew some questions from committee members but was not passed out of the committee and failed to meet the cut-off dates. While the bill is considered dead for this Session, the conversations will still go on. Much debate will take place in coffee shops, in legislative interim work, in assessors' offices, and in the media. Will the measure end up on the ballot as another initiative or will a proposal be back before the Legislature next year? Time will tell. ♦

## RETIREMENT ANNOUNCED

After 33 years of state service, the Assistant Director of the Department of Revenue's Property Tax Division — **Peri Maxey** — has announced her plans to retire as of June 16, 2006. Peri has spent the last 27 years working for the Property Tax Division in various capacities. Her extensive knowledge of the property tax system, conscientious nature, and devotion to public service will be sorely missed by all who know and work with her. Our best wishes to Peri in her next adventures! Smooth sailing Peri!



## Property Tax Refund

By Peri Maxey, Assistant Director

The Department of Revenue is responsible for the annual valuation of some 375 public utility and transportation companies. Beginning in 2001, Qwest Corporation disagreed over whether the Department's appraisals adequately recognized the decline in the telecommunication business; resulting in a higher valuation. The Department uses three approaches to utility valuations — cost, income and market. Qwest filed suit in Kittitas County Superior Court claiming the Department's appraisals did not fully address obsolescence and the appraisals did

not properly exempt intangible personal property as required by statute. Needless to say, the issues in the case were complex — each side working with nationally known experts. By the time the case was scheduled for hearing before the court in February 2006, four assessment years had been included.

In the end, the two parties agreed to settle the litigation without resolving the controversies. This often happens in cases where the complexity of the case is such that the trial becomes a battle of the experts. The settlement entitles Qwest to a refund of property taxes paid in tax years 2002 – 2005 in the amount of \$14.6 million. Each district in the 36 counties where Qwest is located in Washington (approximately 1,500) will pay a refund to Qwest for the taxes overpaid. In turn, these districts may recoup the refund

amount by imposing a refund levy next year when annual property tax levies are set. The refund amounts vary by district and many are finding that the amount for their district is such that the refund can be covered with reserve funds.

Litigation of this nature happens infrequently — the last case of this size was ten years ago. The Department received a challenge on a similar, less complex case in August of 2005 in which the Department prevailed. This case is now on appeal to the state Court of Appeals. The Department strives to produce uniform and well supported appraisals and to determine fair market value by using generally accepted appraisal methodology. ♦

## Ad Valorem Representative on Commission

By Shawn Kyes, Program Manager

Mary Bandy was recently appointed by the Governor to the Washington Real Estate Appraiser Commission. Mary is currently a commercial appraiser with the Clark County Department of Assessment & GIS. She began her appraisal career working on residential properties in San Bernardino County, California, and then moved to Clark County in 1993. With Clark County, she has previous experience as a residential appraiser and as the appraisal systems analyst (building cost models, statistical studies, creating land tables for mass appraisal applications,

completing the state ratio, etc.). Mary has a Bachelor's degree from the University of California at Davis.

As to her goals working on the Commission, she states "I believe that appraisers working in the field of mass appraisal need a voice on the Commission. I recognize the difficulty in obtaining credit hours for work performed as mass appraisers, and I believe the ability to obtain and maintain licensing is crucial to secure our professionalism." Some of the current projects the Commission is involved with include: registration of appraiser trainees, lender pressure, increased license and certification requirements for 2008 as promulgated by the Appraiser Qualifications Board, and promoting high quality appraisal education.

The Washington Real Estate Appraiser Commission is appointed by the Governor to advise the Department of Licensing to

make recommendations regarding the education, experience, and qualification criteria required for real estate appraisers. The Commission provides advice and approval concerning the adoption of rules by the Director of Licensing. The Commission consists of seven members, of which one member shall be an individual engaged in mass appraisal whose duties are concerned with ad valorem appraisal management and policy and who is licensed or certified with the Department of Licensing. ♦

**A large volume of adventure may be grasped within this little span of life by him who interests his heart in everything.**

**– Laurence Sterne**

*A report from the*

## *Inaugural International Property Tax Institute's (IPTI) Mass Appraisal Valuation Symposium*

By Shawn Kyes, Program Manager

A recent forum held by IPTI featured a broad group of academics, assessment officials, and industry representatives speaking on current challenges and innovations in the application of mass appraisal techniques to the valuation of real property. Over 100 conference attendees came from 12 nations and convened in Vancouver B.C. to share and learn about mass appraisal methods conducted around the globe. Having the unique opportunity to attend this valuable conference, I wanted to take the opportunity to report back some of the highlights covered during this two-day event.



The emphasis of the symposium was “Thinly Traded Markets – Theory and Application of a Mass Appraisal Approach”. I should explain that “thinly traded” came to include a variety of contexts. Not only did this include challenges in accurately appraising property where recent sales information was scarce, but included challenges associated with minimal property characteristics/data, special-purpose properties, and fairly and uniformly applying assessments when resources are scarce. For example, in the Republic of Kosovo public officials are struggling with ways to implement a fair and uniform system of applying a property tax when the average tax bill for a residence will be approximately \$25 per year. In the Russian Federation, beginning in 1999 assessment practitioners had been faced with implementing property tax utilizing market values. They are now utilizing GIS tools to group and classify property utilizing cadastral blocks to apply uniform property taxes, a monumental task in a relatively short amount of time considering the vast area of this country and the recent move to private ownership of real estate.

