Revaluation Manual

Department of Revenue
Washington State

Property Tax Division

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Contents

INTRODUCTION

As an oversight agency, the Department of Revenue is directed to exercise general supervision and control over the administration of Washington's property tax laws. This process of supervision often involves interaction with county assessors and their staff, as well as various sectors of county government. The ultimate goal of the Department is to ensure statewide equity and uniformity in the administration of property tax.

The laws and rules for Revaluation Programs are described in RCW 84.40 and 84.41 and WAC 458-07. The Department frequently advises county assessors on issues and complexities involving these laws and rules.

There are two purposes for this manual:

- The first purpose is to offer guidance on revaluation issues that are brought to the county assessor's office. To accomplish this, the procedures applicable to counties will be listed and supplemented with general information relevant to the valuation of real property.

- The second purpose of the manual is to provide a reference resource for all county staff who may need this information in performance of their duties. We have included a Resources section with relevant publications and miscellaneous items of interest at the end of each part of the manual.

There are various deadlines in administering the revaluation requirements. The Property Tax Calendar, available on the PTRC, is a helpful resource in keeping track of these deadlines.

The goal of this manual is to give assessors and county staff tools that will be helpful to perform their duties in an efficient and professional manner. To help the Department achieve this goal, we encourage comment on any changes or additions you would like to see in this manual. Please direct your comments to:

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Duties of the assessor with regard to revaluation

1. Discover and list all taxable real and personal property located within the county for equitable distribution of tax liabilities
2. Physically inspect taxable real property at least once every six years
3. Value all taxable real and personal property every year
4. Prepare the assessment roll
5. Notify taxpayers of their annual value if there has been a change in valuation
6. Defend valuation methods

Duties of the Department of Revenue Property Tax Division with regard to revaluation

1. Review and approve revaluation plans
2. Monitor annual progress in each county on completing their revaluation plan
3. Provide guidance on procedures for value changes as provided by law in specific situations
4. Publish an annual report called *A Comparison of County Assessor Statistics*
5. Provide training
6. Exercise oversight on the laws and rules governing property tax

PART 1 REVALUATION OF REAL PROPERTY

The state Constitution requires that all taxes be uniform upon the same class of property within the territorial limits of the authority levying the tax. In order to comply with this constitutional mandate and ensure that all taxes are uniform, all real property must be valued in a manner consistent with this principle of uniformity. Also, to comply with statutory and case law, the county assessor must value all taxable real property in the county on a regular, systematic, and continuous basis. (WAC 458-07-010)

All taxable real property within a county must be valued or revalued annually, and all taxable real property within a county must be physically inspected at least once every six years. The assessor must adhere to a revaluation plan that will ensure equality and uniformity in the valuation of real property, and must use proper appraisal methods. (WAC 458-07-010)

This part of the manual explains revaluation requirements and considerations in developing the county assessor's plan for conducting and completing revaluation of real property.

The purpose of annual revaluation

During the 1950s – 1960s the Legislature was concerned about inequality in taxation caused by inequity and non-uniformity in the valuation of real property. To improve uniformity in taxation the Legislature believed it was necessary to require assessors to conduct county-wide revaluation of property and then maintain an active and systematic program of revaluation on a continuous basis.

As of January 1, 2014, all county assessors must conduct valuation work under an annual revaluation plan. For many years prior to passage of the requirement for annual revaluation, counties were allowed the option of completing revaluation on a multi-year schedule.

When property is revalued each year the assessed value is more likely to meet the mandate requiring all property be valued at 100 percent of its true and fair or market value. Annual review and revaluation provides the means for assessors to adjust values to reflect changing market conditions, changes in property, and recalibrated valuation models. Annual revaluation generally results in assessed values that are closer to market value and improves uniformity of values across the county.

Revaluation - assessor values and revalues property

The assessor must use appropriate tools, practices, and methodology to review and determine assessed values that reflect the current true and fair value of the property as of January 1 for each assessment year (with valuation date exceptions for new construction and mobile homes).

- All real property in this state subject to taxation shall be listed and assessed every year, with reference to its value on the first day of January of the year in which it is assessed (RCW 84.40.020).
- All property must be valued at one hundred percent of its true and fair value in money and assessed on that basis unless specifically provided otherwise by law (RCW 84.40.030).
- All taxable real property must be "revalued" annually and must be physically inspected at least once every six years (RCW 84.41.030).

Revaluation is generally interpreted as making a new valuation or appraisal. Another way to think of revaluation is the act of determining the value of a parcel a second time or subsequent to the initial listing and valuation. Though the word "revaluation" is not specifically defined in statute, "revaluation" is defined in board of equalization rules as "a change in value of property based upon an exercise of appraisal judgment" (WAC 458-14-005(19)).

The Washington Court of Appeals defined the "revaluation" as "a revised or new valuation or estimate" with reference to the definition in Webster's Dictionary (Legacy and Webster's).

> *Legacy Partners Riverpark Apartments Buildings A/B LLC; and Legacy Partners Riverpark Apartments Building E LLC, Delaware Limited Liability Corporations, Appellants v. King County Washington, a Municipal Corporation, Respondent. Court of Appeals of the State of Washington, Division One. No. 69073-6-I (September 3, 2013.)*
>
> *Webster's Third New International Dictionary 1942 (3d ed. 2002.)*

State law directs that each county assessor maintain an active and systematic program of revaluation on a continuous basis. All taxable real property must be "revalued" annually (RCW 84.41.030). The assessor meets the requirement to annually revalue property through the following actions:

- Physically inspecting and appraising property at least once every six years in accordance with a revaluation plan filed with and approved by the Department.
    - (Note: The International Association of Assessing Officials (IAAO) technical standards refer to "reappraisal", which is generally described as revaluing property using the updated characteristics gathered during an appraiser's physical inspection of the property.)
- During interval years between inspections applying appropriate statistical data to adjust the previous value to a current value.

Based on market data the assessed values of properties may change from year to year at different rates for different property types and locations. Uniformity in taxation is achieved when all parcels are accurately and consistently listed, and valued or revalued at the same level of market value.

Appropriate statistical data

During the intervals between each physical inspection of real property, the valuation of the property must be adjusted to its current true and fair value, based on appropriate statistical data (RCW 84.41.041). By rule (WAC), the Department must establish appropriate statistical methods for use by assessors in adjusting the valuation of property between physical inspections (RCW 84.41.090).

> Appropriate statistical data is defined as *"the data required to accurately adjust real property values and includes, but is not limited to, data reflecting costs of new construction and real property market trends."* (WAC 458-07-015(1))
>
> *"Appropriate statistical data shall be applied to revalue real property to current true and fair value using one or more of the following processes: (a) multiple or linear regression; (b) sales ratios; (c) physical inspection; (d) or any other appropriate statistical method that is recognized and accepted with respect to the appraisal of real property for purposes of taxation."* (WAC 458-07-015(3))

Some properties, such as those that are unique or non-homogeneous, may require additional valuation data and appraiser judgment.

Annual revaluation plan

A revaluation plan (plan) on record with the Department documents the assessor's plan to maintain an active and systematic program of revaluation on a continuous basis. Before 2014, some counties worked under plans that included schedules for multi-year/cyclical revaluation and physical inspections. As of January 1, 2014, all plans must provide for annual revaluation of all taxable real property and continue to include the cyclical schedule for physical inspection of property. The Department reviews the proposed plan to determine if it meets lawful requirements and can be successfully and timely completed. The Department is responsible for approving or disapproving proposed plans and will assist the assessor on changes to meet requirements of a plan. (RCW 84.41.030(1) and WAC 458-07-025)

Plans are due on March 1 of the last year of an active revaluation plan. The Department will send notification to counties that are in the last year of their current plan, along with pertinent WACs regarding revaluation plans, and a form for use in developing a new plan. Assessors are encouraged to provide any additional information that may help explain their plan.

Information to be included in a revaluation plan includes defined inspection areas, workloads, and resources, and other (Refer to WAC 458-07-025 for details).

Revaluation area versus inspection area

Sometimes there is confusion about the terms inspection area, revaluation area, and market area. Prior to 2014, some assessors completed revaluation under a cyclical or multi-year revaluation where the plan referred to revaluation or “reval” areas. It should be noted that the current plan documents the “inspection area” for each year of the plan by including descriptions of each area and maps. The assessor is required to physically inspect property at least once during a six-year period based on the inspection cycle identified in the county’s approved revaluation plan. A six-year revaluation plan will include six inspection areas with one area scheduled for completion each year. A four-year plan will include four inspection areas.

Revaluation area - Includes the entire county because each year every parcel is revalued, if market data indicates a change. A revaluation results in a change in assessed value based on a new appraisal or a statistical update using current market data.

Physical inspection area – Includes all the parcels located in a defined area that are scheduled for inspection according to a cyclical schedule outlined in the plan. The county does physical inspections of all the property in the county on a proportional basis in cycle. There should be approximately equal portions of taxable property of the county inspected each year.
Parcels in the inspection area will be inspected by an appraiser to observe and verify characteristic changes. (Exceptions to following the cyclical schedule will be discussed later in this chapter.)

During the year for inspection of an area the assessor/appraiser physically looks at the property and records or updates property characteristics, including condition.

> "Physical inspection means, at a minimum, an exterior observation of the property to determine whether there have been any changes in the physical characteristics that affect value. The property improvement record must be appropriately documented in accordance with the findings of the physical inspection.” (WAC 458-07-015) Please see 2021 legislative changes to RCW 84.41.041 on page 23 for additional information on property inspections.

Market area - Includes the parcels identified for modeling that are grouped geographically or by some other similarity because they are subject to the same market forces.

Developing a new revaluation plan – factors for consideration

1. Inspection areas should include current parcel counts to include segregations and merges that occurred during the old plan.

2. Inspection area boundary lines should be adjusted to evenly disperse workload to take into consideration:
    a. Areas that have grown. Do new neighborhoods need to be created or do neighborhoods need to be consolidated? (A neighborhood is a grouping of parcels for analysis and valuation modeling.) Do new neighborhoods affect workload in the inspection area?
    b. Areas that may have been difficult to complete in a cycle of the previous plan. Do some parcels need to be moved in order to balance workloads?
    c. Economic influences that might require parcels to be moved to a different inspection area. Did new businesses move into an area resulting in development and economic growth?
    d. Growth in certain property types, like increased commercial development. Do parcels need to be moved in order to account for increased difficulty (time) in performing inspections in an area?

Market areas do not necessarily correspond with inspection areas. As part of the revaluation plan, assessors must address the methods which will be used to value all of the parcels in the county, inspected and non-inspected parcels.

A thorough evaluation of the existing plan, changes in resources, and challenges that may be affecting timely completion of the plan will help the assessor determine whether to make changes from the previous plan. The ideal time for changes to a plan to better balance a county's growth and resources is during the development of a new plan.

Reasons for additional inspections outside of the cyclical schedule (exceptions)

Physical inspections of properties outside of the areas scheduled for physical inspection under the plan filed with the Department may be conducted for these purposes (WAC 458-07-015):

- New construction, remodeling, and additions to structures. The assessor may visit the property several times during construction to verify completion of the project.
- Validating sales. The assessor/appraiser may visit the property to verify property characteristics, condition of the property, and terms of the sale.
- Calibrating statistical models
- Valuing unique or non-homogeneous properties
- Subdividing property. The assessor/appraiser may visit the property to verify property characteristics and completion of the project.
- Administering appeals or taxpayer reviews

- Inspection of property that has been destroyed may be inspected by the assessor/appraiser to determine the effect on value.
- Reconciling inconsistent valuation results
- Documenting digital images
- Or for other purposes as necessary to maintain accurate property characteristics and uniform assessment practices (WAC 458-07-015).

Addressing valuation fairness and equity during intermittent inspections

Out-of-cycle physical inspections should be conducted in a manner that ensures fairness and equity between all properties. In a mass appraisal environment, more frequent inspections for the reasons listed in WAC 458-07-015 (4)(b) may increase consistency in listing property characteristics, accuracy of valuation models, and understanding of ratio studies.

However, the intermittent inspections can also create an appearance that the assessor is randomly changing property characteristics or increasing/decreasing value. It is important that all property, which meets criteria stated in rule "as necessary to maintain accurate property characteristics and uniform assessment practices" be reviewed and inspected in a similar manner. There should be no evidence or even the appearance of selectivity in the valuation process.

When working in a routine inspection area, there may be times when an appraiser will cross into different inspection areas to ensure greater consistency in how property characteristics are listed in property records between neighboring properties or between properties with a similar use.

- Example - Two similar properties are located on opposite sides of a street, but the parcels lie within two different inspection areas. Property A is in the scheduled inspection area, while Property B is a sale that lies outside the scheduled inspection area. Though Property B is located outside the scheduled inspection area, the appraiser may inspect the property to validate the sale (one of the reasons stated in WAC 458-07-015). Even though the "sale" property is outside the routine inspection area and there is the potential for an appearance of value or sales chasing, it is important to verify characteristics of property at the time of the sale for use in sales analysis.

County revaluation progress report

Each county assessor must prepare a detailed report of the progress made in the revaluation program in his or her county to the date of the report. The report must note any additions, corrections, or deviations from the revaluation plan during the last year. The Department provides the form that the assessor must complete and return to the Department before October 15 each year. (RCW 84.41.130 and WAC 458-07-025)

A second report form, *Statistics for Comparison Report,* is sent to assessors in February to gather updated information about budget, staffing, and workload completed after October 15.
The data from both reports is used to produce the *Comparison of County Assessor Statistics* report, which is published annually.

Incomplete inspection and valuation

If the assessor fails to complete all of the inspections required in their revaluation plan, the incomplete inspections must be completed in the next year prior to beginning any inspections in another area. The assessor is required to notify the Department that they will not be able to complete their inspections and outline any other problems that could limit the implementation and successful completion of their revaluation plan. The assessor must submit a request for approval to the Department for changes to inspection areas, or other potential changes to the plan, prior to implementation of the changes. All areas in the county must be physically inspected within the cycle outlined in the revaluation plan on file with the Department. (WAC 458-07-015)

PART 2 LISTING PROPERTY

Requirements for listing and valuation of property

All real property in this state subject to taxation must be listed and assessed every year, with reference to its value on the first day of January of the year in which is assessed (RCW 84.40.020).

The assessor is required to maintain a list of all real property including all land or lots subject to taxation. The list should contain:

- Parcel number
- Description (by legal description that includes subdivision or partial metes and bounds designated by a tax number (parcel number) and owner name
- Number of acres and lots or parts of lots included in each description of property
- Value of land
- Value of improvements
- Total value of land and improvements
- Where assessed valuations are changed, the equalized (BOE) valuation must be shown

The assessor must maintain a complete set of maps drawn to indicate parcel configuration for lands in the county. The assessor must continually update the maps to reflect transfers, conveyances, acquisitions, or any other transaction or event that changes the boundaries of any parcel and must renumber the parcels or prepare new map pages for any portion of the maps to show combinations or divisions of parcels (RCW 84.40.160).

The assessor must determine “as nearly as practicable” the true and fair value (market value) of each tract, or lot of land, and of improvements on the land (RCW 84.40.040).

Preliminary work for assessment should begin by December 1 each year (RCW 84.40.040). The assessor is responsible for listing and placing values on all property by May 31 of each year except the listing and valuation of new construction and mobile homes must be completed by August 31 of each year (RCW 36.21.080 and 36.21.090).

Assessment roll

The assessment roll is the record which contains the assessed values of real and personal property in the county (WAC 458-14-005 BOE Chapter).

A 2006 Superior Court decision, *Radius Management v. Yakima County (2006)*, outlined what information constitutes the assessment roll. This includes:

- Parcel number
- Value of parcel as of January 1
- Owner name
- Address of property owner

The Superior Court concluded that as long as the assessor maintains the information required of RCW 84.40.020 and 84.40.160, regardless of format, and those records are available for public inspection during normal business hours of the assessor's office, the county is in compliance with those statutes.

- Property listing and all supporting documents and records shall be open to public inspection during the regular office hours of the assessors' office (RCW 84.40.020).
- Confidential income data is exempted from public inspection (RCW 42.56.070).

Exempt property

All property now existing, or that is hereafter created or brought into this state, is subject to assessment and taxation for state, county, and other taxing district purposes, upon equalized valuations thereof, fixed with reference to the value on the first day of January at twelve o'clock meridian in each year, excepting such as is exempted from taxation by law (RCW 84.36.005).

Exempted from taxation by law includes:

- Property owned exclusively by government (publically owned) (RCW 84.36.010).
- Other specific properties and ownerships as described in RCW 84.36.010 including community centers, certain properties owned by foreign nationals, and others.
- Property belonging exclusively to any federally recognized Indian tribe, if the tribe is located in the state, and the property is used exclusively for essential government services.
- Non-publically owned property such as qualifying property owned and used by non-profits (RCW 84.36).
- Other specifically exempted property not listed above.

The assessor must value and list exempt property every year following the same methods as for property that is subject to taxation (RCW 84.40.175 and 84.40.178). The valuation requirements do not apply to publicly owned property exempt from taxation under provisions of RCW 84.36.010.

Publicly owned (government) property

Publicly owned properties are exempt from property tax based on ownership, regardless of the use of the property. Publicly owned properties include those owned by the federal government, the state, counties, cities, and municipal corporations.

In an effort to aid assessors in gaining more efficiency in their work, a 2014 legislative change to RCW 84.40.175 added that the valuation requirement no longer applied to publicly owned property exempt from taxation under RCW 84.36.010.

When the publicly owned property is no longer exempt because of a sale or change in use, the assessor is required to resume valuing and listing the property as of the January 1 assessment date for the year of the change in status (RCW 84.40.175).

For example, if publicly owned property is sold April 5, 2020, the assessor is required to value the property as of January 1, 2020. The new owner is then billed using the current levy rate as though the property had been valued and assessed the previous assessment year. If the property loses its exempt status before April 1, the deadline for payment of the tax is April 30. If the property loses its exempt status between April 1 and October 1, the deadline for payment of the taxes is October 31.

Counties should consider whether or not they carry any value on their assessment roll for these parcels or place a zero value on them until such time as a revaluation is necessary due to loss of exempt status. For example, if a corporation intended to purchase a property that was currently a government exempt parcel and saw an assessed value listed on that parcel on the county website, this may cause confusion. The intended purchaser may think that this is the value that would be used to calculate property taxes for the year of the purchase when, in fact, the county would be revaluing the property at the time of the sale as of January 1 of that year.

Once the assessor resumes valuing and listing the property, the owner or person responsible for payment of the property tax has the right to appeal the value to the county board of equalization (RCW 84.40.038).