Information was not limited to the challenges faced by developing countries, but included many timely topics that assessment administrators face here in our state and throughout North America.

Officials from British Columbia Assessment presented an excellent session on Computer Assisted Mass Appraisal (CAMA) system implementation. In 2001, BC Assessment (the assessing entity in British Columbia) undertook a complete technology update that became fully operational in 2005. An emphasis was placed on complete planning and implementation of a new valuation system. Also of interest was a thorough discussion on “User Acceptance Testing”, which gave insights into an often overlooked and misunderstood, yet important part of any new technology implementation.

Appraiser education and qualifications was also on the agenda. I was impressed with the close-working interaction between the assessment practitioners (BC Assessment), higher institutional education provider (University of British Columbia), and professional appraisal association (Appraisal Institute of Canada) as they look to identify necessary knowledge, skills, and abilities to support a credible appraisal profession.

A brief case study was presented on the second morning. It dealt with recent appeals of the assessment of the Fairmont Empress Hotel in Victoria. Items of contention in that case included the allocation and accounting of real vs. personal property, and tangible and intangible property.

The second day also included a number of examples of mass appraisal applications for commercial properties. Specifically, how some jurisdictions have attained success in applying multiple regression analysis in support of commercial property valuations, as well as integrating GIS and Spatial Analysis in the valuation of commercial properties. The conference wrapped up with sessions on: Litigating in a Mass Appraisal Environment, Data Collection and Management, and Valuation and Litigation of Single Purpose and Large Industrial Properties.

If you are interested in a particular topic, feel free to send me an e-mail at [shawnk@dor.wa.gov](mailto:shawnk@dor.wa.gov) and I can forward you an electronic copy of the handout material. ♦

# Refund Review

By Leslie Mullin, Levy Auditor

There are certain events within the property tax cycle that are predictable and rarely change from year to year. Property tax statements are mailed around the same time each year, property taxes are due on April 30 and October 31, and so on. Refunds, however, are a little less predictable. All counties have them but it is difficult to plan when they will happen or how much they will be. The issuance of a large refund has the potential of adversely affecting many taxing districts, but they do not have a choice of whether to pay the refund. Over the past few months, we have received many inquiries about the refund process. The following is a general explanation of the differences between the two types of refunds (administrative or court-ordered) and the effect they have on the levy setting process.

## Administrative Refunds

This is the most common type of refund a county issues throughout the year. Administrative refunds are made for a variety of reasons that include but are not limited to: Manifest errors, clerical errors, taxes paid more than once, taxes paid in error, and taxes paid on an assessed value that was later reduced by the Boards of Equalization or the Board of Tax Appeals. A taxpayer can request a refund up to three years from when the refundable

portion of the tax was originally paid. Interest is included in the refund from the date the refundable portion of the tax was paid up to the date the refund is made.

The county treasurer issues and maintains a listing of all administrative refunds. This information should be provided to each taxing district so they can decide whether to levy for those refunds during their next levy cycle. A district is not required to levy for administrative refunds but may choose to do so. If a district chooses to levy for administrative refunds, the levy limit (101% limit) can be exceeded by the amount of the refund but the refund cannot cause the district to exceed its statutory maximum levy rate. A refund levy is also subject to the \$5.90 aggregate limit and 1% constitutional limit. The assessor should obtain documentation from all taxing districts wanting to levy for administrative refunds and the amount of the refund should be included in the budget certification.

## Court-Ordered Refunds

This type of refund is less common than administrative refunds because it is the result of the taxpayer or their representative filing an action in superior court to recover the taxes paid. A taxpayer must pay the taxes under protest and attach written documentation explaining why they feel the tax is unlawful or excessive. The court decides if a refund is due and issues a judgment.

As with administrative refunds, interest is included in the refund from the date the refundable portion of the tax was paid up to the date the refund is made.

The county treasurer notifies the taxing districts that will be affected by the refund. Unlike administrative refunds, districts are required to levy for this type of refund. The proceeds of this levy are used to pay the refunds through the county tax refund fund. This is a fund created by the county specifically for the payment of refunds based on court orders. WAC 458-19-085(2) states in part:

*“Any and all taxing districts that were levying taxes against the property at the time for which a refund is directed by court order under RCW 84.68.030 must levy, or have levied for them, an amount for the county tax refund fund.”*

Refund fund levies are subject to the same limitations as administrative refund levies. The levy limit (101% limit) may be exceeded by the amount of the refund but the refund cannot cause the district to exceed its statutory maximum levy rate. A refund fund levy is also subject to the \$5.90 aggregate limit and 1% constitutional limit. The county tax refund fund levy takes precedence over all other tax levies for the district and will be paid first before any funds are distributed to the district for general operating purposes. ♦

## County Progress Recognized

The Department would like to recognize the following assessment offices: **Adams, Ferry, Franklin, Garfield, Grays Harbor, Jefferson, Lincoln, Pierce, Wahkiakum, Walla Walla.** These counties have been timely in closing assessment rolls, certifying values to their Boards of Equalization, and reporting to the Department for each of the last three years.

We would also like to recognize the following assessment offices for timely reporting to the Department and each office made significant improvement during 2005 in timely closing assessment rolls and certifying values to their Boards of Equalization. We expect to see these counties move onto the 3-year list in the future: **Grant, Kitsap, Okanogan, San Juan, Skamania, Yakima.**

We applaud your efforts in providing timely assessments to your public, taxing districts, and your friendly DOR!



## This Quarter's Reminders

### March 31

Applications for exemption from the property tax must be received by the DOR to avoid \$10 per month penalty. (RCW 84.36.815 and 825) Newly incorporated cities may establish boundaries. (RCW 84.09.030) Senior citizen and disabled persons property tax deferral claims filed with assessor. (RCW 84.38.040) Widows/widowers of qualified veterans' property tax assistance claims filed with DOR. (84.39.020)

### April 30

Personal property listing form must be filed with county assessor. Penalties prescribed. (RCW 84.40.020, 040, 060 and 130) Also, last day for payment of taxes except when taxes on one lot or tract are \$50 or more, or when personal property taxes total \$50 or more, one-half may be paid by April 30 and the remaining one-half by October 31. (RCW 84.56.020)

### May 1

Assessor must notify applicant for forest land designation prior to this date if request denied. (RCW 84.33.130) Also, open space farm and agriculture land application deemed approved unless assessor has notified owner otherwise. (RCW 84.34.035)

### May 31

County assessors to have completed listing and placing of valuation on all property no later than this date. However, assessors may add property (new construction and mobile homes) to list later after written notice to person to be assessed. (RCW 84.40.040)

### June 1

Penalty of three percent will be assessed on the amount of current year's taxes delinquent on June 1. (RCW 84.56.020) Also, may establish newly incorporated taxing district if coterminus boundaries with established district. (RCW 84.09.030)

### June 30 (On or before)

DOR sets stumpage values for July through December 2006. (RCW 84.33.091) DOR to determine value of state assessed property. June 30 is the first day to request a formal hearing on value of state assessed property. ♦

## Performance Measurement Corner

Measuring what we do is vitally important. Performance measurement can assist in illustrating a number of things, such as, "Are we meeting stakeholder expectations?" or "Are we timely in completing a service?"

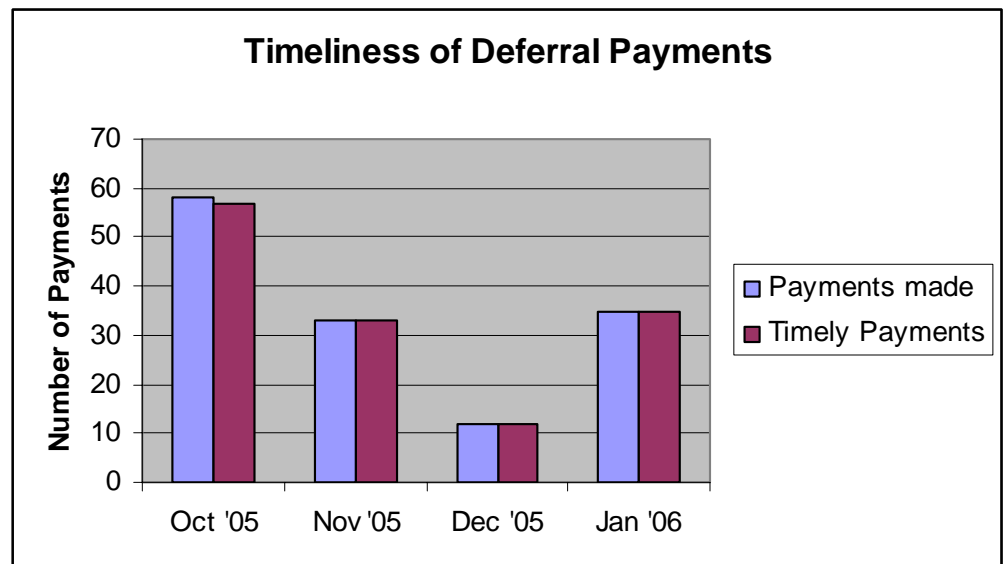
Routine measurement of data provides decision-makers with information regarding trends, where and when resources are needed, and if improvement strategies have produced desired outcomes.

The Department of Revenue's Property Tax Division staff have routinely tracked the performance of our programs for many years, with the information having been utilized and reported internally. As part of our ongoing effort to keep you informed, we will highlight one of the Property Tax Division programs and some of its corresponding performance measurements each quarter.

### Property Tax Division Program: *Senior Citizen Assistance*

County staff administers the exemption and deferral programs for senior citizens and disabled persons. Here at the Department of Revenue, we administer the payment and collection portions of the deferral program and we administer the new assistance program available to widows and widowers of certain disabled veterans. One of our priorities is to make payments and provide assistance to these customers in an accurate and timely manner.