Future updates to this manual may include listing and valuation of:

- Other specific properties and ownerships as described in RCW 84.36.010.
- Property belonging exclusively to any federally recognized Indian tribe, if the tribe is located in the state, and the property is used exclusively for essential government services (RCW 84.36.010 and 84.36.012).
- Non-publicly owned property such as qualifying property owned and used by nonprofits (RCW 84.36). The assessor must value, list, and provide taxpayers with notices of change in value for these properties (RCW 84.36.010).
- Exempt residential property (RCW 84.40.178 and RCW 84.36.381).

Subdivisions, segregations and merges

The assessor should create and list new parcels as promptly as possible so the valuation notices and tax statements can be sent to the appropriate property owners. Whether the assessor creates and lists the new parcels before or after the “closing of the assessment roll” (the date the roll is certified to the county board of equalization) will determine if the new parcels are listed at a new true and fair market value or an allocated value of the parent parcel.

When real property is divided or combined in accordance with chapter 58.17 RCW regarding plats and subdivisions, the assessor must determine the true and fair value of each lot and assess each lot on that basis, unless provided otherwise by law.

- Subdivision means a division of land into two or more lots.
- The assessor must establish the value by October 30 of the year following the recording of the plat, replat, or altered plat.
- The value of the lot should be as of January 1 of the year the original parcel was last revalued.
- The division of land into two or more lots requires all current year and delinquent taxes on the entire tract paid in full per RCWs 58.17.160 and 58.08.030, except when the property is being acquired for public use.
- Current year taxes are those that are collectible subsequent to completing the tax roll for the current year collection (RCW 84.56.010).

Additionally, WAC 458-07-035 provides:

- Each lot of the subdivision that is valued on or before May 31, or the closing of the assessment roll, whichever is later, must be placed on the roll for that assessment year.
- Each lot of a subdivision that is valued after May 31, or the closing of the assessment roll, whichever is later, must be placed on the roll for the next assessment year.

The closing of the assessment roll is the point in time when the assessor certifies assessed values to county board of equalization. Parcels created before the closing of the current assessment roll are listed at market value. Parcels created after closing the roll are listed using allocated values for the current year, which allows the assessor to list new parcels while maintaining certified values for other functions, such as calculation of levies.

For further information, see Property Tax Special Notice, *Adding New Value to the Assessment Rolls (November 27, 2017 last update)*, listed under Resources below.

Example: A plat is recorded in 2018:

<u>If the assessor creates and lists the new parcels **before closing** of the 2018 assessment roll:</u>

- For Assessment Year 2018, value the child parcels at market value.
    - Taxes payable in 2019 are calculated based on the market value.

<u>If the assessor creates and lists the new parcels **after closing** of the 2018 assessment roll:</u>

- For assessment year 2018, value the child parcels at a mathematical split or other appropriate allocation of the parent parcel’s market value for assessment year 2018.
    - Taxes payable in 2019 are calculated based on the allocated value.

- For assessment year 2019, establish the market value of the child parcels.
    - Taxes payable in 2020 are based on the market value.

NOTE: Example applies in subsequent assessment years when the assessor creates and lists new parcels **before or after** closing of the assessment roll for that year.

The assessor must track the new value added to the assessment roll as “improvements to property.” This is the difference between the market value of the original parent parcel and the combined market values of the newly created child parcels. The difference in market value is the “improvement” value used in the levy calculation as provided in chapter 84.55 RCW. Tracking new value is addressed as a separate part in the manual.

Personal property

Personal property should be listed alphabetically by owner’s name by April 1 each year. Valuations should be completed by May 31. The owner is required to provide a list of their personal property on a Department approved form that includes the year of acquisition and total original cost in each category. Improvements on publicly owned land may be listed in the same manner as real property, even though the valuation is included as personal property (RCW 84.40.040). For further information please refer to the Personal Property Procedure Manual.

Omitted property and omitted value

Each year the assessor should add any real or personal property value that has been omitted from the assessment roll in any preceding year (RCW 84.40.080 and WAC 458-12-050). This includes both pre-existing property and new property that was omitted from the assessment roll. Requirements are:

- The value should be based on the value that should have been added in the previous year.
- No omitted property may be added going back more than three years from the date of discovery.
- No omitted property may be added if a purchaser, encumbrancer, or contract buyer has acquired any interest in the property prior to discovery of the omitted property.
- Taxes for omitted property should be paid within one year of the due date of the taxes for the year it is assessed. No penalty or interest will be assessed. (RCW 84.40.080)

Resources
Property Tax Special Notice: *Changes in the statute to create greater efficiency for assessors by eliminating the requirement to annually appraise tax-exempt government properties*

Personal Property Manual

Radius Management LLC v. Yakima County, 2006

AGO 2019, No. 3 – Listings of taxable property as lists of names of individuals requested for a commercial purpose.

Property Tax Special Notice *Adding New Value to the Assessment Rolls (November 27, 2017 last update)*

PART 3 PROPERTY INSPECTION

The purpose of a physical inspection of property is to update the parcel information in the assessor's record so that it is as current and accurate as possible.

Inspection of property is conducted:

- Within the inspection area - Most property inspections are conducted according to the yearly schedule in the assessor's annual revaluation plan. Most jurisdictions in Washington inspect each parcel in the county once every six years. A few counties update their property data more frequently on a four year cycle (RCW 84.41.041).
- Outside the current inspection area - The assessor may conduct more frequent inspections for specific reasons (WAC 458-07-015). Reasons for inspections outside the scheduled inspection area is addressed in later pages of this section.

Inspections improve data accuracy
Accurate property tax assessments depend on accurate data. Assessment data consists of property data and market data. Property data relates to location, land and building characteristic information. Market data include sales, income data, and cost information. The necessity for accurate data makes the inspection of real property very important for those who are trying to maintain equity and uniformity within their jurisdictions, as well as to build and maintain accurate valuation models. Some ways to improve data accuracy include:

- Taking photos
- Training appraisers on good inspection methods and emphasizing the importance of inspections
- Encouraging taxpayers to notify the assessor's office of inaccuracies in their record
- Pre-sketching new buildings from plans, if possible, and then verifying when onsite
- Instituting supervisor or peer review of property inspection data
- Coding parcels to include DOR land use code, highest and best use, inspection area, and market area or neighborhood so that these stratifications are accessible for use in internal ratio studies
- Exposing appraisal staff to different inspection areas in order to get a "fresh set of eyes" on the data periodically
- Encouraging appraisers to correct errors (ex. quality grades, incorrect coding) regardless of whether there may be a significant effect on value or workload
- Doing an annual office review of the market prior to starting revaluation inspections so appraisal staff can discuss and debate individual opinions on things such as quality grading, condition, effective age, and current building styles

Property inspection and mass appraisal

Mass appraisal valuation models are built using both property and market data. For these models to produce accurate valuations, data must be accurate. Mass appraisal uses computerized statistical tools to develop assessed valuations for groups of property with similar characteristics. The ability to obtain good, accurate valuation depends on having accurate data to analyze.

The International Association of Assessing Officers (IAAO) suggests that all data used in mass appraisal should meet the following criteria:

- Data must be accurate enough to produce reasonable values when used in the mass appraisal modeling process. As a general rule, the number of sales should be at least five times (15 times is desirable) the number of independent variables. Gloudemans, Robert, *Mass Appraisal of Real Property*, (Kansas City, MO: International Association of Assessing Officers (IAAO), 1999), 127. An independent variable is usually the property characteristic you are trying to determine the value of in your model.
- Sales data must reflect, as nearly as possible, the conditions and characteristics, which existed at the time of the sale. Assessors may consider five years of sales as part of their analysis. Older sales should be adjusted for time in order to reflect the current market (WAC 458-07-015).
- Subjective data must be consistent across the population of properties to be valued using a mass appraisal model. Examples would include quality, physical condition, and effective age.
- Accurate property characteristic data is essential to model quality. Ideally, assessors should verify data through a field audit and it should be correct 95 percent of the time.

2021 Legislative changes to RCW 84.41.041

EHB 1271 amends multiple statutes in order to ensure the continuity of operations in county elected officials’ offices during the COVID-19 pandemic and future public health crises. This bill amended RCW 84.41.041 to allow county assessors to review real property characteristics using recommendations included in International Association of Assessing Officers’s (IAAO) Standards. IAAO recommendations include the use of digital imagery tools to supplement the physical inspection of property.

- The IAAO’s *Standard on Mass Appraisal of Real Property* (3.3.4) states that on-site verification of property characteristics should be done every four to six years and include a remeasurement of the two most complex sides of improvements and a walk around the improvements to identify additions and deletions. In addition to the regular inspection cycle, on-site physical inspections must be performed to inspect changes to parcels including new construction, new parcels, remodeling, demolition and destruction (destroyed property).

- This change does not eliminate the requirement for every taxable real property parcel in a county to be physically inspected. Under both RCW 84.41.030 and 84.41.041(as amended by EHB 1271) a physical inspection of real property is required at least once every six years and in accordance with the county revaluation plan on file with the Department of Revenue (DOR).
- Recommendations for on-site inspections and using digital imagery tools as a supplement to physical inspection. The IAAO's *Standard on Mass Appraisal of Real Property* (3.3.5) suggests that imaging tools should include the following:

  - High-resolution street-view images (at a sub-inch pixel resolution that enables quality grade and physical condition to be verified)
  - Orthophoto images (minimum 6-inch pixel resolution in urban/suburban and 12-inch resolution in rural areas, updated every 2 years in rapid-growth areas or 6–10 years in slow-growth areas)
  - Low-level oblique images capable of being used for measurement verification (four cardinal directions, minimum 6-inch pixel resolution in urban/suburban and 12-inch pixel resolution in rural areas, updated every 2 years in rapid-growth areas or 6–10 years in slow-growth areas).I
  - These tool sets may incorporate change detection techniques that compare building dimension data (footprints) in the CAMA system to georeferenced imagery or remote sensing data from sources (such as LiDAR [light detection and ranging]) and identify potential CAMA sketch discrepancies for further investigation. Assessment jurisdictions and oversight agencies must ensure that images meet expected quality standards.

Authorization for inspection

The assessor or his/her representative is both required and authorized to inspect property for assessment purposes. An appraisal based on fair market value determines the assessed value for the purpose of property tax. Fair market value is determined based on comparisons with similar properties. The comparisons may be based on construction cost data, the property's ability to produce rental income, and real estate market transactions. These comparisons are most fair and equitable when they are based on property characteristics that are accurately recorded in the assessor's office.

All property in each county is subject to visitation, investigation, examination, discovery, and listing at any reasonable time by the assessor or designated employee of the assessor. When a taxpayer denies access, the assessor may request assistance from the Department (RCW 84.40.025). However, in practice, most assessors have internal policies in place to handle situations when the taxpayer denies access.

When physical inspection is not possible or allowed by the property owner, the assessor may:

- Leave a business card requesting phone contact to verify characteristics or obtain access.
- Send a letter requesting an appointment to inspect the property.
- Use data on hand to update the valuation using such tools as aerial photography, GIS, building plans, mass appraisal techniques, or estimation based on available data.

Property inspections provide the assessor/appraiser with critical information on the quality and condition of buildings, producing capacity of land, characteristics of land and negative impacts on property value. Because accurate characteristic and neighborhood data is so important for mass appraisal and accurate valuations, it is in the best interest of the taxpayer to have accurate information on file with the assessor's office. The taxpayer has an opportunity to correct estimated or incorrect information by contacting the assessor's office for an inspection or by filingan appeal with the county board of equalization.

Requirements of a physical inspection

A physical inspection means, at a minimum, an exterior observation of the property to determine changes in the physical characteristics that affect value. Documentation of the physical inspection is very important. In Washington, all real property is revalued at its current true and fair value each year using appropriate statistical data and the assessor must physically inspect all real property at least once within a six-year time period (WAC 458-07-015(4)(a)). While it is not required that taxpayers allow assessors to do an interior inspection, there may be instances where an interior inspection is needed in order to obtain accurate information (ex. to measure interior open spaces).

Inspections outside of a scheduled inspection area

Inspections outside of the physical inspection area outlined in the county revaluation plan may be performed for the following reasons (WAC 458-07-015). The scope of the property inspections varies depending on the reason for the inspection.

- Validating Sales – Current sales are inspected to verify parcel information and verify the characteristics of the parcel at the time of the sale.

- Reconciling inconsistent valuation results – Both reconciling inconsistent valuation results and calibrating statistical models are special studies done to improve mass appraisal valuations. Statistical analysis of an area or type of property may indicate needed adjustments in the valuation model to improve statistical results. These types of inspections may be analyzing such things as consistency of the quality grading of homes in a neighborhood or the correct application of adjustments to land characteristics. These studies help determine the variables and coefficients in the mass appraisal model. Special studies help determine where adjustments may need to be made, what characteristics are the contributors to value, and/or what the adjustment dollar amount or percentage should be.

- Calibrating statistical models - See comments above
- Valuing unique or non-homogenous properties - Sometimes there are unique and/or custom improvements that cannot be valued within a mass appraisal model. These properties may require an inspection of the unique characteristics and an individualized valuation, possible using the cost approach.
- Administering appeals or taxpayer reviews - Issues presented by a taxpayer informally or in an appeal petition may require an inspection of the property. Inspecting the property can help clarify the issues the taxpayer has presented. These inquiries might refer to incorrect property characteristics, such as the size of unfinished areas or condition issues. This is an excellent time to verify interior and exterior features. Some jurisdictions make it a policy to do a thorough inspection in these circumstances in order to verify not only the subject of the appeal or inquiry, but all parcel information. This practice prevents taxpayers from filing an appeal on an issue that may negatively affect their property value, while not allowing the assessor to make a full inspection of the property to identify other items that might have a positive impact on their value, such as finished areas that were previously unfinished.
- Documenting digital images – This inspection is done to maintain photo records of parcels. These are especially helpful in identifying new construction, comparable sales used in valuing a property, and for appeals.
- For other purposes, as necessary, to maintain accurate property characteristics and uniform assessment practices.
    - New Construction – A building permit usually prompts the assessor to inspect a parcel with new construction.
    - New Subdivision Plats – The segregation process creates potential new construction value. This inspection captures land characteristics as well as site improvements such as water, sewer, and neighborhood features such as paving and streetlights. (RCW 84.40.042)
    - Destroyed Property – When property owners remove improvements from their property or improvements are involuntarily destroyed by a fire or a natural disaster, the property should be inspected. It is important to note the extent of destruction and retain the value of any remaining improvements. (RCW 84.70.010) Please see Chapter 10 on Destroyed Property for further details.

The extent of an inspection depends on what the appraiser is trying to discover. However, a detailed procedure should be established for systematic revaluation inspections. This ensures that all property owners are treated the same and that all characteristics pertaining to the parcel are reviewed so that items are not missed.

Things to review prior to an inspection

- Maps
- GIS parcel layers such as wetlands and topography
- Current property record and previous inspection records, such as:
    a. Sales or appeal history
    b. Valuation data
    c. Income/expense data
    d. Sketches
    e. Site and building characteristics
    f. Photos
    g. Aerial imagery
    h. Neighborhood market information
    i. Quality and condition grading of similar properties

- Policies and procedures regarding inspections, which should include the steps required when doing an inspection. This should include:
    a. What structures should be photographed
    b. What structures should be measured
    c. Whether measuring is only required if a change is noted
    d. What land characteristics need to be added or updated
    e. What interior characteristics need to be updated/corrected, if possible

Measuring an improvement

The building's exterior is measured to calculate Gross Living Area. (GLA). Gross Living Area is the total area of finished, residential space excluding unheated areas such as porches and balconies. It is the standard measure for determining the amount of space in residential properties.

Figure 1

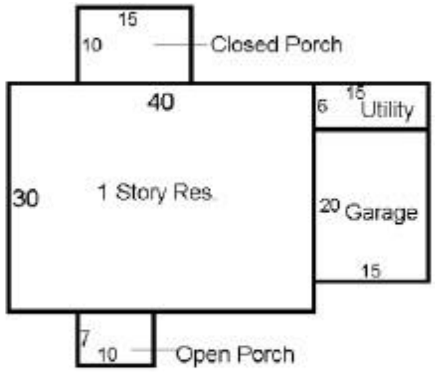

Figure 1 shows a typical sketch for a one-story home.

The exterior area calculations for this home are:

Gross Living Area (GLA) 30’ x 40’ = 1,200 ⍁

Closed Porch 10’ x 15’ = 150 ⍁

Utility 6’ x 15’ = 90 ⍁

Garage 15’ x 20’ = 300 ⍁

Open Porch 7’ x 10’ = 70 ⍁

⍁ = square feet

While measuring the structure the appraiser sketches a diagram and inventories all pertinent construction data. The appraiser determines or confirms the building type, construction grade, and an estimate of its physical condition. One walk around the building may be adequate to note some descriptive items. A second tour, while measuring the building, often improves the descriptions’ quality. An inspection checklist may assist the appraiser with observing and recording significant features consistently and uniformly.

External observations begin during the approach to the property. The building configuration, roof design and material, exterior wall materials, window quantity and quality, general design complexity, and exterior condition all give the appraiser a general first impression of the building’s construction quality. Its appearance identifies the house as conforming or departing from the general neighborhood pattern. Then as the appraiser moves from the exterior to the interior inspection, if performed, more detail can be observed.

Documenting inspections

As mentioned earlier, the law requires, at a minimum, an exterior observation of the property to determine any changes in the physical characteristics that affect value. Some counties have policies that require only a visual inspection of the property and some require a full measurement and photograph of all improvements. There are counties that require something in between these two levels of inspection. The purpose of the inspection and whether the property data is current determines the scope of the inspection.

In order to provide an accurate record, it is important to document the purpose and scope of each inspection and the inspection date. This provides a history that others may refer to in the future when performing a subsequent inspection, putting together an appeal response, or talking to the property owner.

Manuals and training

It is important that appraisers are aware of what the minimum requirement is for a particular inspection, especially revaluation inspections. In order to have consistency between appraisers, documenting the inspection process is important so that expectations are known and consistency among appraisers is achieved. A uniform inspection process is the basis for having good property record data and therefore good mass appraisal valuation. Examples of data standards manuals are available on request from the Department.

PART 4 NEW CONSTRUCTION

The assessor's office is required to add increases in value due to construction or alteration by its true and fair market value. This applies to improvements for which a permit was or should have been issued. This value should be added to the assessment roll by August 31 each year. The assessed value should be determined as of July 31 of that year, regardless of the percentage of completion (RCW 36.21.080 and WAC 458.12.342).