To ensure we are meeting our objective, we track the number of payments made and the timeliness of those payments. From October 2005 through January 2006, we made 138 payments for claimants enrolled in the Senior Citizens and Disabled Persons Deferral Program. Of those payments, only 1 was made late. Our goal is to make all payments timely. However, delays in obtaining all information necessary, such as proof of insurance coverage or mortgage balance details, occasionally hinder our ability to make timely payment.



(Continued on page 6)

## Performance Measurement Corner (cont.)

(Continued from page 5)

We also track several other statistics related to the deferral program. For example, we know that during the same 4-month timeframe, we paid \$151,540 in property taxes and special assessments. We also know that we can expect to pay 2 to 3 times that amount in April 2006 alone, and that we'll likely make payments on 350 – 400 accounts that same month.

Tracking this data helps us to make informed decisions about deployment of resources, requests for appropriations needed to pay claimants' deferred taxes and assessments, and opportunities for improvement to our processes. It also gives us the ability to clearly see if we are meeting the goals we've established.

Our newest program that provides assistance to widows and widowers of disabled veterans is just getting off the ground. We've received the first few applications for assistance with payment of property tax. We will be tracking data for this program as well. In a future newsletter, we'll report on performance in that program. ♦

## 2006 Marks Significant Changes and Improvements to Personal and Industrial Property Valuation Guidelines

By Pete Levine, Property Tax Supervisor

2006 marked significant changes and improvements to the published Department of Revenue Property Tax Division's *Personal and Industrial Property Valuation Guidelines*. The Department annually publishes these guidelines, which are used to value personal property and industrial property throughout the 39 county assessor offices.

### What are the changes to the valuation guidelines for the 2006 assessment year?

- The *Personal Property Valuation Guidelines* and the *Industrial Valuation Guidelines* are now combined into the *Personal and Industrial Property Valuation Guidelines*.
- There is a new trend index. The new trend/index is an average of the Producer Price Index (PPI) administered by the U.S. Bureau of Labor Statistics and the Cost Indexes published by Marshall/Swift Cost Service. This will serve to 'smooth' the trend thus reducing the volatility of either index.
- The new trend index has a ceiling at 125 percent of economic life. This should reduce the potential over-valuation of older assets that might suffer from functional obsolescence. It also offsets the implementation of a 15% minimum value-in-use.
- There is a new 15 percent minimum value for assets in continued use. The proposed minimum value of 15 percent is well supported by trending the published Marshall/Swift Salvage Values by industry.

(Continued on page 7)

## 2006

### Upcoming Training

(State/County Personnel ONLY)

**April 12-13 \*FULL\***  
Mass Appraisal & Report Writing  
Cheney — \$100

**April 18**  
Board of Equalization Clerk's  
Conference  
Ellensburg — No Fee

**May 2 \*FULL\***  
Mobile Home Appraisal  
Tacoma — \$50

**May 4 \*FULL\***  
Mobile Home Appraisal  
Pasco — \$50

**May 9**  
Reviewing a Forest Mgmt. Plan  
Everett — \$50

**May 11**  
Reviewing a Forest Mgmt. Plan  
Tumwater — \$50

**May 17**  
Reviewing a Forest Mgmt. Plan  
Moses Lake — \$50

**June 6-7**  
Board of Equalization New  
Member Training  
Yakima — No Fee

**June 8**  
Board of Equalization Senior  
Member Training  
Yakima — No Fee

**June 13**  
Board of Equalization Senior  
Member Training  
Moses Lake — No Fee

**June 14**  
Board of Equalization Senior  
Member Training  
Everett — No Fee

**June 15**  
Board of Equalization Senior  
Member Training  
Tumwater — No Fee

**For further information  
contact:**

Patty Concepcion  
Education Coordinator  
Phone: (360) 570-5866  
E-mail: [PattyC@dor.wa.gov](mailto:PattyC@dor.wa.gov) ♦

# Changes and Improvements to Personal and Industrial Property Valuation Guidelines (cont.)

(Continued from page 6)

- The 22, 8.0, 7.0, and 4.5 percent tables have been eliminated by consolidating those into the next higher valuation table. These consolidations were made due to the few property types in prior tables or the difference in valuation between two tables was relatively insignificant.
- Trend II tables 27, 30, 25, and 15 have been renamed for ease of administration. The columns are in the same order as they were previously, and they apply to the same assets.
- Specific changes other than those addressed above include:
  - Video Tapes..... \$13 for units acquired in 2005, and \$5 for all other years.  
24 percent of documented cost may be used when actual or estimated inventory is unknown.
  - DVDs, Games, and Laser Disks..... \$17 for units acquired in 2005, and \$10 for all other years.  
24 percent of documented cost may be used when actual or estimated inventory is unknown.
  - Copiers (document processing devices)..... 30 percent table (from 24 percent table)

### Where can I obtain a copy of the Personal Property & Industrial Valuation Guidelines?

The 2006 *Personal Property and Industrial Valuation Guidelines* are accessible on the Department’s web site at [http://dor.wa.gov/Docs/Pubs/Prop\\_Tax/IndValTab\\_06.doc](http://dor.wa.gov/Docs/Pubs/Prop_Tax/IndValTab_06.doc)