New construction refers only to real property and improvements on leased land. Examples of new construction include:

1. New residential, commercial, or industrial buildings and related structures and fixtures.
2. Square footage added to existing structures, whether vertical or horizontal.
3. Completing previously unfinished improvement areas such as basements, attics, and garages.
4. In-ground swimming pools and spas.
5. Porches and patios.
6. Converting a warehouse into a restaurant or office space.
7. Incorporating additional improvements such as new interior partitions, walls, ceilings, lighting, restrooms, doors, floor coverings, windows, and wall coverings.
8. Replacement items, such as HVAC systems or re-roofs, may add additional value or just be considered normal maintenance items.

New construction as of July 31

It is important to remember that counties should not develop a minimum percentage of completion needed before new construction is added to the assessment roll. This does not meet the requirement that new construction be added regardless of percentage of completion. The New Construction Percent Complete form, is a tool that is useful for appraisers to determine how much new construction exists. By following this guideline, new construction improvements can be reflected from the start of construction. If the improvements observed are to the land only, such as dirt work, well, and/or septic systems, cost estimates can be obtained for those items and used for the estimate of improvement value. The Percentage Complete form also estimates a percentage of completion for land improvements. Some CAMA systems may require adding the entire improvement, based on plans or measurements and then estimating the percentage of completion.

Permit requirements

Local jurisdictions within a county are required to provide permits to the assessor (RCW 19.27.140). This includes only permits that are obtained under the state building code and have a total cost or fair market value over $500. The permit must contain the parcel number. Because there is no specified time for transmittal, it is important that the assessor's office create a tracking system in order to ensure that all applicable permits are received.

After receiving a building permit, the assessor has 12 months from the date of the issuance of the permit to make a physical appraisal of the building or buildings covered by the permit. The assessor will add and/or update the parcel record to reflect new improvements. The assessor should record all new construction regardless of whether the builder or owner obtained a permit.

If construction is not started or not completed, the assessor should schedule follow up inspections. When new construction continues after July 31 of any year, the additional new construction would be added to the assessment roll in the following year. In some instances, the issue date of the permit and the valuation date of July 31 may result in an inspection period of less than 12 months or even several months past 12 months (RCW 36.21.070 and WAC 458-12-342).

If a permit has not been issued, but should have been, the assessor is still required to discover and list new property within 12 months. It is important for the assessor to find out why they did not receive the permit from the jurisdiction who issued it. The assessor should have a process in place to make sure permits are timely transmitted by each issuing jurisdiction, and have internal procedures to track each permit until construction is complete and listed on the assessment roll.

1. In some instances, the owner may not have obtained a permit. Unpermitted new construction can be challenging for an assessor to discover. It is important for field appraisers to watch for potential unpermitted new construction when doing field inspections. It is possible that unpermitted new construction would not be discovered during the assessment year the construction was completed. In this situation, the "missed new construction" should be listed on the assessment roll and treated as omitted property rather than as new construction. Refer to WAC 458-12-050 for criteria and examples of how to list omitted property.

Inspecting new construction

Guidelines for inspecting new construction include:

- Developing a plan to inspect new construction throughout the year to ensure that it inspection within one year from date of permit issue.
- Developing a plan to discover new construction that is not permitted.
- Using both plans and physical measurements to make sure the improvement is added as accurately as possible. The characteristics that are added during the new construction,

especially interior characteristics, will be the basis for valuation throughout the life of the improvement, so it is important to be accurate.

- Use plans to make an initial drawing in the office, if possible, and then measure on site to verify the plan measurements and characteristics.
- Perform detailed inspection of the interior and exterior in order to note features, construction quality, and open interior areas.
    - Measure interior open spaces
    - Record the number of plumbing fixtures/bathrooms
    - Observe interior finish material quality
    - Review site characteristics such as view
- Using percent complete tables to estimate the stage of construction as of July 31.
- Noting new construction value in the CAMA system so it is available for reports and levy work.

Planning inspection work

The assessor should develop a plan to inspect new construction. It is important to organize inspections to make sure the first inspection of a parcel with a permit is within the 12 month requirement. There may also be a need for a second inspection to verify percentage of completion as of the new construction lien date of July 31. Some counties may have access to the counties permitting system and can determine what phase of construction the improvement is in and time their inspections accordingly.

The assessor should also develop a procedure for discovering unpermitted improvements. Most of the time, unpermitted improvements will be found by appraisers out in the field, reported by neighbors, or discovered through the appeal process.

Verifying new construction

It is important to review all parcels that have a permit before valuation notices are sent to insure that any new value has been added to the assessment roll. Vacant lots from the previous year should be checked to see which ones now have improvements on them. Running a query that shows all parcels with a percent change in value that is over 15-30 percent might be a good way to double check the new construction parcels.

Notice to taxpayer of change in assessed value

The assessor must notify the owner or person responsible for payment of taxes of the new construction value. The taxpayer has 30 days from the mailing of the value notice or up to 60 days if the county has a longer time period, to appeal the valuation to the county board of equalization. After new construction is assessed, the owner or person responsible for payment of taxes, must be notified of the new construction value (RCW 84.04.090, WAC 458-12-010 and WAC 458-12-342).

Resources

Special Notice: *Building Permits in Relation to Adding Value of New Construction*

PART 5 TRACKING NEW PROPERTY VALUE FOR LEVY CALCULATIONS

Tracking the value of new property is important because adding that value to the assessment roll increases the tax base and highest lawful levy for the county and taxing districts. The focus of this section is on tracking the increase in assessed value – using the tracked value in levy calculations is beyond the scope of this manual.

Taxing districts will receive an increase in property tax revenue when there is an increase in assessed value of the district attributable to:

1. New construction – The construction or alteration of any property for which a building permit was or should have been issued, which results in an increase in the value of the property (WAC458-19-005 (2)(p).
2. Improvements to Property – Any valuable change or addition to property, including the subdivision, segregation, and merging of real property parcels (WAC 458-19-005 (2)(i)).
3. Increase in the assessed value of state-assessed property.
4. Increases in assessed value due to construction of wind turbines, solar, biomass, and geothermal facilities, if such facilities generate electricity and the property is not included elsewhere under this section for purposes of providing an additional dollar amount. The property may be classified as real or personal property. (RCW 84.55.010 and WAC 458-19-020).

Because the value from the preceding list is outside the 101 percent levy limit, when and how this value is added to the assessment roll is extremely important. Incorrect tracking of value for new real property could understate or overstate the value amount used in levy calculations. Capturing these values correctly requires an understanding of the criteria for classification as new construction and improvements to property.

Each county should develop procedures for how appraisers are to identify and track the dollar amount attributable to new construction and improvements to property in each district for later use in determining the highest lawful levy for each district. The value of omitted property is not included when calculating the highest lawful levy amount.

New construction

The value of completed new construction must be placed on the assessment roll within the same assessment year to be included in the calculation for a taxing district's highest lawful levy limit.

- **Current Assessment Year** - The assessed value of new construction **completed as of July 31** that is listed on the assessment roll by the end of the current assessment year, is included in the current year calculation of the highest lawful levy limit. For example, if a county has not completed listing new construction by August 31 and they continue to list new construction between August 31 and the date of new construction certification, that value would be considered new construction for the current assessment year.

- **Next Assessment Year** - In instances when new construction **continues after July 31** of any year, the increase in value of the property, due to the new construction that occurs between August 1 of that year through July 31 of the following year, is added to the assessment roll as “new construction” in the following year and used in calculation of the highest lawful levy limit for that year. (WAC 458-12-342).

New construction value should be flagged in the CAMA system so that it is added to the assessment roll as new construction for the appropriate year. If new construction completed in the current year is missed and not listed on the assessment roll under either of the above listed scenarios, then the value may not be considered new construction and used in calculation of the highest lawful levy limit for the current or future assessment years.

Refer to preceding section on new construction.

Improvements to property

Improvements to property is defined as any valuable change in or addition to real property, including the subdivision or segregation of parcels of real property or the merger of parcels of real property. This is generally a levy term to classify and track new property and new value for use in levy calculations (RCW 84.55.010 and WAC 458-19-020).

Improvements to property is not the same as new construction. It is defined as a “valuable change in or addition to real property” and would include new construction, however, it includes other types of new value that is not captured as new construction. Pre-existing property with an increase in market value is not new property or new value.

Examples of improvements to property include:

- New value from subdivision, segregations and merges of real property
- New value resulting from improvements to land such as well or city water, septic or sewer, power, etc.
- New subdivision infrastructure. Altering vacant land for the purpose of establishing a residential, commercial, or industrial development (ex. landfill or land grading)
- Off-site infrastructure improvements such as utilities and sewers
- New value resulting from new plantings of trees or vines
- Machinery and equipment classed as real property

Improvements to property should be listed by May 31 and valued as of January 1 at 100 percent of true and fair market value, while taking into consideration the percentage of completion as of that date.

Increases in the value of state-assessed property

The Department determines the true and fair market value of the operating property owned by companies that operate in the state. They also allocate the amount of value that is located in each county so that property taxes can be calculated. These companies include:

- Railroads
- Telegraphs
- Pipe lines
- Telephones
- Electric light and power
- Gas
- Airlines

The increase in the value of state-assessed property is included as a component when calculating the highest lawful levy for a district (see the Department's Levy Manual).

Increase in value due to construction of facilities that generate electricity

The increase in value from facilities that generate electricity should be tracked by appraisers. This includes increases in value due to construction of:

- Wind turbine facilities
- Solar facilities
- Biomass facilities
- Geothermal facilities

Increase in value due to construction of facilities that generate electricity should be listed by May 31 and valued as of January 1 at 100 percent of true and fair value taking into consideration the percentage of completion as of that date. The increase in value is included as a component when calculating the highest lawful levy for a district (see the Department's Levy Manual).

Levy process

Increases in assessed values from new construction and improvements to property is a component used in the levy process. The increase in value attributable to new property is used by the assessor in calculating the levy for each taxing district. The Department uses the increase in new property in calculating the state school levy as well (WAC 458-19-020).

Resources
Special Notice - *Adding New Value to the Assessment Roll*

Special Notice – *Eliminating the Collection of Anticipated Taxes and Assessments*

Chapter 58.17 RCW Plats and Subdivisions

PART 6 CHANGE OF VALUE NOTICES

Notice of change in value (COV) for real property

Change in value notices must be mailed to the taxpayer within 30 days of the completed appraisal, except that no notices may be sent between January 15 and February 15 of each year. If the true and fair value has not changed, a notice to taxpayers is not required (see WAC 458-14-056(3)(g)) for appeal implications). The failure to provide a timely COV notice does not invalidate the assessment as long as all real property subject to taxation is listed and assessed every year at its value as of January 1 of the assessment year. The COV notice is to be sent to the taxpayer, which means the person charged or whose property is charged, with property tax and whose name appears on the most recent tax roll or that has been provided to the assessor (RCW 84.40.045 and WAC 458-12-360).

COV notice requirements

The COV notice must contain:

- The name and address of the taxpayer
- A description of the real property that is the subject of the revaluation notice
- The previous and new true and fair values, stating separately land and improvement values
- A statement that the assessed value is one hundred percent of the true and fair value
- If the property is classified under current use, the previous and new current use value of the property, stating separately land and improvement values
- A statement informing taxpayers how to get additional information on how their property was valued for tax purposes and how their property taxes will be determined
- A statement that land used for farm and agricultural purposes, to preserve open space, or for the commercial growth and harvesting of forest crops, may be eligible for assessment based on the land's current use rather than its highest and best use. This statement must also provide information on the method of making application and the availability of additional information on the current use classifications.
- A statement informing taxpayers they may be eligible to receive a property tax exemption if:
  - They own and live in a residence in the county, including a mobile home;
  - Are now or will be 61 years of age by December 31 of the current year, are retired because of a physical disability, or is a veteran of the armed forces of the United States entitled to and receiving compensation from the United States Department of Veterans Affairs at a total disability rating for a service-connected disability; and
  - Their combined disposable income is under the limits provided in RCW 84.36.381.

Suggested information for COV notice

It may be helpful for taxpayers if the COV notice includes the following suggested information:

- Information on the senior or disabled person deferral program
- Information on how to file an appeal to the county board of equalization (WAC 458-12-360)
- Information on the review period to discuss the value with an appraiser

After the assessor sends out COV notices, there is usually a review period of time when taxpayers may contact the assessor's office about their new property value. This contact provides the taxpayer with an opportunity to have their property reviewed and the value changed, if necessary. The review period begins at the time COV notices are mailed and ends before the assessor certifies the assessment roll to the county board of equalization (BOE). Taxpayers are provided a 30 or 60 day period, depending on the county, to submit a petition to the BOE to appeal the assessed value.

The certification of values to the BOE signifies the assessor confirming that all property is listed and assessed values represent true and fair market value. It is notification to the BOE that they can begin equalization and hold hearings using the certified values as the basis for their work.

After the appeal period has ended, changes to the assessed value are done only by the BOE, with some exceptions. The assessor should be making no more changes to the assessment roll, unless there are errors or incorrect objective characteristics that need correction.

PART 7 CERTIFICATION OF VALUES

After the assessor has completed revaluation work for the year, including inspecting and revaluing parcels as scheduled in the county revaluation plan the assessor certifies the assessment roll to the county board of equalization. The assessment roll provides the permanent record of the listing and assessment of all real property subject to taxation for the current assessment year, as of that point in time. The total assessed value by categories are listed and filed on the form provided by the Department called “Assessor’s Certificate of Assessment Rolls.”

The assessor may use one form that includes real property and personal property or separate forms for real property and personal property.

For real property, the categories include the assessed values for:

- Forest Land
- Current Use Land
- Improvement Value on Current Use Land
- Taxable Senior Freeze Property
- Real Property

Personal property assessed value is reported as a total value only.

The assessor must complete certification of assessment rolls for real and personal property to the (BOE) on or before July 15 or on August 15 if the county legislative authority has extended the petition filing time limit from 30 to up to 60 days (RCW 84.40.038(1)(d)). The assessor must provide a copy of the certificate to the Department on or before July 15 for ratio study purposes (WAC 458-53-135).

What the assessor’s certification of values indicates:

- Inspections and valuations in the inspection area have been completed.
- Valuations in the non-inspected areas have been completed.
- Change of value notices have been sent to taxpayers.
- The review period after change of value notices were sent has ended.
- Appeals to the board of equalization have been filed.

Assessor’s certificate of new construction Value

After the assessor has completed listing and valuing new construction for the current assessment year, he/she must certify the value of new construction added to the assessment roll to the BOE and provide a copy of the certificate to the Department’s Ratio Specialist. This should be completed on or before September 15.

New construction certification occurs separately because the assessor is allowed to add new construction values to the assessment roll through August 31, based on value as of July 31. Certification of new construction must include only new construction recorded within one year of the permit issue date or additional new construction from incomplete improvements the previous year (RCW 84.40.320, RCW 84.40.040 and RCW 36.21.070 through 36.21.090 and WAC 458-53-135).

Discovery of errors before certification of assessed values

If an error is discovered after a change in value notice has been sent to the taxpayer, but before the assessment roll has been certified, the assessor may make corrections to values (up or down). This includes changes that require using appraiser judgment. This period between completion of revaluation work/mailing of change of value notices and before the Assessor's Certification of the Assessment Roll to the BOE are an ideal time to make corrections brought forth by taxpayers because it avoids the need for an appeal to the county BOE. Any change would require proper notification to the owner and their subsequent right to appeal.

Discovery of errors in Assessor’s Certificate of Assessment Rolls

If the assessor discovers an error in the certified values that have been provided to the BOE and the Department’s Ratio Specialist, a new certification report should not be filed. Per the 2018 change in RCW 84.48.010(4), the county BOE must meet on July 15 or within 14 days of certification of the county assessment rolls, whichever is later. Recertifying values can interfere with the work of the BOE. However, it is necessary that the assessor provide the correct figures to the Ratio Specialist for calculation of the county ratio. The corrected figures should be provided to the Ratio Specialist in writing, as soon as possible, but no later than November 30.

Value changes after Assessor’s Certification of Assessment Rolls to BOE

Once the assessor certifies that listing property and values on the assessment roll is complete and submits the Assessor Certificate of Assessment Rolls to the BOE, by July 15 (or later), value changes may only occur through equalization actions or hearings and orders by the BOE. Equalization is not defined in statute, but is commonly understood to refer to the boards’ responsibility to ensure that all properties are valued on an equal level at market value or that comparable properties are appraised at comparable values (RCW 84.48.010).

Stipulation of value - corrections agreed to by the taxpayer and assessor

Errors of valuation in the assessment roll may be corrected in the any of the following circumstances:

- Certification of the assessment roll is finished
- The taxpayer has filed a timely petition for the current assessment year
- The BOE has not yet held a hearing on the petition
- The assessor and taxpayer have reached an agreement as to the true and fair value of the property

The parties must notify the BOE of any agreements in writing. The taxpayer's petition is considered withdrawn (WAC 458-14-026).

Assessor authorized to make value changes for specific reasons

Roll Corrections Required by Statute (WAC 458-14-025)

There are situations where the assessment roll corrections are required without BOE involvement because there has been an error in valuation. These include:

- Change in tax status due to a sale to or by a public entity
- Senior/Disabled exemption status change
- Current use classification change
- Forestland designation change
- Reduction of value due to destroyed property (RCW 84.70.010 and RCW 84.70.040)
- Special valuation assessment change, such as historic property or multi-unit properties in urban centers (RCW 84.14 and RCW 84.26)
- Exemption status change for physical improvements to a single family dwelling (RCW 84.36.400)
- Exemption status change for property determined to be exempt by the Department
- Exemption status change for installation of a sprinkler system in a nightclub (RCW 84.36.660)
- Status change for value reduction after government restriction (RCW 84.40.039)
- Manifest error correction (RCW 84.48.065)
- When a property has been subdivided or merged

In these cases, a valuation change notice must be sent to the taxpayer with an explanation of the right to appeal the valuation to the county BOE (RCW 84.40.320).

Revaluation using appraisal judgment (WAC 458-07-015)
In certain circumstances the assessor is authorized to revalue real property, using appraisal judgment, after a value is certified for the current year. The assessor may disregard the certified value for the current year and change a property valuation, as appropriate, in the following situations:

(a) If requested by a property owner, when a notice of decision pertaining to the value of real property is received under RCW 36.70B.130 (Notice of decision—Distribution; local project review), chapter 35.22 RCW (First class cities), chapter 35.63 RCW (Planning commissions), chapter 35A.63 RCW (Planning and zoning in code cities), or chapter 36.70 RCW (Planning Enabling Act);

(b) When the owner or person responsible for payment of taxes on any real property petitions the assessor for a reduction in the assessed value in accordance with RCW 84.40.039, within three years of adoption of a restriction by a government entity;

(c) When there has been a "definitive change of land use designation" by an authorized land use authority, and the revaluation is in accordance with RCW 84.48.065;

(d) When a bona fide mistake has been made by the assessor in a prior valuation made within the current valuation cycle. The change in property valuation is not retroactive to the prior year;

(e) When property has been destroyed, in whole or in part, and is entitled to a reduction in value in accordance with chapter 84.70 RCW; or

(f) When property has been subdivided or merged.

Correction of errors example
A change of value notice for assessment year 2018 is sent to several property owners June 1. The assessor has discovered that the new assessment year 2018 values were not accurately representing market value due to an inappropriate trend factor. It is still June, revaluation work is complete, but the certification of the assessment rolls to the county BOE is not completed. During the time between May 31 or the completion of revaluation work and the Certification of Assessment Rolls to county BOE on July 15 or on August 15 if the county legislative authority has extended the petition filing time limit from 30 to up to 60 days, (RCW 84.40.038(1)(d)), the county may correct these values. Then a new change of value notice is sent to the property owners and adequate time is provided for any potential appeal.

Certification prior to completion of scheduled inspections

The assessor should not certify values prior to finishing scheduled revaluation inspections and determining the true and fair market value of all parcels in the county for that assessment year. The law requires that the inspections and updated valuations have been completed per the revaluation plan that is on file with the Department. If a county is not able to complete the scheduled inspections, those parcels that have not been inspected in a given year should be valued at market value and the Department should be notified. The county's revaluation plan should be amended to include the parcels which were not inspected and how this additional work will be accomplished in the following year. Parcels that are carried over should be inspected first in the next assessment year (RCW 84.41.030 and RCW 84.41.041). Any changes to revaluation plans need prior approval from the Department.

The purpose of having a revaluation plan is to accomplish systematic inspection of all parcels on a consistent basis. When inspections are not completed within the planned year this causes an inequity between the parcels that were inspected and had characteristics updates in the correct year and those that were not. Any changes in the late parcels will not be reflected until the next year and could be construed as unfair to taxpayers.

Certification prior to completion of review period

There are some counties that certify their values without providing a 30 – 60 day review period whereby corrections can be made without involving the county BOE. In practice, counties who are completing their inspection and valuation work in the October or November timeframe, may find it necessary to certify values concurrently with completing their revaluation work in order to meet deadlines for state required reports and calculation of the state school levy and centrally assessed property values. This puts an additional burden on the county BOE because any changes to values at this time, must be made through a county BOE action. In addition, late work can delay the calculation of levies. These are some of the reasons that compliance with the Property Tax Calendar and Assessor Annual Reports Timeline is extremely important (RCW 84.48.130 and 84.40.038).

Late certification of values

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 local taxing districts.

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

Late certification of values may delay:

- Scheduling of county board of equalization 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.
- Neighboring counties with joint taxing districts that require certified values to proceed with their work.
- Completion of county reports required by the Department for calculating the state school levy.

Additionally, late certification 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.

Suggested practices

- Refer to the Department's Property Tax Calendar. As closely as possible, realign completion of valuation and new construction work with required dates.
- Create target dates for completing work and monitor progress completing work. Track production on a regular basis to measure actual production against target dates.
- Develop a contingency plan for completing work during periods of vacancies. Cross training staff to perform multiple duties can alleviate some of the negative effects of position vacancies.
- Provide ongoing mass appraisal training to the office staff as time allows. Good mass appraisal skills can increase the efficiency in valuing parcels while ensuring consistency and uniformity.

Resources

Property Tax Calendar

Assessor Annual Reports Timeline

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

Assessor's Certificate of Real Property Assessment Roll to the County Board of Equalization

Assessor's Certificate of Personal Property Assessment Roll to the County Board of Equalization

Certificate of New Construction Value

PART 8 GUIDELINES FOR CORRECTING AND UPDATING PROPERTY CHARACTERISTICS

For the greatest degree of uniformity in assessed values, property records should include property information listed in an accurate and consistent manner. Therefore, assessors are permitted to update characteristics on properties located outside the scheduled inspection in either of the following circumstances:

- If property characteristics are listed in error
- If the characteristics have changed since the last inspection then updating the characteristic should be considered. Depending on the specific instance, the characteristic for a single property may be updated or the common characteristic for a group of properties may need to be reviewed and updated at the same time.

The type of incorrect characteristic should be a consideration in determining when to make the change in the property record. A record could be updated when the characteristic change is discovered or the record could be flagged for additional review and changed at a time when the characteristic may be more uniformly addressed for multiple properties in a similar location or by similar property type. The later date may be the next year as part of a targeted inspection of a location or property type to recalibrate the model. Or, dependent on workload and significance of the change, the change may not occur until the next scheduled inspection of a neighborhood, location, or property type.

Changing objective characteristics

The clearest reason for changing a characteristic is to correct an error in how a characteristic was originally captured. Examples include those characteristics that require objective decisions based on quantifiable differences in size, area of finish, number of fixtures, and other characteristics. Generally, corrections of this type improve the quality of data and bring the records into alignment with other similar but correctly listed properties.

Changing subjective characteristics

A second type of change in a characteristic may be based on a subjective determination on how a characteristic is described and coded in a property record. Examples include changing construction quality from average to good, changing the percentage used to reflect condition/depreciation, and changing rating codes from good view to limited view. These types of characteristics can be changed, but must be evaluated in the context of uniform treatment with similar property types or other property in the neighborhood or market area.

Situational examples

• Example A - If during sales verification it is discovered that a residence is classed as fair or good quality while other residences of very similar construction are classed as average. That characteristic of quality could be corrected to bring the quality code of the sold residence into alignment with similar neighboring properties. Changes should be driven by improving uniformity through consistency with similar property in how characteristics are classified. Changes should not be driven by the sale price of the individual property.

• Example B - If during sales verification it is discovered that a residence is classed as average quality while other similar properties are classed as fair, average, and good; then that neighborhood should be reviewed in its entirety when the common characteristic for similar properties will be updated in a similar manner.

• Example C - If during sales verification it is discovered that a residence has undergone significant remodeling, the appraiser should make a general review of the neighborhood. Does significant improvement in condition appear to be a single instance of home improvement or is the overall neighborhood experiencing renewal?

- ➢ If the improvements/remodeling (or declining condition) are evident in only a single property, the appraiser should change the appropriate characteristic(s) to reflect the current condition. In essence the change improves uniformity because similar properties are assessed at a uniform level of market value.

- ➢ If the improvements/remodeling (or declining condition) are likely occurring in neighboring unsold properties, the entire neighborhood should be flagged for a review and addressed at a later date in a manner that ensures other similar properties in the neighborhood are treated in a fair and consistent manner. Again the focus is on assessed values that represent a uniform level of market value. The later date for changing characteristics may be the next year as a targeted inspection of a location or property type. Depending on workload and significance of the change, it may not occur until the next scheduled inspection of a location or property type.

Sales verification

Sales verification is an important process used to verify details about the property that sold. Verification of characteristic data improves the quality of the property record for the sold property. An equally important reason for good records is the influence one sale may have on other properties valued through the market information derived from the sold parcel. Property records must contain accurate and consistently listed property information to ensure that sold and non-sold properties are valued accurately and equitably.

Corrections or updating of characteristics may be restrained by some assessment software and also by the date when the change is discovered. The International Association of Assessing Officers (IAAO) recommends assessors maintain a sales record (database) where details of the sale and characteristics confirmed through sales verification become a frozen record. Washington law allows for consideration of up to five years of sales (WAC 458-07-015). A sales database is a means to record details about the property sold, which might not be changed in the primary assessment database until a later date. Discovery of significant changes in condition/depreciation and other subjective determinations might be best documented in the sales database.
Documenting property characteristics in a sales database is not restricted because it is used primarily for analysis work.

Guidelines

The following guidelines may be useful to determine at what point characteristics are changed in the assessor's primary assessment database:

- Changes **should be made** to correct obvious errors of characteristics based on objective information.
- Changes **may be considered** to correct or change characteristics that are based on more subjective decisions. A characteristic more dependent on subjective decisions should be approached more cautiously:

    a. If equity in the level of assessed value for sold property and similar non-sold property is unlikely to improve by updating the sold property's characteristic(s), then flag the property record of the sold property to update the characteristic(s) when both the subject and similar non-sold properties can be updated during a neighborhood review.

    b. If a general neighborhood review could occur in the current year or possibly not until the next year. The review does not have to occur in conjunction with the scheduled inspection cycle defined in the assessor's revaluation plan.

Selling vs. Non-Selling Study as a method to identify potential sales chasing

The Department conducts Selling vs. Non-Selling Studies in order to review an assessor's process for sales validation. The majority of the Department's annual real property ratio study is based on the results of the valid and invalid sales reports provided by the counties in accordance with WAC 458-53 which outlines the rules for the Property Tax Annual Ratio Study. The valid sales are considered a sample of the universe of properties within the county.

As part of the Department's oversight responsibilities, studies of counties' use of the 27 invalidation codes listed in WAC 458-53-080 as well as counties' treatment of selling vs. non-selling properties are conducted annually on one third of the counties in the state.

> If sold and unsold properties within a specified group are appraised in the same way, their appraised values should reflect similar average percentage changes from year to year. Accordingly, changes in appraised values for sold and unsold parcels can be compared to determine whether sold parcels have been selectively appraised. Alternatively, the average percent change in value for sample parcels can be compared to that for the population of properties within a specified group or stratum for an indication of selective reappraisal.
>
> For example, if sold parcels are considered representative of a stratum and appraised values increased an average of 10 percent while appraised values for unsold parcels in the same stratum increased an average of only 2 percent, "sales chasing" is a likely conclusion. International Association of Assessing Officers *(IAAO), Standard on Ratio Studies*, (Kansas City, MO: IAAO, 2013), 59.

The Department's Selling vs. Non-Selling Studies utilize statistical measures taken directly from the IAAO Standard on Ratio Studies to determine whether sold and unsold properties are being appraised in the same manner.

Date of discovery of errors

The date of discovery in relation to the assessor's certification of assessed value to the county BOE determines the procedure used to update records for changes related to correction and updating of characteristics. If an error is discovered after a change in value notice has been sent to the taxpayer, but before the assessment roll has been certified, the county may make a correction to values (up or down), using appraiser judgment, during the period between completion of revaluation work/mailing of change of value notices and before the Assessor's Certification of the Assessment Roll to the county BOE. Of course any change would be followed by proper notification to the owner and notification of their subsequent right to appeal.

Manifest errors

If the assessor has certified current year assessed values to the county BOE and the correction of the characteristic(s) does not require appraisal judgment, then the correction of the characteristic(s) is/are processed as a manifest error correction (RCW 84.48.065 and WAC 458-14-005(14)). Refunds are required if ad valorem taxes were paid as a result of a manifest error in description (RCW 84.69.020). All other value changes must go through a review or hearing by county BOE, except for specific instances listed in WAC 458-14-025. These roll corrections, which are required by the statute, include:

- Change in tax status due to a sale to or by a public entity
- Senior/Disabled exemption status change
- Current use classification change
- Forestland designation change

- Reduction of value due to destroyed property (RCW 84.70.010 and RCW 84.70.040)
- Special valuation assessment change, such as historic property or multi-unit properties in urban centers (RCW 84.14 and RCW 84.26)
- Exemption status change for physical improvements to a single family dwelling (RCW 84.36.400)
- Exemption status change for property determined to be exempt by DOR
- Exemption status change for installation of a sprinkler system in a nightclub (RCW 84.36.660)
- Status change for value reduction after government restriction (RCW 84.40.039)
- Manifest error correction (RCW 84.48.065)
- When a property has been subdivided or merged.

In these cases, a valuation change notice must be sent to the taxpayer with an explanation of the right to appeal the valuation to the county BOE (RCW 84.40.320).

Error in change of value notice example

A change of value notice for AY 2020 has been sent to several property owners, on say June 1. The county has discovered that the new AY 2020 values were not accurately representing market value due to an inappropriate trend factor. It is still June, revaluation work is complete, but the certification of the assessment rolls to the county BOE has not yet been completed. During the time between May 31 (or the completion of revaluation work) and the Certification of Assessment Rolls to county BOE on July 15 or on August 15 if the county legislative authority has extended the petition filing time limit from thirty to up to 60 days, the county may correct these values. A new change of value notice should be sent to the property owners.

Out of cycle inspections

Updating property characteristics may require inspections of property located outside of the scheduled inspection area. This is permitted for specific reasons. According to WAC 458-07-015(4)(b), Physical inspection of all the property in the county shall be accomplished on a proportional basis in cycle, with approximately equal portions of taxable property of the county inspected each year. Physical inspections of properties outside of the areas scheduled for physical inspection under the plan filed with the Department (see WAC 458-07-025) may be conducted for purposes of:

- Validating sales.
- Reconciling inconsistent valuation results.
- Calibrating statistical models.
- Valuing unique or non-homogeneous properties.
- Administering appeals or taxpayer reviews.
- Documenting digital images.
- Or for other purposes as necessary to maintain accurate property characteristics and uniform assessment practices.

Out of cycle physical inspections should be conducted in a manner that ensures fairness and equity between all properties. In a mass appraisal environment, more frequent inspections for the reasons listed in WAC 458-07-015(4)(b) may increase consistency in listing property characteristics, accuracy of valuation models, and understanding of ratio studies. However, the intermittent (out of cycle) inspections can also create an appearance that the assessor is randomly changing property characteristics or increasing/decreasing value. It is important that all property, which meets criteria stated in rule *"as necessary to maintain accurate property characteristics and uniform assessment practices"* be reviewed and inspected in a similar manner.

As the appraiser is working in an area scheduled for inspection there may be times when appraisers will also inspect property located in different inspection areas (non-scheduled for the current year). Non-scheduled inspections for reasons listed in WAC 458-07-015 are useful to ensure greater consistency between neighboring properties or between properties with a similar use.

Out of cycle inspection example

Two similar properties are located on opposite sides of a street, but the parcels lie within two different inspection areas identified in the revaluation plan. Property A is a scheduled inspection, while Property B is a sale that lies outside the scheduled inspection area. Although Property B is outside the area of scheduled inspection, the appraiser may inspect to validate the sale (one of the reasons stated in WAC 458-07-015). Even though the sale property is outside the routine inspection area and there is the potential for an appearance of value or sales chasing, it is important to verify characteristics of property at the time of the sale.

Bona fide mistakes

The correction of property characteristics based on a bona fide mistake does not fall under the rules which govern what can be corrected under the manifest error definition. Under the manifest error definition, subjective characteristic changes should not be made out of cycle, except under the circumstances defined in that statute. However, if a value is based on appraiser judgment that was unquestionably faulty with no reasonable support for the value as of the appraisal date, or the appraiser did not consider pertinent facts about the property that were available at the time of the appraisal, then a bona fide mistake may have occurred.

Schreiber v. Reimcke

An Appeals Court case that references the phrase 'bona fide mistake' is Schreiber v. Riemcke 11 Wn. App. 873, 526 P.2d 904. This case states: "The crux of this case is whether a county assessor may reappraise property outside of the normal 4-year systematic cyclical program for revaluation. Our answer is yes, provided, that there has been a bona fide mistake made in the prior revaluation, and that the resulting assessment is neither arbitrary, capricious, nor violative of the equal protection clauses of our federal and state constitutions, and the uniformity clause of our state constitution."

Highlights from the court opinion:

- The court states that an error must be corrected and not perpetuated when the ultimate goal is to improve uniformity.
- The case does not specifically define bona fide mistake.
- The court opinion is silent on the process to correct the bona fide mistake.
- The correction is for only the current year – not retroactive to previous years.

Many valuation disputes are based on a difference in opinion regarding appraiser's professional judgment, subjective property characteristics, or evaluation of data used in the appraisal process. An appraisal is a supported opinion of value and reflects professional appraisal judgment. A difference in opinion is not evidence of a bona fide mistake.

A bona fide mistake is not a change in property characteristics or change in market conditions since the original assessment date. When characteristics change over time, a mistake has not occurred; rather a change to the property has transpired between one point in time to another point in time.

Faulty judgment or not using facts available at the time of valuation

If a value is based on appraiser judgment that was unquestionably faulty with no reasonable support for the value as of the appraisal date, then a bona fide mistake may have occurred. The presumption of correctness lies with the assessor. However at the time of appraisal the assessor has the responsibility to exercise good judgment and apply appropriate appraisal techniques and methodology, while the property owner has a responsibility to disclose accurate property characteristics and property information to the assessor.

If appraisal judgment used at the time of the assessment date has somehow resulted in a very obvious error that could result in discriminatory treatment, then the mistake should be corrected. Our interpretation is that this would be on rare occasions.

The analysis of whether appraisal judgment resulted in a bona fide mistake can be a subjective determination. In most cases, this determination should be made through the processes that include the board of equalization.

Discovery of a bona fide mistake in the current assessment year

An appraiser may have used appraiser judgment that is not supported by facts available at the time of appraisal. The error in judgment may have resulted in a bona fide mistake. The bona fide mistake is not discovered until September 3, after the current assessment year values were certified to the county BOE by the July 15 deadline.

As of the time of discovery, the bona fide mistake:

- Cannot be appealed because the period for filing an appeal ended (for example, August 30).
- Cannot be corrected as a manifest error because the error and correction involve appraisal judgment/revaluation (RCW 84.48.065).
- May or may not meet one of the other specific reasons for changing values after certification, i.e. land use changes, government restrictions, etc.
- Does not meet criteria for assessment roll adjustments not requiring board action (WAC 458-14-025).

According to Schreiber v. Riemcke when a bona fide mistake is discovered it should be corrected. However, revaluation to correct a bona fide mistake should be infrequent, because of the inherent danger of revaluation out-of-cycle. It may be legitimately used to avoid perpetuating obvious errors that involve appraisal judgment. Several options for correction of a bona fide mistake include the board of equalization. Both processes provide transparency of corrections that involve appraiser judgment in revaluation.