### Who can I contact if I have questions regarding the guidelines?

Pete Levine, Property Tax Supervisor, at (360) 570-5884, or [PeteL@dor.wa.gov](mailto:PeteL@dor.wa.gov)  
 Dave McKenzie, Property Tax Supervisor, at (360) 260-6196, or [DaveM@dor.wa.gov](mailto:DaveM@dor.wa.gov)  
 Howard Hubler, Property Tax Specialist, at (425) 356-2939, or [HowardH@dor.wa.gov](mailto:HowardH@dor.wa.gov) ♦

## Appreciation & Recognition

During the course of our busy work day, it is easy to get caught up in the many tasks and challenges at hand. And although the tasks and challenges change over time, it is the people that work and serve to meet these new challenges we rely upon. The Property Tax Division is fortunate to have such a workgroup, in which the people continuously rise to meet new challenges. It is with gratitude that we recognize those individuals that have served with the Department of Revenue for over a decade:

*We make a living by what we get,  
but we make a life by what we give.*  
– Winston Churchill

10+ years	15+ years	20+ years	25+ years	30+ years
Mark Baca	Pat Baxter	Kathy Beith	Howard Hubler	Adele Krupka
Michael Braaten	Rick Bell	Cindy Boswell	Peri Maxey	
Velinda Brown	Chuck Boyce	Sheryl Campbell	Pat Torretta	
Karen Clark	Lynn Hilton	Jay Fletcher		
Ha Haynes	Bill Johnson	Vickie Glover		
Pete Levine	Carl Klingeman	Roger Marshall		
Deb Mandeville	Pat McCabe			
Mark Maxwell	David Saavedra			
Dave McKenzie	Kevin Timson			
Steve Stamey				
Lisa Webb				
Jim Winterstein				



## *Innovations in the Administration of the Senior Citizen and Disabled Persons Exemption and Deferral Programs*

By R.C. Cavazos, County Review Program

In the process of conducting our reviews throughout the state, we have discovered many counties have implemented processes in administering the senior citizen and disabled persons exemption program that could benefit the entire assessment community. With this in mind, the County Review Program took an active role to determine how to provide this information to the assessment community. We discussed the options that were available and decided that the best approach to disseminate the information was by highlighting these processes in a “best practice” format. We hope this approach provides the assessment community timely and relevant information that may assist them with providing uniform, efficient, and quality program administration.

A key component in a best practice review is to get to know what the objective is and to consider the process and operating mechanisms. A best practice is a function, process, or system that is considered better than other known methods. In performing a best practice review, it is important to consider the whole process and how one function can impact the others. An evaluation of how the senior citizen program is functioning, for instance, may entail not only looking at the application process, but also at the application and the income verification processes because changes in one part of the process may impact the others. Failure to understand the whole process may result in us overlooking some important piece of the process.

The County Review Team undertook the best practice project to better understand the effort and ingenuity being put forth by counties to administer the Senior Citizen Program. We understood that some counties have developed and instituted best practice methods that, when shared, promote uniformity in administering the program. For this project, we also wanted to identify the key performance indicators within the Senior/Disabled Persons Program.

The best practices we identified are as follows:

- Procedures Manual — Lewis County
- Renewal Process — Kitsap County
- Forms and Letters — Kitsap County
- Automation for a Small County — Franklin County
- Automation for a Medium-to-Large County — Yakima County
- Public Information — Thurston County
- Marketing Outreach and Customer Service — Snohomish County
- Qualifying Income Calculation — Thurston County

Our goal was to provide information that other counties can draw from to promote uniformity and efficiencies in program administration. We recognize that each county operates within a distinct setting, yet we hope that the report will provide at least one feature that all administrators may draw from.

We would like to thank the participating counties for their cooperation and willingness to share the information with the rest of the assessment community. I would also like to thank the team volunteers — Michael Braaten, Rob Brice, Karen Clark, Peggy Davis, and Lynn Hilton — for all their hard work and willingness to provide another tool to the assessment “tool box” that the assessment community can utilize. The complete report is posted on the DOR website under “County Best Practices” at

[http://dor.wa.gov/Docs/Pubs/Prop\\_Tax/SeniorCitizenBestPracticeReport.pdf](http://dor.wa.gov/Docs/Pubs/Prop_Tax/SeniorCitizenBestPracticeReport.pdf) .♦



# 2006 Legislative Session Review - Bills Affecting Property Tax

By David Saavedra, Program Coordinator

The following is a brief summary of the bills that have made it to the Governor's desk during the 2006 Legislative Session that affect property taxation. The Department will be following up with instructions and further discussion on most of these bills to each county assessor and/or treasurer.

## EHB 1069 - An Act Relating to Performance Audits of Tax Preferences

This bill creates a citizen commission for Performance Measurement of Tax preferences by the Legislative Budget Committee (JLARC). The Commission will consist of the State Auditor, a nonvoting member; the chair of JLARC, a nonvoting member; an appointee of the Governor; and four additional members who cannot be legislators, each appointed by the chair of the two largest caucuses of the House and Senate. The Commission must establish a schedule to review tax preferences at least once every ten years. The Commission shall review tax preferences in the order the tax preferences were enacted into law, except that the Commission may elect to include, anywhere in the schedule, a tax preference that has a statutory expiration date. The Commission shall omit from the schedule the following tax preferences:

- Those that are required by constitutional law;
- The sales and use tax exemptions for machinery and equipment for manufacturing, research and development, or testing;
- The small business credit for the business and occupation tax;
- The sales and use tax exemptions for food and prescription drugs;



- Property tax relief for retired persons; and
- Property tax valuations based on current use.