Bona fide mistake correction options

Option 1

If the bona fide mistake is discovered before the current year appeal period ends and the property owner submitted a petition with the BOE for the current year, the owner and assessor may agree to stipulation of value (WAC 458-14-026). The assessor and owner sign an agreement as to the true and fair value and the owner withdraws the petition. (Form REV 64 0078)

Option 2

If a bona fide mistake is discovered after values are certified (July 15 for counties with a 30 day appeal period or August 15 for counties with a 60 day appeal period) and after the appeal filing period ends, the assessor may request the BOE reconvene to consider the assessor's affidavit (WAC 458-14-127(1)(b)):

- When the owner did not file an appeal, or if "latent defects" (WAC 458-14-127) or, the assessor could request that the BOE reconvene. (Form REV 64 0048e)
- The assessor submits an affidavit to the board stating that the assessor was unaware of facts which were discoverable at the time of appraisal and that such lack of facts caused the valuation of property to be materially affected.
- Submitting the affidavit is wholly at the assessor's discretion.
- The assessor's affidavit must include the facts that affected value, the incorrect value, and the true and fair market value of the property.
- The assessor mails a copy of the affidavit to the property owner.

- If the board decides to reconvene to consider the valuation, it must notify both the taxpayer and assessor of its decision.

It is important to make sure there are well documented procedures in place for situations that require additional inspections and for the correction of property characteristics. This will help to ensure consistency within the county and public confidence in the assessor's practices.

Resource
Special Notice: *Refunds of property taxes paid as a result of manifest errors in description of property*

Schreiber v. Riemcke 11 Wn. App. 873, 526P.2d 904.

PART 9 FUNDAMENTALS OF MASS APPRAISAL

According to Washington law, all property must be valued at one hundred percent of its true and fair value in money and assessed on the same basis unless specifically provided otherwise by law. (RCW 84.40.030)

In 2009, a new law required that all counties revalue all taxable real property parcels within their county annually and physically inspect them at least once every six years. When this legislation passed, about half of the counties in Washington were still on cyclical (4 year) valuation. As of January 1, 2014, all 39 Washington counties had annual revaluation plans in place. The change in the law was intended to bring more uniformity and consistency to property tax assessment and bring it in line with personal property which was already valued annually. Because of this change in the law, individual appraisals on real property parcels were no longer practical or economically feasible.

As part of the transition to annual valuation, the Department provided training to county staff on how to make this change and accomplish the valuation of all parcels in the county every year. This included training on mass appraisal and modeling.

Mass appraisal is defined as the valuation of many properties as of a given date, using standard procedures and statistical testing. Mass appraisal requires a broader scope and larger scale, but both single and mass appraisal result in an estimate of value using the same appraisal principles. The objectives of mass appraisal are:

- To provide uniformity and consistency in appraisals for property tax purposes by equitably appraising properties within and between groups or categories
- To meet the standard of 100 percent of market value
- To provide an active and systematic program of revaluation on a continuous basis
- To efficiently use resources – mass appraisal provides an efficient way to provide equitable estimates of value for all property in a jurisdiction

Mass appraisal utilizes the same appraisal principles as single property appraisal. The processes required for appraisal are:

1. Definition of the appraisal problem – what is the purpose of this valuation, who is the intended user
2. Identification of the scope of work
3. Data Collection
4. Market (Data) Analysis
5. Highest and Best Use Analysis
6. Application of the Three Approaches to Value
7. Reconciliation of Values and Conclusions

For a discussion of these principles of an appraisal, please refer to a textbook on Real Property Appraisal. For suggested texts, please see Resources at the end of this section.

Modeling

In order to value thousands of parcels each year, as required by Washington statute, assessors may use mathematical models to value multiple properties using the same methodology.

> Any appraisal, whether single-property appraisal or mass appraisal, uses a model, that is, a representation in words or an equation of the relationship between value and variables representing factors of supply and demand. Mass appraisal models attempt to represent the market for a specific type of property in a specified area. International Association of Assessing Officers (IAAO), *Standard on Mass Appraisal of Real Property*, (Kansas City, MO: IAAO, 2010), 8.

Modeling is a description of observed patterns that tell us something that can be used in valuing other properties. It predicts or explains the market value of property from real estate sales data. In property tax assessment, data that is used in modeling includes sales data, costs data, and income and expense data.

Development of a Mass Appraisal Model

In conjunction with preparing for annual revaluation, many cyclical counties purchased new Computer Assisted Mass Appraisal (CAMA) systems to replace outdated systems that would not perform mass appraisal efficiently. The law requires that assessors revalue all taxable property stating both a land and improvement value each year and notify taxpayers of those values.

Most CAMA systems include built-in tables for the valuation of improvements based on the nationally accepted Marshall and Swift (a.k.a. Core Logic) Improvement Valuation Model. This vendor does ongoing research on building costs and makes updated cost tables available directly to counties or indirectly through the CAMA system provider. Using CAMA system cost tables provides the basis for a valuation model for improvements that can be adjusted using local market multipliers as necessary. Some counties have chosen to develop their own improvement models within their CAMA system.

Due to the unique location of each land parcel, valuation models are based on the supply and demand factors affecting that jurisdiction. Each county must determine their own base land values, influence adjustments, and locational factors. These are then built into the CAMA system using either a formula or table. This is an ongoing process as some counties are still developing their modeling capabilities while others are continually refining their model and reviewing their market to determine value adjustments and/or the effect of new market influences.

Land is an extremely important component in the total valuation of real property because it captures some of the major contributors to value that are integral to location. This includes important locational influences such as neighborhood, proximity to amenities, view quality, etc. For mass appraisal results to be accurate and consistent, and have the capacity to make adjustments to many parcels at one time the assessor should:

- Verify Sales
- Identify neighborhoods and assign a neighborhood code to each parcel – provides the ability to make mass adjustments by neighborhood in CAMA system.
- Utilize Geographic Information System (GIS) to ensure all parcels are accurately captured in the correct neighborhood.
- Group similar parcels by the demand forces that influence their value. These include:
    - Environmental forces - Consumer preferences such as proximity to neighborhood amenities, such as schools, parks, shopping or employment
    - Geographic forces - natural or man-made, like roads or rivers
    - Political forces - zoning, development restrictions, public service availability
    - Economic forces - population growth or demographics. This requires taking into consideration the life cycle of a neighborhood, which includes:
        - The growth cycle of construction and development – new subdivisions
        - Stability where supply and demand are equal – established neighborhoods, little vacant land available
        - Decline where there is diminishing demand/diminishing desirability – improvements are older, buyers tastes have changed
        - Revitalization where desirability is increasing again – remodeling or redevelopment

Building a valuation model

Model specification is the process of defining the approach to value (cost, market, income) the format of the model, and identification of the variables to be included in the model. This is the process of initially setting up your model. Model specification is the critical first step in defining the parameters of the model.

In order to achieve accurate models for both land and improvements, the assessor must use his/her knowledge and experience to make assumptions about the valuation of similar parcels and what characteristic influences affect those properties. Depending on the valuation data available in certain property types or geographic areas, parcels can be stratified by major contributors to value, such as view, waterfront location, improvement style, quality of construction, etc. Models would be built based on how parcels are stratified.

Market areas should be set up so that analysis can be done of those parcels that are similar in location, type of improvement, or have similar economic influences. If valuation data are not readily available in an area, similar areas could be combined so that there are enough sales to perform a useful analysis.

Building a model requires:

1. Making a hypothesis about the major contributors to value in the market
2. Collecting data (sales, income and expenses, vacancy and collection, expense data and capitalization rates)
3. Analyzing market data
4. Construction of the mathematical model
5. Testing the accuracy of the model
6. Refining/maintaining the model

Model calibration is the process used to develop adjustments and rates in the valuation model. This may include land rates, depreciation rates, building cost rates, and trend factors. These items should be reviewed annually to see if the current market indicates some type of adjustment. It includes:

- Determining initial model component values of the major contributors to value (coefficients)
- Annually analyzing the market to determine what the current valuation data are telling you

These steps will help appraisers measure and improve the level and uniformity of assessment. The analysis and valuation process can be used to determine further refinements over time. Models will need to be regularly tested to see if they are still producing accurate values. Ratio studies and statistics will indicate if refinements and adjustments must be made. Running frequent ratio studies for different geographical areas or for certain property types will help determine whether a model is still producing accurate results. Studies can also help to determine if there are new characteristics or influences affecting value that need to be added as a new variable in the model.

This manual does not address model formats and construction of models. There are numerous resources that explain the different mathematical model types and formats based on the market, cost, or income approach to value. One resource for assessors is pp. 410-429. International Association of Assessing Officers, *Property Assessment Valuation* (3rd ed), (Kansas City, MO: IAAO, 2010), 410 – 429.

Suggested assessment roll audits

When performing mass appraisal and updating sometimes hundreds or thousands of parcels at once, there is a possibility that some parcels may have been profiled incorrectly. If information about the property is not listed accurately in the parcel record or profile, the value may be incorrect. The appraisers should conduct audits that identify those parcels more likely to have an error or an unusual or significant change in value that would generate a customer complaint.

The following list are examples of common audits performed by an assessor's office before sending out valuation notices. This is not an exhaustive list, nor is it a minimum requirement. Not every type of error or situation is presented. In many cases, flagged parcels in the queried group will have a value or classification that is completely justified. Some identified parcels will require correction. It is important that an appraiser examine identified parcels to determine why they were flagged and then to act accordingly. Using knowledge of the local market and software capabilities, an audit plan should be developed that will maximize use of staffing and time resources. The suggested audits include:

a. Absolute Percentage Change

Query parcels that have a year on year change in assessed value greater than X% or less than Y%

- Verify that the percentage change is appropriate, if yes, write notes in the file so an explanation is right at hand for taxpayer inquiries
- If percent change is unjustified, correct as necessary
- Certain areas may warrant different percent change thresholds when auditing

b. Relative Percentage Change

Examine a spreadsheet of year to year change in a specific market area

- Filter out properties that have the 'expected' value change, examine those that are outliers.

c. Zero Improvement/Zero Land

Query for parcels with zero values for land or improvement

- Ensure zero values are justified

d. New Construction Verification

Query parcels with new construction this year

- Remove percent incomplete when construction finished
- Ensure valuation is reasonable compared to permit value
- Ensure 'New Construction' field is correctly copied from M&S calculations

e. Land Use Code Review

Query for specific land codes and verify they have appropriate valuation

- Look for land parcels coded vacant that have improvement value and vice versa
- Look for mobile/manufactured homes on leased land. Check if they are possibly double listed as personal property.

Query for land use codes with non-compatible improvements

- Look for errors such as retail buildings on forest land, churches on government owned land, etc.

f. Land Size Review

Query for land parcels with multiple land components/segments

- Ensure sum of all components and segments equal the correct total parcel size

Query for abnormally large or small sized parcels

- Look for abnormal sizes created by typos (ie: 43560 acre parcel, 5.0 SF parcels)

Query for specific measurement types in appropriate areas

- Ensure all parcels with waterfront are measured using front feet
- Ensure all farms are measured in acres
- Ensure residential subdivisions are measured in square feet

g. Improvement Review

Query for specific improvement styles and look for irregularities

- Ensure 2 story homes have 2 story valuation
- Ensure 1 story homes do not have second story square footage
- Ensure all homes have a foundation and that it is of similar size to first floor SF
- Verify basement finish is equal to or less than basement size
- Look for abnormal quantities/sizes/values (ie: 30 bathrooms, 180 SF 2-story house, $200,000 garage)

h. Current Use/Exemption Verification

Query for properties subject to a specific exemption or current use valuation

- Ensure the reduced value is correctly applied as the taxable value
- Check that owners' mailing address is equal to situs address or is at a reasonable P.O. Box for programs that list residency as a condition
- Verify market value is reasonable and calculated correctly for programs that require an assessed value to be recorded as well

i. Mergers and Segregations

Query parcels that were merged or segregated in the last year

- Ensure newly segregated parcels have a land value assigned
- Ensure parent parcels are no longer are assessed, preventing double-billing
- Ensure buildings were not duplicated to multiple parcels during the segregation
- Ensure parent parcel land size matches the sum of child parcels' size

j. Year Built/Effective Year

Query for properties with Effective Year < Year Built (Age < Effective Age)

- Redo effective year calculator or set equal to age/year built

k. Demolitions

Review properties with current demolition permits associated with them.

- Ensure demolished properties have the appropriate improvement removed from the roll
- Ensure not yet demolished properties still have the improvement assessed
- If recently sold, consider using the sale in Vacant Land studies

Remember: You will never catch all the errors no matter how extensively you audit or review. Do the best job you can with the resources at hand. In the end, the taxpayers are your customers and the final and most thorough auditor. Acknowledge errors and work with the public to resolve problems fairly, equitably, and quickly.

Software for mass appraisal

Computer Assisted Mass Appraisal (CAMA) software designed for assessment functions together with adequate technical support is a necessity in an assessor's office. Computers reduce the time spent on mechanical, repetitive processes, such as valuation calculations and maintenance of an assessment roll. Computers increase calculation accuracy and improve data accessibility. Appraisers may use software to analyze cost, income, and market data. This enhances their ability to interpret markets and make well-supported judgments.

Software used by the assessor should contain a database that enables the assessor to query, list, stratify, and report by land use code and parcel number. These codes can also be valuable in the CAMA valuation process for stratification, ratio studies (internal and external), model development, and testing of valuations, assessment level, and level of uniformity.

Successful use of a CAMA system for valuation functions is dependent on reliable data—property records and history, property characteristics, sales data, and other valuation data. In addition, GIS will enhance the mass appraisal system, create efficiencies in the transfer of information, and provide multiple users with assessment information.

Electronic property records

As the current standard in the assessment community, electronic records promote consistent and efficient appraisals. Electronic property records that should be included in any CAMA system includes:

- Property Characteristics of Land and Improvements – Appraisers use the inspection process to focus on updating, improving, and maintaining current and relevant property characteristics through on-site observations or interviews at the time of inspection. Consistency between appraisers improves the appraisal product, promotes uniformity between property owners, and potentially impacts the appeal process. This may initially increase inspection times, but property characteristics form the foundation of an equitable appraisal system. Adopting methods which encourage consistency between appraisers is recommended. These methods include:
    - Residential and commercial standards and definitions in a manual format that is readily available to each appraiser. There are several examples available from the Department.
    - Use team discussions to build consistency in subjective judgements between appraisers by forming a consensus among staff as to how quality grading of certain characteristics should be done. Topics should include such characteristics as construction quality, condition, effective age, view or waterfront quality.
- Sales History – A history of date of sale, buyer and seller names, type of sale, and sale price.
- Sale Property Characteristics - A record for each property that has sold and the property's characteristics as of the time of sale. This information should be frozen in a database to

ensure accurate data for use in sales analysis for up to five assessment years as allowed by law.

- Valuation History – A history of assessed value for several years for land, improvements, and total value.
- Building Permit Information – a history of permit information.
- Photos of Improvements and/or unique characteristics.
- Sketches of Improvements.
- Department Land Use Codes - Land use codes for each property record. Various state reports require stratification of the assessment roll based on these codes. The codes are listed in administrative rules and are assigned based on the predominate use of the land (WAC 458-53-030).
- Market Areas and Neighborhood Codes – Each parcel should be included in an identified market area or neighborhood and assigned codes that will enable the software to perform calculations en masse. Use of codes for groups of property is also necessary to perform statistical studies that gauge uniformity in both the level of assessment and uniformity between properties.
- Improvement Valuation Models - Valuation of buildings and other improvements is often based on standard costs of construction less depreciation. If counties are using Marshall and Swift Cost Tables to value their improvements, regular cost factor updates are provided by the vendor.
- Land Valuation Models – includes land tables or formulas determined by land sales.
- Statistical studies—Statistical studies and measures of uniformity are used to determine whether appraisal methods are achieving an optimal level of assessment and uniformity between property values. In addition, statistical studies are used to determine the best allocation of staff resources.

The use of excel in mass appraisal

Excel is a spreadsheet program for data storage and manipulation. It performs mathematical functions very quickly and has many built in mathematical formulas for common calculations. It can also be customized for use in assessment by building formulas which can be used each year for data analysis. It can be used in conjunction with a CAMA system that may be limited in the capability to perform certain functions, such as analyzing land characteristics, performing multiple regression analysis, or creating sales grids. Excel has many uses in analyzing data sets in mass appraisal, such as:

- Descriptive Statistics – mean, median, standard deviation, range, minimum value, maximum value, etc.
- Sales Analysis and Ratio Studies – Assessed Value/Sale Price (AS) Ratios, graphing sales
- Charts and Graphs:
    - Scatter Diagram – compares pairs of values – compares the relationship between two variables

- Histogram – compares multiple values – ex. ratios in a neighborhood
- Pivot Table – data summary tool from large database
- Column Chart – compares values across categories using vertical rectangles
- Pie Chart – displays the contribution of a value to the total
- Line Chart – used to display trends over time

- Time Adjustments – applying time adjustments to sales
- Multiple Regression for Model Building – determine coefficients for model building
- Building Land Models – graph base land values

Excel is a very useful tool in developing both land rates and formulas because it provides a way to graph base land sales by size. The results provide a price per square foot or per acre and a mathematical formula that can be used in a CAMA system for land valuation.

Uses of GIS in mass appraisal

GIS can be used in the assessor's office in many ways to map parcel data for assessment administration, workload planning, and for presentations to stakeholders. In addition, GIS is an extremely important tool for mass appraisal analysis and modeling. Its uses include the mapping of:

- Ratios (Assessed Value to Sales Price)
- Percentages of Change
- Property Characteristics or Attributes
  - Can be mapped alone such as highlighting all view properties
  - Can be highlighted or identified as part of other analysis such as ratios
- Zoning, Land Use, and Topography, etc.
- Sales - Volume, locations, sales price, price per SF
- Land Values - Price per Acre and Site/Lot Values
- Paired Sales - Percent or rate of change for the sale of the same property over time
- Outliers (a pattern may emerge that provides some useful information)
- Photographic, topographic, flood zones, wetlands and other overlays
- External Influences- Environmental, Governmental, Social, Economic
- Inspection Areas

Note: can use background/fill colors, outline colors and fill patterns.

Explaining mass appraisal

Mass appraisal is a methodology that is unique to property tax assessment. Therefore, it will probably be necessary to provide education to staff and stakeholders that will help them understand the concept of mass appraisal. Many counties have written information that explains their mass appraisal process and reports annual market trends in the county. Some counties post these reports on their website. Reports and other publicly available information is useful for staff and to educate county officials, board of equalization members, and the public.