The Commission may also omit any tax preference that the Commission determines is a critical part of the structure of the tax system. As an alternative to the process under section 5 of the act, the Commission may recommend to the Joint Legislative Audit and Review Committee (JLARC) an expedited review process for any tax preference that has an estimated biennial fiscal impact of \$10 million or less. The Commission shall revise the schedule as needed each year; taking into account newly enacted or terminated tax preferences. The Commission must deliver the schedule to JLARC by September 1 of each year. The Commission must provide a process for effective citizen input during its deliberations.

This legislation requires the Department of Revenue to supply information to the new Commission and to JLARC to assist in their review of tax preferences.

## SHB 1510 - An Act Relating to the Property Taxation of Nonprofit Entities

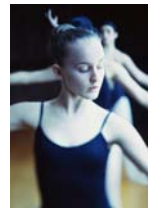
The bill allows exempt property of nonprofit social service organizations located in a county with a population less than 20,000 to be used by people or organizations that would not qualify for exemption for private purposes or for pecuniary gain or business activities up to 15 days per year. The loan or rental of the property nullifies the exemption if there is a comparable private for-profit facility within 10 miles of



the exempt property that could be used for the same purpose.

Exempt property of veteran's organizations may be used for pecuniary gain for up to 15 days each year. Prior to adoption of this legislation, the property could be used in this manner for up to three days each year.

Nonprofit public assembly halls may be used up to 15 days (up from seven days) for pecuniary gain or business activities and may also be used for dance lessons, art classes, or music lessons in counties with a population less than 20,000 (increased from 10,000).



Rental income for social service organizations and public assembly halls must be used for capital improvements to the exempt property, maintenance and operation of the exempt property, or for exempt purposes.

The bill also provides an exception from the imposition of back taxes when the property is being transferred to the state of Washington, the city, or the county in which the property is located.

The bill becomes effective 90 days after adjournment of the session.

## SHB 2345 - An Act Relating to Regional Fire Protection Service Authorities

Under current law, Regional Fire Protection Service Authorities may establish a system of ambulance service if the participating jurisdictions determine that their members are not adequately served by private ambulance services.



(Continued on page 10)

## 2006 Legislative Session Review - Bills Affecting Property Tax (cont.)

(Continued from page 9)

The bill imposes additional requirements on authorities in order to establish a system of ambulance service, including a financing plan. The bill also clarifies the voter approval needed to impose benefit charges and property taxes. When a property tax or benefit charge proposed by a regional fire protection service authority requires 60 percent voter approval, the plan containing the proposed tax or benefit charge must be approved by 60 percent of the voters. Further, the bill includes provisions related to the transfer of employees from participating jurisdictions to authorities.

The bill takes effect 90 days after the adjournment of the session.

### SHB 2569 - An Act Relating to the Property Tax Deferral Program

This bill changes the interest rate on the payback of taxes from eight percent to five percent when senior citizens, retired persons, and veterans with 100 percent service connected disability with disposable incomes of \$40,000 or less have deferred property taxes and special benefit assessments imposed on their residence.

Deferred taxes and special assessments are repaid upon sale or transfer of the property or the death of the



claimant and a payback interest rate of eight percent is included. The eight percent rate was set forth in the statute in 1981, and commensurate with the trend in declining interest rates in recent years, this bill reduces the interest rate on the payback to five percent. The reduced interest rate will apply to taxes and special assessments deferred after January 1, 2007. Therefore, some individuals will be charged two

different interest rates – 8% interest on taxes deferred prior to January 1, 2007 and 5% interest on taxes deferred after January 1, 2007. The bill also requires the Department of Revenue to review the adequacy and appropriateness of the interest rate in relation to the Legislature's objective of assisting retired persons in maintaining their dignity and a reasonable standard of living.

This bill takes effect 90 days after the session ends and applies to taxes levied for collection in 2007 and thereafter.

### E2SHB 2673 - An Act Relating to Creating the Local Infrastructure Financing Tool (LIFT).

The bill creates, defines, and describes a local infrastructure financing tool (LIFT) for projects in revenue development areas. Projects resulting from this bill are investments in public infrastructure in order to promote community and economic development. According to the bill's intention it will stimulate business activity and help create jobs; stimulate the redevelopment of brownfields and blighted areas in the inner city; lower the cost of housing; and promote efficient land use.

The first two parts of the bill create and define requirements for the local infrastructure financing tool demonstration program. Specific limitations and conditions are outlined for the process of creating a local infrastructure program.

Part III of the bill describes revenue allocation of "local excise tax" and "local property tax" for the local infrastructure financing tool program.

This bill takes effect July 1, 2006 and the program expires June 30, 2039.

### SHB 2804 - Modifying Property Tax Exemption for Nonprofit Schools and Colleges

Currently, property owned or used by a nonprofit school or college may qualify for a property tax exemption if it is exclusively used for college or campus purposes.

The bill removes the requirement that the exempt property be exclusively used for college or campus purposes. It allows nonprofit schools and colleges to loan or rent their property to students, alumni, faculty, staff, or other persons or entities for use in a manner that is consistent with the school's educational, social, or athletic programs without jeopardizing the property tax exemption. The bill also allows limited use of exempt school or college property for business activities or pecuniary gain.

The bill takes effect 90 days after the adjournment of the session.

### SHB 2812 - Modifying School District Levy Provisions.

SHB 2812 deals with funding of local school districts and helps districts in multiple ways. Local school districts may impose excess levies for maintenance and operations, transportation, and capital projects. The amount that may be levied is limited based on a complex formula. Certain additions to the levy base for school districts are allowed for levies collected in the 2005 through 2007 calendar years.

The amendment to RCW 84.52.0531, which determines the levy limit for local maintenance and operation levies, simply extends through 2011 the temporary increase in the levy base that would have otherwise expired at the end of 2007.



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RCW 28A.500.030 is also amended so that allocations of state matching funds will be fully funded at 100 percent beginning in 2007. These allocations were previously reduced to 99 percent in 2003, 93.7 percent in 2004 and 2005, and 95.63 percent in 2006.

### HB 2908 - Island County Boundaries

Apparently there are several islands near Island County that were not included within the county boundaries. This bill includes Strawberry Island, Baby Island, Minor Island, Kalamut, and Ben Islands to be within Island County. The boundary for Island County will be redrawn to include these islands.



### SHB 3164 and HJR 4223 - An Act Increasing the Personal Property Tax Exemption for the Head of a Family.

The Washington Constitution exempts \$3,000 of personal property owned by a head of family from property tax. HB 3164 changes this amount to \$15,000. Head of family is an individual who owns, operates, and is a sole proprietor of a business that meets certain qualifications. The Head of Family Exemption should not be confused with the exemption from property tax for household goods, furnishings, and personal effects. This increase in exemption will only be effective if the Constitutional Amendment is approved by the voters this Fall.

HJR 4223 is the constitutional amendment that amends the Washington Constitution to increase the value of personal property owned by a head of family and exempt from property tax to \$15,000. SHB 3164 is

the statutory enacting legislation that amends statutory provisions consistent with the constitutional amendment.

What is the Head of Family Exemption? Each head of a family is entitled to an exemption from his or her taxable personal property in an amount up to \$3,000 of actual value. This bill changes this to \$15,000. The taxpayer must qualify for the head of a family exemption on January 1st of the assessment year (the assessment date) or the exemption is lost for taxes payable the following year. The taxpayer must also ask for the exemption at the time they file their personal property listing with the county assessor. Household goods, furnishings, and personal effects not used for business or commercial purposes are already exempt from property taxation; therefore, the exemption for the head of a family does not apply to such property.



The exemption for the head of a family applies only to individuals (i.e., natural persons) and does not apply to artificial entities such as corporations, limited liability companies, or partnerships. The head of a family includes the following residents of the state of Washington:

- Any person receiving an old age pension under the laws of this state;
- Any citizen of the United States, over the age of sixty-five years, who has resided in the state of Washington continuously for ten years;
- The husband or wife, when the claimant is a married person, or a surviving spouse not remarried; and
- Any person who resides with, and has under his or her care and maintenance, any of the following:
  - \* His or her minor child or grandchild, or the minor child or

grandchild of his or her deceased spouse;

- \* His or her minor brother or sister or the minor child of a deceased brother or sister;
- \* His or her father, mother, grandmother, or grandfather, or the father, mother, grandmother, or grandfather of a deceased spouse; or
- \* Any of the other relatives mentioned in this subsection who have attained the age of majority and are unable to take care of or support themselves.

The bill is effective January 1, 2007 if the constitutional amendment is approved by the voters.

### SSB 6141 - An Act to Include the Value of Locally Assessed Electric Generation Wind Turbine Facilities in the Property Tax Levy Limit Calculation.

This bill amends six property tax levy statutes concerning the limit for regular property taxes by taxing districts. Under current law, a taxing district's levy is limited to a one percent growth factor. However, additional dollar amounts due to new construction, improvements to property, and increases in the value of state assessed utility property are not subject to this limit.

The value of electrical generation wind turbines assessed locally (by the county) under current law are not included as new construction or improvements to the underlying land. These amendments allow locally assessed wind turbine property to be treated the same as centrally assessed wind turbine projects in the levy process.

Wind turbine property is classified as personal property



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and is assessed with reference to its value on January 1. That value will be used in the levy calculation; much like the value of new construction is already used, to determine the levies to be collected in the following year.

This bill becomes effective 90 days after the end of session.

### **SB 6280 - Removes the Irrevocable Dedication Requirement for Exemption from Property Tax for Property Owned by Nonprofit Entities.**

Many nonprofit organizations qualify for a property tax exemption based on the use of their property. Most exemptions are contingent on the property being irrevocably dedicated to the exempt purpose when the property is owned by the nonprofit organization. When property is leased by a nonprofit organization, there is no irrevocable dedication requirement.