Several tools and methods that appraisers can use in explaining mass appraisal to stakeholders include:

1. *Homeowner's Guide to Mass Appraisal*, a publication from DOR that provides a basic explanation of mass appraisal and mathematical modeling.
2. Explaining that mass appraisal is performed the same way a fee appraisal is done, using the three approaches to value. The results of the analysis of sales, cost, or income data analysis is applied to multiple properties, sometimes hundreds or thousands of properties. In order to test that valuations are accurate, statistical analysis that measures the accuracy is performed.
3. Explaining that if the data used to value a property is not correct, the county wants to correct that information so that analysis can be as accurate as possible.
4. A Mass Appraisal Report template is available from the DOR and available for assessors to develop a USPAP compliant report of their valuation work. A report can be broken down by market areas or neighborhoods for reporting purposes and can be published on the county website.
5. Spreadsheets showing sales analysis by area. Point out comparable sales that bracket the property in question. Explain that appraisals indicate a range of value that a property might sell for based on the current and past sales. Explain that sales are analyzed to determine how much of a market increase/decrease in value is indicated for those parcels that have not sold.
6. The ratio study statistics for the neighborhood. Explain that the law requires that all property be valued each year and that mass appraisal is the method the assessor uses to determine a reasonable value for each parcel. Explain that a statistical analysis is done which indicates how well the assessor is doing in making assumptions about the market based on the sales and applying those factors to all of the parcels in the county.
7. Breakdown of individual property characteristics. If a taxpayer feels their property is over-assessed compared to neighbors, show them the characteristic differences between the properties in question so they understand why their valuation is correct and in equity with others in the neighborhood. Sometimes taxpayers do not understand what characteristics the assessor is using to value their property and how differences in square footage and amenities result in valuation differences.
8. Depreciation schedules. If a taxpayer cannot understand why their assessed value keeps going up when they have done nothing to improve the property, explain that the market is indicating that property values are increasing. Explain that the physical depreciation of an

improvement is taken into account in the assessed valuation, but consideration is also given to the sales and what buyers are willing to pay for similar homes in the area. The increase in market value may exceed the amount of depreciation that has been applied.

Resources

USPAP

IAAO Technical Standard 6 – Mass Appraisal

Homeowner's Guide to Mass Appraisal

Measuring real property appraisal performance in Washington's property tax system

The following tools are available on request from DOR:

Land Calibrator

Time Adjustment Calculator

Auto Ratio Calculator

Mass Appraisal Report Template

Real Property Appraisal Texts

International Association of Assessing Officers (IAAO), *Property Assessment Valuation* (3rd ed.), (Kansas City, MO: IAAO, 2010)

Gloudemans, Robert J. and Almy, Richard, *Fundamentals of Mass Appraisal*. (Kansas City, MO: International Association of Assessing Officers (IAAO), 2011)

Ratterman, Mark, *Residential Property Appraisal*. (Chicago, IL: Appraisal Institute, 2020)

PART 10 GUIDELINES AND BEST PRACTICES FOR UNIFORMITY IN MASS APPRAISAL

The Department conducts compliance and performance reviews of assessor offices referred to as *Property Tax Administration Reviews* (County Review). Reviewing property tax practices and procedures is one way the Department meets the oversight responsibilities to monitor counties for compliance with laws and to assist counties with guidance about proper procedures, appraisal practices and best practices (RCW 84.08).

A County Review report includes the results of a review in the form of requirements and recommendations. A requirement indicates a change a county must make in order to comply with state law. A recommendation identifies areas of potential improvement and includes suggestions for improving a particular function or process.

In conducting a County Review, the areas looked at may include revaluation processes and results of mass appraisals. Mass appraisal is challenging work. The Department's studies and published reports provide useful data and insight about areas where a county's assessment uniformity and level of assessment meets or exceeds the acceptable standards, or may identify a need for improvement. This data determines when the scope of a County Review should include mass appraisal performance.

We consider various factors and data when prioritizing County Review work, such as:

- Counties preparing new revaluation plans;
- Counties whose data demonstrates potential uniformity challenges with assessments; and
- Counties demonstrating multiple years of low overall indicated ratios.

The types of data and circumstances that potentially indicate a uniformity issue; triggering a discussion by the Department and/or County Review, include one or more of the following:

- Recurring low level of assessment. (Refer to section: Mass appraisal performance – level of assessment)
- An assessor appears to be intentionally targeting assessment levels less than 100 percent. (Refer to section: Targeting level of assessment)
- When there are significantly different levels of assessment for property types or areas in the county. (Refer to section: Mass appraisal performance – uniformity of assessments)
- The county's mass appraisal performance measures are outside ranges recommended by the IAAO. (Refer to section: IAAO Ratio Standard COD Range Indicating Good Uniformity Tables 1 and 2)
- A county is showing a repeating pattern of poor statistical measures with no signs of incremental improvement. (Refer to section: Best practices for improving mass appraisal performance)

Our discussion with the assessor is useful to address our concerns, identify factors and processes that may contribute to the issue, learn of the assessor's planned improvements, and encourage specific education in the area(s) of concern. The severity of the uniformity issue, as well as the assessor's planned response, determines whether it remains a discussion or is included in the County Review report. After we provide the assessor with a draft of the report, the assessor has an opportunity to respond and provide additional information, prior to our issuing the final report. The Department will monitor any identified issues or concerns through the next revaluation year and will conduct a follow-up review to identify and document evidence of incremental improvements.

Many counties demonstrate good uniformity in their mass appraisal work. For other counties good uniformity is harder to achieve. On-going challenges for assessors include limited resources, not enough market sales, and conversions to new computer assisted mass appraisal (CAMA) systems. The purpose of this document and the Department's efforts is to help counties continue working to ensure uniformity in taxation.

What is uniformity in taxation?

Article VII, Section 1 of the State Constitution requires uniformity in taxation,

> *All taxes shall be uniform upon the same class of property within the territorial limits of the authority levying the tax…*

"Tax uniformity requires both an equal tax rate and equality in valuing the property taxed. *Covell v. City of Seattle*, 127 Wn.2d 874, 878, 905 P.2d 324 (1995); *Boeing Co. v. King County*, 75 Wn.2d 160, 165, 449 P.2d 404 (1969). In *Boeing*, 75 Wn.2d at 165, we explained that if equality is lacking in either area of the tax spectrum (i.e., either the rate of taxation or the assessment ratio), there will be a lack of uniformity in the tax burden." *Belas v. Kiga*, 135 Wn.2d 913, 959 P.2d 1037 (1998).

The authority levying the taxes is the county and various taxing districts providing services (cities, local schools, fire, and many others). In addition to local levying of taxes, there is a state levy to support schools. Each taxing district's levy rate applies similarly to all property within the district. There may be exceptions for property owners qualifying for the senior exemption program or other special programs.

A simple property tax calculation:

Levy rate X (Assessed value of a parcel/1,000) = Property taxes

Uniformity in taxation occurs when each taxing district applies a levy rate to the assessed values of properties within that taxing district and assessed values of those properties are at a similar level of assessment.

Assessed values to reflect true and fair market value

Under state law, appraisers must assess all real and personal property based on 100 percent of true and fair market value (RCW 84.40.030). The Legislature decided to measure a county's mass appraisal performance against a benchmark of 100 percent of market value. Assessed values at very similar levels of market value provide the greatest uniformity.

Washington State case law and federal laws require uniformity

Multiple state court decisions affirm the need for uniformity. In Belas v. Kiga a statute approved by referendum limiting the degree to which the assessed value of rapidly appreciating parcels of real property may increase was struck down because it violated constitutional uniformity requirements. *Belas v. Kiga*, 135 Wn.2d 913, 959 P.2d 1037 (1998).

In the 1994 State Supreme Court decision, *Inter Island Telephone Company, Inc. v San Juan County* 125 Wn.2d 332, 883 P.2d 1380, (1994), it was recognized that "tax uniformity is the highest and most important requirement applicable to state and local property taxation." While this case was about utility property classed as personal property and located in one county, it is reasonable to assume the court's decision is equally applicable to real property.

In Boeing Co. v. King County the assessor applied an assessment ratio of 29 percent to Boeing's personal property and an assessment ratio of 33 1/3 percent was applied to other King County taxpayers. The King County Board of Equalization changed Boeings assessment ratio to 33 1/3 percent and Boeing sued. The Supreme Court upheld the Board of Equalization's change ruling, "If equality is lacking in either area of tax spectrum (i.e. either the rate of taxation or the assessment ratio), there will be a lack of uniformity in the tax burden." *Boeing Co. v. King County*, 75 Wn.2d 160, 449 P.2d 404 (1969).

At the federal level, the Railroad Revitalization and Regulatory Reform Act of 1976 (4R Act) Section 306(1)(c) states that a state may not levy or collect "any ad valorem property tax on transportation property at a tax rate higher than the tax rate generally applicable to commercial and industrial property in the same assessment jurisdiction." Similarly airline properties are protected against discriminatory tax assessments by the Tax Equity and Fiscal Responsibility Act, 49 U.S.C. § 1513(d) (TEFRA). Similar to the 4R Act, TEFRA states, "ad valorem property tax on air carrier transportation property at a tax rate that exceeds the tax rate applicable to commercial and industrial property in the same assessment jurisdiction."

A county best achieves taxation uniformity when assessed values reflect the greatest degree of uniformity. In another State Supreme Court case, the Justices stated that while absolute taxation uniformity is the goal, it is difficult to attain. In their decision they state; "*Absolute uniformity in taxation is a chimera which this court has never sought and which we do not require. The legislature has set up an orderly system for revaluation (chapter 84.41 RCW). This system, based on a rational view of the practical realities of budgets, public acceptance, and basic fairness has been accepted by this court as a systematic and nondiscriminatory solution to the demands of Const. art. 7, § 1 (amendment 14).*" *Sator v. State Dep't of Revenue*, 89 Wn.2d 338, 572 P.2d 1094, (1977).

While Constitution Article 7 requires uniformity of taxation for all real property it does not mean that similar property should necessarily be valued the same to arrive at similar valuations.

As long as assessors apply the appraisal principle of willing buyer/willing seller, the constitutional requirement of uniformity is achieved. The assessor is required, regardless of physical similarity, to consider all factors that affect the market value of property, including any restrictive covenants, long-term leases, and other factors that a willing buyer would consider.

> This is affirmed in *Cascade Court v King County* where the court said that "…**property must reflect what a willing buyer would pay**; a willing buyer would not pay full market value for a property burdened by a long-term lease at below market rates." (Emphasis added).

Cascade Court Limited Partnership v. Noble, 105 Wash. App. 563, 20 P. 3d 997 (2001)

The Department conducts property tax ratio studies to create uniformity of taxation (equalization)

Equalization of property taxation is required by the Washington Constitution for all property owners and as well by Federal law for railroads and airline companies that operate within Washington. In order to comply with both statutory requirements, Washington Administrative Code (WAC) requires the Department to conduct the annual Property Tax Ratio Study that studies the measure of market value to county assessment in each county, (Ratio) (Chapter 458-53 WAC). The Ratio is applied in two ways to achieve equalization.

In Washington, railroads and airlines that operate in more than one county (inter-county) are assessed by the Department of Revenue and are equalized to the same level of assessment in the counties in which they operate as required by Federal statute.

- The Federal Railroad Revitalization (4-R) Act is found in **49 USCS § 11501** and prohibits discrimination against railroad property.
- Another Federal Act, the TEFRA Act (Tax Equity and Fiscal Responsibility Act of 1982), found in Title 49, Section VII, Chapter 401 of the Federal statutes has the identical requirements and language pertaining to the taxation of the property owned by interstate air carriers.
- Washington Constitution requires uniformity of taxation for all taxpayers within each taxing jurisdiction. The state school levy is a single tax jurisdiction affecting every real and personal property taxpayer statewide.

In order to achieve equalization for both Federal and State purposes, the Department employs both direct and indirect equalization.

- Direct equalization – The Department directly adjusts (equalizes) values of state appraised utility and transportation companies to be commensurate with locally appraised property.

- Indirect equalization - State school levy rates are adjusted (equalized) using a combined real and personal property ratio, between all counties to ensure every taxpayer pays a uniform amount of tax.

We have included further explanation of how the Department uses ratios and examples of the effect of low ratios later in this document.

Definitions of terms for use in a ratio study

Uniformity of assessment refers to how closely different properties are assessed in relation to each other. Achieving uniformity happens when there is a similar level of assessment across all property types, value ranges, and locations in the county.

Level of assessment refers to a statistical measurement of difference between a county's average assessed values to the average market value.

Sales ratio for a single property refers to the percentage of market value (sale price) represented by the assessed value. The ratio or percentage is determined by dividing the assessed value by the sale price.

Ratio studies compare assessed values to market values (sales prices or appraisals) for a group of properties.

Stratification, stratum & strata are terms used to describe the process of sorting parcels into relatively homogeneous groups. Stratification allows for analysis of mass appraisal performance within and between property groups or categories.

Steps in the ratio study

The Department calculates the equalization ratio based on the weighted mean ratio. The weighted mean is the statistical metric recommended by IAAO for use in equalization systems that employ both direct and indirect equalization in a single step.

For individual counties, the Department calculates the weighted mean ratio for each strata. Additionally, the Department determines the stratum for each county based on the size and diversity of the county. Some large counties may have many residential, commercial, and agricultural stratum while smaller counties may have only two or three. For further information, please see the *Ratio Procedure Manual* located on the Property Tax Resource Center (PTRC) website, Chapter 458-53 WAC, or contact the Department.

The Department's *Property Tax Ratio Study* results for each county is also a useful tool for county appraisers. Appraisers may use the ratio of each strata as a tool for improving assessment levels of particular strata of properties. This should improve the overall ratio used for calculation of the state school levy.

Evaluating mass appraisal performance using the department's reports and IAAO standards

In addition to performing equalization duties through the Ratio Study, the Department also employs other studies and IAAO standards to monitor and evaluate the uniformity of assessments. The IAAO's *Standard on Ratio Studies* suggests several statistical metrics for evaluating the level of and uniformity of assessments. The Department also conducts its own studies and reports that it uses for evaluating mass appraisal performance.

Department studies include:

Ratio study calculations for each county

- Sent annually to each assessor, generally in the fall.
- Includes ratio information by property type/value stratums and county real property ratio information.
- Primarily focused on weighted mean.

Valid sales study

- Conducted by the Department for each county on a 3-year cycle.
- Includes testing to determine if appraisers are valuing sold and non-sold properties in the same manner.
- Provided by the Department to each county assessor.

Department reports include:

Measuring Real Property Appraisal Performance in Washington's Property Tax System

- Annual reports published through 2017 are available on the Department's website.
- Measures counties' performance against IAAO recommendations.
- Primarily focuses on median ratio.
- Statistics for each county that measure mass appraisal performance including ratios (residential and nonresidential), horizontal equity (COD), and vertical equity (PRD, and sales by quintiles).

Real Property Ratio Summary Statistics Report

- Annual reports completed through 2018 are available to assessors.
- The report may be included as a discussion point during our review work in a county.
- A tool that counties can use for identifying property types that may need further analysis. Unverified and limited sales in some property types could affect reliability. Users of the report should consider the effect of limited sales and may need to conduct additional research to improve understanding of the reliability of reported statistics.

Many assessors and their staff use the Department's Ratio Study and other reports as useful tools for indications of where they need to make improvement. The reports also are a "heads up" for areas of mass appraisal performance that the Department could include in the scope of a future performance review.

Mass appraisal performance – level of assessment

To maintain equitable and consistent assessed valuations, it is very important to use ratio studies and statistical analysis as tools to measure mass appraisal accuracy. These tools can help determine the level of assessment and uniformity of values across the county. There should not be large variations in the level of assessment between different property stratums or properties within the same stratum.

Measures of central tendency

The Department analyzes assessment levels using standardized and accepted statistical measures of central tendency. IAAO defines central tendency as "The tendency of most kinds of data to cluster around some typical or central value, such as the mean or median." International Association of Assessing Officers (IAAO), *Standard on Ratio Studies*, (Kansas City, MO: IAAO, 2013), p 40.

Those used for ratio studies include the mean, median, and weighted mean.

- The **mean** is the average ratio found by summing the ratios and dividing by the total number of ratios.
- The **median** is the midpoint and results by arraying the ratios in numerical sequence and then finding the middle occurring ratio.
- The **weighted mean** is determined by individually summing both the assessed values and the market values (sales prices) for the entire data set, then dividing the total assessed value by the total market value. The weighted mean weights each ratio in proportion to each sale price. Therefore, it can be used to estimate the total dollar value of a population of parcels. The Department uses it to calculate the statewide overall ratio for both real and personal property.

For other relevant definitions and terminology see Appendix D.

Reliability of the measures of central tendency are measured using confidence interval studies as well as other testing.

The *IAAO Standard on Ratio Studies* suggests:

- The resulting overall assessment level as measured using the appropriate measures of central tendency should be within ten percent of the legal level (90-110 percent).
- The calculated ratio in each stratum of properties should be within five percent of the overall assessment ratio in the jurisdiction. For example, if the overall median ratio in the county is 95 percent, each stratum's median ratio should be within 90 percent to 100 percent.

"Both criteria must be met. By themselves, the calculated measures of central tendency provide only an indication, not proof, of whether the level meets the appropriate goal." International Association of Assessing IAAO), *Standard on Ratio Studies* (Kansas City, MO: IAAO, 2013), 17.

The Department completes additional statistical tests to determine whether the overall level of assessment falls within the margin of error (>5 percent) of those guidelines. We report the results of the study in the publication, *Measuring Real Property Appraisal Performance in Washington's Property Tax System*.

Targeting level of assessment less than 100 percent conflicts with law

Appraisers should not make a direct effort to target any assessment level lower than 100 percent of true and fair (market) value. Rather, they should use the sales in the ratio analysis (assessed value/sale price) as the basis for assessed valuations within the jurisdiction. Valid market sales will indicate what market adjustments appraisers should make to the population of properties to achieve 100 percent true and fair value.

Because mass appraisal is not an exact science, an assessor may be concerned, that if they set their system up to achieve 100 percent market value countywide, that statistically some properties will fall above the 100 percent line. Just as some properties are assessed at greater than 100 percent, other properties will be assessed at less than 100 percent of market value. Directing appraisers to appraise at the same level of assessment for all locations and property types leads to greater uniformity, but a target ratio less than 100 percent conflicts with state law.

The legal "target" for property assessments is 100 percent of true and fair (market) value (RCW 84.40.030). One should remember that ratio studies are a statistical analysis of a group of data and does not mean that any single property is assessed at the calculated ratio. When analyzing appraisal levels, ratio studies attempt to measure statistically how close appraisals are to market value (or to a required statutory constraint that can be expressed as a percentage of market value) on an overall basis.

Mass appraisal relies on adequate and accurate data, mathematical calculations and models, and measures quality through use of statistics. Using ratio studies to measure the level of assessment, focuses on measures of central tendency: mean, median, and weighted mean of a body of data. A median ratio of 100 percent indicates a midpoint ratio of 100 percent, with the ratio for 50 percent of the sales sample equal to or greater than 100 percent and 50 percent equal to or less than 100 percent.