The bill eliminates the requirement that the property be irrevocably dedicated to the exempt purpose of the nonprofit organization. The property must still be used for the exempt purpose of the nonprofit organization, but conditions such as reversionary clauses on deeds will no longer disqualify the property from exemption.

The bill becomes effective 90 days after adjournment of the session.

### **SB 6338 - Relating to Property Tax Exemptions and Deferrals for Senior Citizens and Persons Retired for Reasons of Disability.**

This bill increases the one-acre limitation on residence size "up to" 5 acres if the larger parcel size is what is required by local zoning for the Senior Citizen and

Disabled Person Exemption Program and the Widows/Widowers of Veterans Property Tax Assistance Program. This bill has now been signed into law and applies to taxes levied for collection in 2007 and thereafter.



### **SSB 6441 - An Act Relating to Judicial Orders Concerning Distraint of Personal Property.**

Current law directs the treasurer to distraint, or seize, sufficient goods and chattels belonging to the person charged with the taxes to pay the taxes when taxes are delinquent. Notice is required to be posted in three public places in the county, stating when and where the property will be sold. If, in the judgment of the assessor or county treasurer, personal property is being removed beyond state lines, dissipated, sold, or disposed of so as to jeopardize collection of taxes, the treasurer will immediately prepare papers in distraint and will distraint sufficient goods and chattels belonging to the person charged with the taxes.



This law is a change in that now the treasurer may obtain a warrant for "probable cause" if they believe there is property within the county subject to distraint. Any superior or district court judge in the county may, upon the request of the sheriff, county treasurer, or agent of the county treasurer, issue a warrant commanding the search for and seizure of the property described in the request for the warrant at the place described in the request for the warrant. The criminal rules of superior court and district court govern

the procedure for issuance and execution and return of the warrant and for return of any property seized.

This bill takes effect 90 days after session ends.

### **SB 6816 - Allowing Cemetery Districts to Include Areas Within Cities and Towns**

Current law says that a cemetery district may include within its boundaries any city or town with a population of less than 10,000. The 10,000 limit was added in 1994 during a re-organization of statutes governing cities. Prior to 1994, there was no population limit and a cemetery district could include towns and up to third class cities. The 1994 re-organization eliminated third and fourth class cities and all references to them.



This bill removes the 10,000 population limit requirement for cities that can be included in a cemetery district.

This bill takes effect 90 days after session.

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## Staff Changes at Property Tax

As many of you know, **Leslie Mullin** joined our staff in June 2005 on a temporary basis. She came to us on a job rotation from the agency's Compliance Division to work in our levy review program. Fortunately for us, Leslie has agreed to stay! She is now a permanent member of the Property Tax staff. Leslie will continue to review levy calculations and provide assistance with levy issues and training. She will also spend time writing decisions regarding requests for reconvening the local Boards of Equalization. We are very happy to keep Leslie here in the Property Tax Division! Leslie can be reached at (360) 570-5891 or by e-mail at [LeslieMu@dor.wa.gov](mailto:LeslieMu@dor.wa.gov).



**Leslie Mullin**



**Beulah Holman**

**Beulah Holman** is the newest member to the Ratio Valuation Program, where she will be one of the staff responsible for personal property audits out of the Olympia office. Beulah comes to us from the Interpretations and Technical Advice Unit of the Department, where she most recently has been involved in various facets of the rule making processes, along with maintaining the Agency's rules and laws on the Department Internet site. Beulah has been active with a number of Agency committees, so she's a familiar face with many of us here in Property Tax. Prior to her time with the Department, she worked for the U.S. Forest Service as a Contract Administrator and Appraisal Specialist. Beulah brings with her positive energy and a demonstrated ability to work well in diverse workgroups, which will be beneficial in her new position. Beulah can be reached at (360) 570-5886, or by e-mail at [BeulahH@dor.wa.gov](mailto:BeulahH@dor.wa.gov).

**Neal Cook** has accepted an appointment as the new Utility Valuation Program Manager in the Department of Revenue's Property Tax Division effective February 1, 2006. Neal is assuming the duties previously held by Steve Yergeau prior to his departure from the Department in September 2005. Neal has numerous years of auditing, appraisal, and supervision experience that will assist him in his new duties. He has been very successful at building relationships with other states and stakeholder groups. This experience will be valuable in leading the Utility Valuation Program. He is personable, enthusiastic, and I'm positive that he will do a great job in his new position. Neal can be reached by phone at (360) 570-5877 or via e-mail at [NealC@dor.wa.gov](mailto:NealC@dor.wa.gov).



**Neal Cook**



**Anja Pangborn**

**Anja Pangborn** has accepted the Specialist position in the Utility Valuation Program that was vacated by Jim Mosier. Anja is a 2002 cum laude graduate of WSU with a BA Degree in Business Administration. She has been with the Department since her graduation. She has served as an Appraiser 4 in both of our Ratio and Utility Valuation Programs. Her enthusiasm and creativity have and will continue to make her a great asset to the Property Tax Division and the Utility Valuation Program. Anja can be reached by phone at (360) 570-5896 or by e-mail at [AnjaP@dor.wa.gov](mailto:AnjaP@dor.wa.gov).

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