Values for the sample could be very reliable and closely straddle the 100 percent ratio, or show high dispersion and greater distance from the 100 percent midpoint. Good uniformity reduces therisk that a property is assessed at more than market value.

Just because some properties may fall above the 100 percent mark does not mean that those properties are being assessed greater than 100 percent of market value. The ratio studies do not measure individual property values; they measure a body of data.

The **standard deviation (SD)** represents the average distance from the mean, in both directions, for each sale in the sample. It can predict the portion of property in the population having ratios within a particular range using standard deviation if the sample is representative of the population and the ratios are normally distributed on either side of the mean.

In the following example, Residential Neighborhood 4 has a mean ratio of 100 percent and good uniformity with a standard deviation of 10.

Using Statistics to Estimate the Portion of Population within Ratio Ranges

Type	Sample Statistics			Population		
	Mean Ratio	Level of Uniformity	Standard Deviation	68% falls within this range	95% falls within this range	99% falls within this range
				1 SD from mean	2 SD from mean	3 SD from mean
Residential NH 4	100%	High	10	90% - 110%	80% - 120%	70% - 130%
Residential NH 5	85%	High	10	75% - 95%	65% - 105%	55% - 115%
Residential NH 6	100%	Moderate	15	85% - 115%	70% - 130%	55% - 145%
Residential NH 7	85%	Moderate	15	70% - 100%	55% - 115%	40% - 125%
Residential NH 8	100%	Poor	25	75% - 125%	50% - 150%	25% - 175%
Residential NH 9	85%	Poor	25	60% - 120%	35% - 110%	10% - 160%

In the following example, assuming a normal bell curve distribution of the Neighborhood 4 sample, the mean ratio of 100 percent and standard deviation of 10 for Neighborhood 4 are used to predict how many parcels of the Neighborhood 4 population could be overvalued (or undervalued).

Residential Neighborhood 4

Percent of Parcels	Sale/Appraised Value Ratio	Range
34.0%	predicted to be within	100% – 110%
13.5%	predicted to be within	111% - 120%
2.0%	predicted to be within	121% - 130%
Less than 0.5%	predicted to be	greater than 130%

As explained on page 36 of *Measuring Real Property Appraisal Performance in Washington's Property Tax System 2017*, the statistics developed from ratio studies of samples are subject to some error. Risk of error is less for larger samples. Sampling error can affect small sample sizes more. Another source of error or bias comes from the primary source of data. In Washington, property owners file the Real Estate Excise Tax Affidavit when properties sell, and the Department and counties use this as the sales sample source. An ideal sample would include properties from the population of properties that have an equally likely chance of being included in the sample. The potential for bias is less if the sold property is a good reflection of the population of properties.

In the IAAO's *Fundamentals of Mass Appraisal,* the author explains when statutes mandate appraisal at market value the overall appraisal level should be between 0.90 and 1.10. This range "provides a reasonable, constructive, and cost-effective basis for ensuring that appraisals approximate market values." (Gloudemans and Almy, (Kansas City, MO: IAAO, 2011), 243.

Mass appraisal performance – uniformity of assessments

Horizontal equity

The most widely used measure of uniformity is the **Coefficient of Dispersion (COD)**.

- It is based on the average absolute deviation (the difference between each ratio and the median ratio) and is expressed as a percentage. The COD is calculated by dividing the average absolute deviation by the median AS (assessment/sale) ratio and multiplying by 100.
- Low CODs represent good assessment uniformity.
- CODs less than five (5.0) are rare, except in an area of extremely homogenous property, and could be an indication of sales chasing.

IAAO Ratio Standard COD Range Indicating Good Uniformity

The following tables from the IAAO Standard on Ratio Studies show the generally accepted COD standards for different property classes:

Table 1

Type of Property - General	Type of Property - Specific	COD Range**
Single-family residential (including residential condos)	Newer or more homogeneous areas	5.0 to 10.0
Single-family residential	Older or more heterogeneous areas	5.0 to 15.0
Other residential	Rural, seasonal, recreational, manufactured housing, 2-4 unit family housing	5.0 to 20.0
Income-producing property	Larger areas represented by large samples	5.0 to 15.0
Income-producing property	Smaller areas represented by smaller samples	5.0 to 20.0
Vacant land		5.0 to 25.0
Other real and personal property		Varies with local conditions

These types of property are provided for guidance only and may not represent jurisdictional requirements.

This table breaks down the property type categories to take into account jurisdiction size, area profile, and market activity to further refine acceptable standards:

Table 2

General Property Class	Jurisdiction Size/Profile/Market Activity	COD Range
Residential improved (single family dwellings, condos, manuf. housing, 2-4 family)	Very large jurisdictions/densely populated/newer properties/active markets	5.0 to 10.0
	Large to mid-sized jurisdictions / older & newer properties / less active markets	5.0 to 15.0
	Rural or small jurisdictions / older properties / depressed market areas	5.0 to 20.0
Income-producing properties (commercial, industrial, apartments)	Very large jurisdictions/densely populated/newer properties/active markets	5.0 to 15.0
	Large to mid-sized jurisdictions / older & newer properties / less active markets	5.0 to 20.0
	Rural or small jurisdictions / older properties / depressed market areas	5.0 to 25.0
Residential vacant land	Very large jurisdictions / rapid development / active markets	5.0 to 15.0
	Large to mid-sized jurisdictions / slower development / less active markets	5.0 to 20.0
	Rural or small jurisdictions / little development / depressed markets	5.0 to 25.0
Other (non-agricultural) vacant land	Very large jurisdictions / rapid development / active markets	5.0 to 20.0
	Large to mid-sized jurisdictions / slower development / less active markets	5.0 to 25.0
	Rural or small jurisdictions / little development / depressed markets	5.0 to 30.0

These types of property are provided for guidance only and may not represent jurisdictional requirements.

Sales chasing

IAAO states: “CODs lower than five (5.0) may indicate sales chasing or non-representative samples” International Association of Assessing Officers, *Standard on Ratio Studies*, (Kansas City, MO: IAAO, 2013), 33-37. Although the goal is to assess ‘all’ properties at 100 percent of market value, IAAO believes that due to the many factors of a real estate transaction, it is improbable that assessed values will be within the tight range of the sales price needed to achieve a COD of less than five. IAAO therefore, believes a COD of less than five could be a result of the selective reappraisal of sold properties.

The treatment of properties that have sold should be the same as the treatment of unsold properties.
During verification of a sale, the appraiser or sales analyst may discover that property characteristics at the date of sale are different than characteristics listed in the property record. An appraiser should exercise caution when correcting or updating characteristics of sold properties. If he or she only corrects the test data, while leaving the rest of the population uncorrected, it gives the appearance of sales chasing. This practice of intentionally or unintentionally manipulating the data used for statistical testing may produce results that look good, but it does not accurately reflect the entire population, as only the sales test data has been uniquely altered.

One should not select the sales for inclusion in an internal ratio study only because they have a “good” ratio while excluding others. An appraiser should include all of the sales when completing an analysis. Often times, the outliers or anomalies tell you what you may or may not be accurately capturing in your valuation models and where you need to make changes. The market is always changing and this information is invaluable in keeping current with the market.

Vertical equity

Vertical equity in assessments means that property with the lowest market value (sale prices) have assessed values at the same level of market value as property with highest market value (sale prices). While neither the Vertical Equity Index nor the quintile mean ratios are IAAO standards, they are very useful measures in evaluating vertical equity. The assessor can use the measures to evaluate whether low valued properties are treated the same as high valued properties. The Vertical Equity Index provides a ratio for each quintile (20%) of values from low to high. It will help isolate value ranges that an assessor may need to adjust in order to achieve uniform valuations.

Each year the Department calculates the **Vertical Equity Index (VEI)**, which looks at quintile mean ratios (QMR). This measure is more informative than the price related differential (PRD), which is another measure of vertical equity. Both measures identify if there are different levels of assessment between stratums based on sale price/market value. The Department calculates QMR by first arraying the data in order from lowest to highest by market value. Then it divides the data into five equal groups called quintiles and calculates the average ratio for each quintile. This gives a useful visual representation of the differences in the value ranges.

The closer the quintile ratios are, the better the vertical equity. The VEI scores the QMR results and is calculated by the formula below:

(Maximum Quintile Ratio-Minimum Quintile Ratio/Average Quintile Ratio)*100

VEI numbers indicate the level of vertical equity:

- above 14 indicates vertical inequity
- 14 to 7 indicates acceptable vertical equity
- below 7 indicates good vertical equity
- below 3.5 indicates excellent vertical equity

The **Price Related Differential (PRD)** is currently an IAAO standard for measuring vertical equity. It also measures whether there are different levels of assessment between value stratums. It is calculated by dividing the mean by the weighted mean. IAAO recommends the PRD be between .98 and 1.03. A value greater than 1.00 indicates the high-value properties are under-assessed, while a value below 1.00 indicates that higher value properties are over-assessed.

The *IAAO Standard on Ratio Studies* is a good resource for a detailed explanation of ratio studies, other statistical measures, and procedures that provide confidence in the studies.

Best practices for improving mass appraisal performance

The following list includes practices that counties could use to increase their overall median ratio and weighted mean ratio used for equalization:

- Conduct ratio studies by property type, location, value stratums to provide:
    - Internal quality assurance and identification of appraisal priorities.
    - Determination of whether administrative and statutory standards are met.

- Conduct ratio studies before, during, and at the conclusion of revaluation for the year.

- Develop time trends for adjustment of appraised values between reappraisals. Developing a time adjustment for older sales used in analysis brings them in line with current market values.

- Utilize the *International Association of Assessing Officers (IAAO) Ratio Study Standard* to measure the quality of mass appraisals.

- Review the Department's reports each year and identify assessment uniformity concerns. Department of Revenue staff are available to review the reports and statistical information about your county.

- Include land use codes, area codes, and major characteristics of parcels in your internal ratio studies to allow drilling down to find the model weakness causing lower ratios.

- Conduct additional analysis and study property characteristics as a possible cause of lower or higher levels of assessment. Identify the sales ratios that are not uniform with other properties. Analysis may reveal a property type, location, or characteristic that you should address in the valuation model.

- Decrease the range of data used by analyzing outliers and either removing outliers that are on the extreme high or low end, or determining whether there are characteristic adjustments that you could make to bring the outlier in line with other sales. By making your range tighter, your median ratio for an area of analysis will improve.

- Ensure you do not have a practice of analyzing a neighborhood with the intention of having no or few sales exceeding a 100 percent ratio. This practice can potentially result in a level of assessment that varies from neighborhood to neighborhood. This type of restriction in the process prevents or limits meeting the requirement to have the same level of assessment between different areas and classes of property. In addition, this practice can be perceived as attempting to target an assessment level that is lower than 100 percent true and fair value. It will result in a low median ratio that depends on the percent of range in the data.

- Work to improve the overall assessment level of properties in stratums with lower ratios, which could include multi-family, agricultural, or commercial properties. Sometimes, lack of local sales or income data makes this difficult. In cases where data may not be available within the county, comparable income or sales data may be available from neighboring counties with similar property types. Another possibility would be to expand the area of analysis within your county to get a larger set of data to work with.

- Do not necessarily exclude invalid sales from use in internal ratio studies. While the Department considers some sales invalid for the purposes of its Ratio Study, those sales may provide useful market data for the county's internal analysis of certain classes of property. Consider using more of those sales in your ratio studies for property types where there may not be an abundance of sales, such as the commercial and agricultural classes. When sales are limited, each sale becomes more important in helping to analyze market influences.

In practice, it is sometimes difficult to achieve 100 percent true and fair value overall and to ensure the level of assessment is similar between all classes of property, especially when data may not be readily available for some property types. While some counties may find this a challenge, it is important to avoid practices that contribute to inequities in valuation and constraints that result in valuations lower than 100 percent true and fair value. The best practice is to let available data dictate how to achieve the most accurate valuations that are equitable and uniform throughout the county.

Examples of why uniformity is important

A uniform level of assessment close to 100 percent true and fair market value for all property owners provides the best chance of ensuring uniformity in taxation. Assessing all property close to 100 percent of true and fair value provides the total assessed value used to determine levy rates for the calculation of taxes that fund the county, state schools, and local taxing districts.

Non-uniform levels of assessment can affect taxes paid by property owners

When appraisers do not value property at the same level of assessment within the county, it results in taxes shifting to other taxpayers.
Example: A Department ratio study indicates the level of assessment for single-family residential property assessed at $150,000 or more is at 90 percent of market value. The level of assessment for non-residential property at $150,000 or more is at 85 percent of market value. This example illustrates the impact of the level of assessment on the amount of taxes paid.

The next two tables show how the non-uniform level of assessment affects the amount of taxes collected from each property owner. The owner of Parcel 1 paid too much tax, while the owners of Parcels 2 and 3 paid too little tax.

Tax on parcels with non-uniform levels of assessments

(Same assessed value but different market values)

	Assessed Value (AV)	**Ratio (AV/MV)**	**Market Value (MV)**	***County Levy Rate**		**Tax (AV x Rate)**
Parcel 1	150,000	100%	150,000	1.25603		$188.40
Parcel 2-Residential	150,000	90%	166,666	1.25603		$188.40
Parcel 3-Multi-Family	150,000	85%	176,470	1.25603		$188.40
Totals	450,000		493,136			$565.21
*Levy Rate (dollars per $1,000 of assessed value)						

Tax on same parcels with uniform levels of assessment
(Assessed value equals market value)

	Assessed Value (AV)	Ratio (AV/MV)	Market Value (MV)	*County Levy Rate	Tax (MV x Rate)
Parcel 1	150,000	100%	150,000	1.14615	$171.92
Parcel 2-Residential	166,666	100%	166,666	1.14615	$191.03
Parcel 3-Multi-Family	176,470	100%	176,470	1.14615	$202.26
Totals	493,136		493,136		$565.21

Notes: To illustrate the effect on taxpayers we assume the total tax to be collected is the same for each example.
As the taxable value increased, the rate decreased.
* Levy Rate = (565.21/493,136)*1000 = 1.14615 (dollars per $1,000 of assessed value)

Non-uniform levels of assessment affects taxes paid by property owners for state schools
The Department uses the equalization ratio when calculating the state school levy. The real and personal property assessed value per county adjusted by the equalization ratio determines the true and fair market value for real and personal property. After the Department equalizes each county's assessed value to actual true and fair value, it calculates the amount of property tax that counties must levy. The indirect equalization process ensures taxpayers in all counties contribute equally to the state school levy.

However, if there are different levels of assessment between property types or locations within a county, then there will be inequities in how much individual taxpayers contribute to the county's portion of the state school levy.

The example below shows a county with an 85 percent equalization ratio and a countywide state school levy rate of $2.25 per $1,000 of assessed value. Taxpayers within the same county where some property is assessed at greater than 85 percent of market value will pay more toward state schools than those with an assessed value below 85 percent of market value.

Comparison of state schools tax on properties with $100,000 market value (MV)

	Assessed Value (AV)	Ratio (AV/MV)	State Schools Levy Calculation	Taxes Paid
Parcel 1	80,000	80%	80,000*2.25/1000	$180
Parcel 2	85,000	85%	85,000*2.25/1000	$191
Parcel 3	90,000	90%	90,000*2.25/1000	$203
Parcel 4	100,000	100%	100,000*2.25/1000	$225
Notes: All parcels have a market value of $100,000 State School Levy Rate = $2.25 per $1,000 of assessed value (applied countywide) County Equalization Ratio = 85%				

Low assessment ratio can affect levies and revenue for county and taxing districts
Taxing districts can experience a loss in property tax revenue if the assessed value of property is less than the market value:

- When voters approve a lid lift for a taxing district in a county with a low level of assessment (low ratio), the district will not be able to levy the full amount allowed by law because the property within the taxing district is being assessed at less than 100 percent of market value. For example, if a county general levy has an assessed value of $10,000,000,000 at 100 percent of market value and voters approve a lid lift to $1.80, the district could levy $18,000,000. When the county has a ratio of 85.5 percent with an assessed value of $8,550,000,000 and voters approve a lid lift to $1.80, the district could levy $15,390,000. The taxing district could lose $2,610,000 in property tax revenue because of the low assessment level.

- If a taxing district's levy is restricted to the statutory maximum rate allowed by law, not valuing property at 100 percent market value results in a loss of levying capacity.

- When a county is not valuing property at 100 percent true and fair market value, it results in a higher levy rate. This could result in the possibility of pro-rationing or elimination of levy rates for junior taxing districts due to the $5.90 or Constitutional 1 percent aggregate limitations. Pro-rationing or eliminating levy rates for a taxing district causes a loss of funds for that district. The loss is compounded in future years because the levy rate calculated each year is applied to new construction and state assessed property values, as part of the levy limit calculation.

Low equalization ratio reduces taxable value for state assessed utility and transportation properties

The Department conducts the *Property Tax Ratio Study* to determine the county equalization ratio. Using a county's equalization ratio directly equalizes the value of centrally assessed properties with the locally assessed property in the county. The Department appraises centrally assessed properties, which are those that cross county lines. These include airline companies, utilities, railroads, telephone companies, and gas companies. The equalization ratio reduces the assessed value determined by the Department, which also reduces the taxable assessed value for the county. A low county equalization ratio will result in a lower tax base for the county and taxing districts.

Works cited and other useful references

Eckert, J., R. Gloudemans, and R. Almy, Ed., *Property Appraisal and Assessment Administration*, (Chicago, IL: IAAO, 1990)

Gloudemans, R.J., and R. Almy, *Fundamentals of Mass Appraisal.* (Kansas City, MO: IAAO, 2011)

International Association of Assessing Officers (IAAO), *Standard on Mass Appraisal of Real Property*. (Kansas City, MO: IAAO, 2017)

International Association of Assessing Officers (IAAO), *Standard on Ratio Studies*. (Kansas City, MO: IAAO, 2013)

PART 11 STRATEGIES FOR HANDLING APPEALS

This chapter is not intended to replace the Department's Board of Equalization Manual that outlines the laws and procedures for managing and conducting board of equalization hearings. This document is intended to provide guidance for assessors in responding to taxpayers who have questions about their property and strategies for maintaining good customer service in this process.

The purpose of the Board of Equalization (BOE) appeal process is to address taxpayer concerns with the valuation of their property or other related issues. These properties include those that may not be correctly profiled in the assessor's records as well as properties that have some unique characteristics that may require an individual analysis of that property. The appeal process allows for correction of those records, either during the recommended review period between mailing change in value notices and certifying the assessment roll or through the formal appeal process.

The appeal process often requires direct contact with taxpayers, either during in person meetings, through telephone discussions, or in appeal hearings. This is an opportunity for the assessor's office to show their transparency and interest in providing good customer service. Handling taxpayer concerns prior to the formal appeal filing with the county BOE promotes public good will and eliminates the need for conducting a formal appeal. This minimizes the impact on staff and saves the county both time and money.

There will be times when the assessor and taxpayer cannot resolve the issues brought forth by the taxpayer. The taxpayer may decide request an appeal hearing with the BOE. According to statistics compiled by the Department, approximately .5% of the parcels in the state are appealed each year. About 40% of the appeals are stipulated or withdrawn before the BOE hearing.

Developing good customer service before an appeal is filed

Handling taxpayers' concerns efficiently and professionally is important in providing good customer service. There are numerous things the assessor's office can do to make this process easier and more understandable for the taxpayer. Recommendations include:

- Making a good first impression. It is important to train front office staff to handle taxpayers professionally and listen to their concerns. If the issue needs to be referred to other staff, this should be done as soon as possible.

- Listening to taxpayers and letting them express their concerns fully. Keep an open mind. Many times there are issues that can be handled easily or issues that really aren't relative to the assessor's office. After getting an explanation of the concern, staff should explain that they can handle that issue or that they can refer them to another resource.

- Making sure that the taxpayer receives all of the pertinent information they may need about the property under appeal.

- Admitting errors. When the office has made an error or they have an incorrect piece of data related to the parcel record or appeal file, admit that to the taxpayer and explain the process of correcting it. The parcel may need to be inspected before the error can be corrected or a form may need to be filled out. Aid the taxpayer in accomplishing what they need for handling the issue.

- Trying to provide the taxpayer with an understanding of your processes and why your valuation is reasonable without having to go through the formal appeal process. It saves the county and the taxpayer time and money if the issue can be resolved informally and it is best for all parties involved. This is not to say that the assessor should negotiate a value with the taxpayer, but rather address the issue prior to the hearing, if possible. Sometimes this is not possible.

- Developing clear instructions for staff during the review period. Delineate which staff should handle particular issues and make sure taxpayers can be directed to the appropriate individual promptly. When appraisers are making adjustments to characteristics or valuation models, levels of approval can be established so that staff knows what level of approval may be required for significant valuation changes. Having processes in place to change data or valuations and which staff can make these changes, makes the process efficient and transparent to the public.

- Assisting taxpayers in the appeal process. If staff are dealing with a taxpayer who is filing an appeal for the first time, it may be appropriate to walk them through the appeal process to give them an idea as to what to expect. This suggestion does not include helping the taxpayer build their case against your office, but rather a discussion of process.

- Providing information on the county website regarding both individual properties as well as overall county data and processes for valuation of property. This gives taxpayers easier access to pertinent information and saves county resources by allowing taxpayers to get that information online.

Developing good customer service after the appeal is filed

- Develop a tracking system so that appeals are handled within the timelines required by law. Train staff about the laws and rules governing appeals. Make sure there are office procedures in place about how staff is to treat taxpayers appropriately and follow laws and rules with regard to things such as the exchange of information, timelines, forms, etc.

- Develop an appeal template for each category of appeal with standardized information to be contained in each appeal. Some CAMA systems allow for auto-generated appeal information. This saves time and can be supplemented with additional information or a narrative, as needed. The appeal response should explain the assessor's valuation procedure and reasoning for valuing the subject property. It should also provide the sound appraisal methodology and data that supports why the BOE should uphold your valuation.

- Review your case with the appellant prior to writing a formal response. Sometimes revealing your sales evidence and market trends in their area or class of property prior to the hearing will result in an understanding with the appellant that your valuation is in fact, reasonable and correct. This may prompt the taxpayer to withdraw their appeal.

Tips for preparing and presenting appeal defense

- While it is important to include the basic information about the property under appeal, it is extremely important to directly address the concerns brought forth by the appellant and explain how those concerns are being addressed.

- Keep the appeal response and other communication with the appellant as simple as possible. Try to explain your work using simple, familiar terms rather than using technical appraisal terminology.

- Present your case before the board professionally. Be respectful of all parties and avoid confrontation. If you do not know the answer to a particular question, state that.

- Organize your written documentation and number the pages. Include a narrative summary at the beginning of the presentation so it can be found easily.

Usefulness of the appeal process in the assessor's office

- Information provided by the appellant may bring forth issues that suggest there are properties that don't fit into particular models or there may be some characteristic that the model is not capturing that affects value. This can be useful in specifying and calibrating models.

- Appeals may be used for quality control in testing models or testing individual characteristics as they relate to accurate valuations.

- The appeal process allows for a more thorough inspection of the property under appeal which gives the assessor the opportunity to obtain an accurate profile of the property by performing a more detailed inspection.

- Handling appeals efficiently and professionally contributes to good will with taxpayers.

Resources
IAAO Standard on Assessment Appeals

County Boards of Equalization Manual

Special Notice: *Property Valuation Appeals*

PART 12 DESTROYED PROPERTY

Destroyed Property is any real or personal property improvement that has lost value due to the impact of a natural disaster or voluntary destruction. It is real or personal property that has been placed on the assessment roll as of January 1 of the assessment year in which the property was destroyed, in whole or in part, or is in an area that has been declared a disaster area by the governor or county legislative authority and has lost more than twenty percent of its value due to a natural disaster. These properties are eligible for a property tax abatement under RCW 84.70.010. The true and fair value of the property is reduced by the difference between the value before destruction and the value after destruction (see example below).

- The abatement does not apply to property damaged or destroyed voluntarily.
- No reduction or abatement can be made more than three years after the date of destruction or reduction in value.
- Either the assessor or the property owner can initiate a claim for destroyed property. Usually the assessor performs an inspection to determine the amount of destruction or damage that has occurred. In a disaster area, the assessor should inspect the property as soon as it is safe and practical to do so and before the taxpayer starts the repair process.
- If the destroyed property is replaced as new construction or there is an initial placement of a mobile home prior to the valuation dates of July 31 in RCWs 36.21.080 and 36.21.090, the total taxable value for that assessment year cannot exceed the value as of that date.
- The assessor must notify the taxpayer of the amount of reduction in value that they have determined. This value can be appealed to the local county Board of Equalization.
- Per RCW 84.70.040, no property tax relief will be given to anyone convicted of arson with regard to the property seeking the property tax abatement.

2021 legislative changes (ESB 5454) to RCW 84.70.010 allows taxpayers to apply for a three year exemption for physical improvement value added to single family dwellings as a result of property destroyed by a qualifying natural disaster. The reduction in value must exceed 20% of the assessed value and must have occurred on or after August 31, 2020. The amount of the exemption cannot exceed the amount of the destroyed property claim which has been filed on the property. Applications must be submitted to the county assessor prior to starting construction on new improvements. No applications can be approved after June 30, 2026. Please see: Special Notice and Exemption Form

Example of reduction or refund calculation

The amount of tax to be refunded or reduced is based on the amount of value lost and the number of days remaining in the year after the destruction has occurred. For example, a property that was valued at $200,000 was damaged by fire on June 28, 2019, and is now worth only $150,000.

Assume a property tax rate of $14.50 per $1,000 of assessed value. The reduction of 2019 tax would be calculated as follows:

Assessed value prior to wild fire	**$200,000**
Assessed value after damage has occurred	**$150,000**
Amount of value lost	**$50,000**
Multiply by the property tax rate	**$14.50 per $1000 of assessed value**
2019 tax on lost value	**$725**
Multiply by the portion of year remaining after destruction	**186/365 ($725 x 50.86%)**
Amount of reduction or refund	**$369.46 ($725 x 50.96%)**

Destroyed property repaired

If a property is repaired in the same year after destruction, the abatement is still calculated based on the number of days remaining in the year after the destruction has occurred. However, any new construction replacement value would be added to the assessment roll by August 31 using the value as of July 31 in the same manner as other new construction.

Effect on property tax levies

If the levies have been calculated prior to the disaster, adjustment for the damage will reduce the amount to be collected in taxes. If the destroyed property adjustment has not been completed by the assessor, taxpayers should pay any property taxes due to avoid penalties from late payment. A refund can be issued later. If taxes are refunded because of destroyed property adjustments, taxing districts can add that amount to the next levy. Cancellations of taxes that were not paid may be factored into the next levy depending on other tax supplements that occur during this time period. When a state of emergency has been declared under RCW 84.56.020(8), the county treasurer may postpone the property tax payment due dates on their own authority or at the request of any affected taxpayer.

Resources

[Taxpayer Claim for Reduction of Assessments – Destroyed Real or Personal Property]

[Destroyed Property Frequently Asked Questions]

[Exemption Application]

[Special Notice]

PART 13 PROMOTING GOOD CUSTOMER SERVICE

Good customer service in the assessor's office is extremely important. Customers expect to be treated professionally and the assessor can reap the benefits of good customer service in many ways. With all of the duties required of the assessor, additional duties such as handling complaints, preparing board of equalization appeals, and answering questions can be a very labor intensive undertaking. Providing accurate information on first contact with a customer can save both time and money. Good customer service can:

- Decrease the number of phone calls and office visits.
- Decrease the number of appeals filed.
- Lessen the need for follow up by handling the issue correctly the first time.
- Decrease internal staff time handling customer issues.
- Increase taxpayer understanding and compliance.
- Increase awareness of the importance of property tax in funding local government services.
- Promote good will with stakeholders, including county officials who might be more receptive to assessor requests.

Ways to improve customer service

Transparency

Transparency is the process of explaining what you are doing. The average taxpayer doesn't understand mass appraisal or how property taxes are calculated. The assessor should provide plain talk explanations whenever possible and have educational information reviewed by people outside the office to make sure they are understandable to the general public.

In addition, the assessor's office should take note of common or frequent questions and concerns and address the ones which cause confusion. These items could be addressed in informational documents on the website or as handouts in the office. Initially the process of improving transparency can take time, but it will ultimately make the job easier.

Public relations

Public relations is the act of managing the flow of information between an organization and the public. It is an opportunity to make information available to many customers and stakeholders at the same time, therefore reducing time consuming one on one interactions. Examples of public relations items often used in the assessor's office include:

- Publications and brochures
- Newspaper articles
- Frequently Asked Questions

- Public Service Announcements via the newspaper or television
- PowerPoint presentations for use in public meetings
- Procedures manuals
- Reports
- Websites

Websites

With the increasing use of websites for providing information, it is important to develop a user friendly and informative website. According to the International Association of Assessing Officers (IAAO) *Standard on Public Relations,* a website should include the following items:

- A welcome page from the assessor
- Office hours, locations, and contact information
- Property Information including ownership, property characteristics, sales history, and valuation
- News releases
- Your mission statement or strategic plan
- Job openings
- An explanation of the appeals process
- As assessment notice explanation
- Available exemptions
- Assessment cycle timetable
- Q&A page (also known as Frequently Asked Questions [FAQ's])
- Maps
- A parcel's tax history
- Taxpayer forms for exemptions, deferrals, refunds, filing appeals
- A website map
- Links to other relevant websites

In addition, other helpful information might include:

- An explanation of the valuation process
- Mass appraisal reports for the current year
- Sales information
- The property tax calendar or an update on what the assessor's office is currently working on
- Contact information for staff and their area of responsibility
- An explanation of the inspection process, inspection areas/cycles, and inspection schedule with map
- A picture of the assessor to put a face to the name

Training staff on customer service

It is important to educate staff on the expectations for customer service in your office. Staff should be aware that professionalism is important at all times, even if a customer is upset or angry. Providing written procedures for handling common customer issues and assigning staff to handle them is important. If there are clear instructions for staff, customers will be connected with the right person and taken care of efficiently. Train staff to take the extra step to provide good customer service. Follow through with customers to ensure they have been satisfied with how their concerns were handled.

Resources

Homeowner's Guide to Property Tax

APPENDIX A – REVALUATION CASE LAW, AGO OPINIONS AND BTA DECISIONS

Revaluation case law

Advanced Silicon Materials, LLC v. Grant County (2005) Challenges to mid-cycle valuation

Barlow v. Kinnear (1967) Uniform valuation of all property within a jurisdiction

Belas v. Kiga (1998) Implementing property tax laws uniformly

Boeing Co. v. King County (1969) If equality is lacking in either area of the tax spectrum (i.e., either the rate of taxation or the assessment ratio), there will be a lack of uniformity in the tax burden

Carkonen v. Williams (1969) Valuation at statutory requirement by January 1

Carpenter v. Franklin County Assessor (1981) Valuation of federal irrigation easements

Covell v. City of Seattle (1995) Tax uniformity requires both an equal tax rate and equality in valuing the property taxed

Dore v. Kinnear (1971) Substantially equal amount of taxable property should be revalued in each cycle

Hillas v. Kittitas County (1998) Late Revaluation

Inter Island Telephone Co. v. San Juan County (1994) Uniformity in property tax assessment

Island County Committee on Assessment Ratios v. The Department of Revenue (1992) Calculation of state school levy

Kaiser Aluminum v. Spokane County (1996) Illegal revaluation moratorium

Mason County Overtaxed, Inc. v. Mason County (1963) Assessment at true and fair value regardless of percentage of increase

Morrison v. Rutherford (1973) Disparities in valuation can exist between identical properties (cyclical valuation) when they are not intentional and regular revaluation program exists

Niichel v. Lancaster (1982) Deadline for public officer to perform an act such as valuation of property or collection of taxes is directory and not mandatory

P.B. Investment Company, Inc. v. King County (1970) Determination of exempt or non-exempt status of property

Pier 67, Inc. v. King County (1977) Change in burden of proof for assessor on appeal based on intentional and systematic discrimination

Ponderay Newsprint Co., v. Pend Oreille County (1996) Assessment date for out of cycle appeal of valuation when county is on cyclical revaluation

Puget Sound Power and Light v. The State of Washington (1967) Requirement for taxpayer to request refund of payment of excess taxes within two years of payment

Radius Management LLC v. Yakima County (2006) Official assessment roll

Sator v. Washington Department of Revenue and King County (1977) Challenge of methodology used as basis for determining value of property for state school levy calculations

Schreiber v. Riemcke (1974) Revaluation out of cycle due to bona fide mistake

State of Washington Tax Commission v. Redd (1932) Challenges legislative power to direct tax commission to reassess property and should be handled by county government

Tacoma Goodwill Industries v. Pierce County (1973) Improperly exempted property from prior years does not constitute omitted property.

Trans West Co. v. Klickitat County (1979) Highest and best use for property tax classification of land

Twin Lakes Golf and Country Club v. King County (1976) Effect of restrictions on fair market value for tax assessment purposes.

Weyerhaeuser v. Easter (1995) The scope of the presumption of correctness under RCW 84.40.030 to an assessor's original appraisal

Attorney General Opinions

AGO 1965, No. 31 – Maximum level of assessment, blanket percentage increase without physical inspection of property, fair market value

AGO 1965, No. 65 – True and fair value

AGO 1965-66, No. 4 – Listing of property – authority to correct possible error

AGO 1980, No. 4 – Omitted assessment of mobile homes affixed to real property

AGO 1979, No. 17 – Valuation of new construction by county assessors

AGO 1980, No. 1 – Public access to property tax assessment rolls

AGO 1890, No. 5 – Resubdivision of lot with existing subdivision

AGLO 1980, No. 25 – Necessity for physical inspection

AGO 1986, No. 3 – Valuation of property, presumption of correctness

AGO 1995, No. 5 – Constitutional requirements on imposition of ad valorem property tax

BTA DECISIONS

Yelm Plaza LLC v. Steven J. Drew, Thurston County Assessor

APPENDIX B – RCW's AND WAC's

Title 84 RCW PROPERTY TAXES

RCW Chapters

84.04 Definitions.

84.08 General powers and duties of department of revenue.

84.09 General provisions.

84.10 Property tax committee.

84.12 Assessment and taxation of public utilities.

84.14 New and rehabilitated multiple-unit dwellings in urban centers.

84.16 Assessment and taxation of private car companies.

84.20 Easements of public utilities.

84.25 Targeted urban areas—Exemption.

84.26 Historic property.

84.33 Timber and forestlands.

84.34 Open space, agricultural, timberlands—Current use—Conservation futures.

84.36 Exemptions.

84.37 Property tax deferral program.

84.38 Deferral of special assessments and/or property taxes.

84.39 Property tax exemption—Widows or widowers of veterans.

84.40 Listing of property.

RCW sections 84.40 Listing and Valuation

84.40.020	Assessment date -- Average inventory basis may be used -- Public inspection of listing,documents, and records.
84.40.025	Access to property required.
84.40.030	Basis of valuation, assessment, appraisal -- One hundred percent of true and fair value --Exceptions -- Leasehold estates -- Real property -- Appraisal -- Comparable sales.
84.40.0301	Determination of value by public official -- Review -- Revaluation -- Presumptions.
84.40.031	Valuation of timber and timberlands -- Criteria established.
84.40.032	Valuation of timber and timberlands -- "Timberlands" defined and declared lands devoted to reforestation.
84.40.033	Valuation of timber and timberlands -- Legislative findings.
84.40.036	Valuation of vessels -- Apportionment.
84.40.037	Valuation of computer software -- Embedded software.
84.40.038	Petition county board of equalization -- Limitation on changes to time limit -- Waiver of filingdeadline -- Direct appeal to state board of tax appeals.
84.40.039	Reducing valuation after government restriction -- Petitioning assessor -- Establishing newvaluation -- Notice -- Appeal -- Refund.
84.40.040	Time and manner of listing.
84.40.042	Valuation and assessment of divided or combined property.
84.40.045	Notice of change in valuation of real property to be given taxpayer -- Copy to person makingpayments pursuant to mortgage, contract, or deed of trust -- Procedure -- Penalty.
84.40.060	Personal property assessment.
84.40.065	Listing of taxable ships and vessels with department -- Assessment -- Rights of review.
84.40.070	Companies, associations -- Listing.
84.40.080	Listing omitted property or improvements.
84.40.085	Limitation period for assessment of omitted property or value -- Notification to taxpayer ofomission -- Procedure.
84.40.090	Taxing districts to be designated -- Separate assessments.

84.40.110	Examination under oath -- Default listing.
84.40.120	Oaths, who may administer -- Criminal penalty for willful false listing.
84.40.130	Penalty for failure or refusal to list -- False or fraudulent listing, additional penalty.
84.40.150	Sick or absent persons -- May report to board of equalization.
84.40.160	Manner of listing real estate -- Maps.
84.40.170	Plat of irregular subdivided tracts -- Notice to owner -- Surveys -- Costs.
84.40.175	Listing of exempt property -- Proof of exemption -- Valuation of publicly owned property.
84.40.178	Exempt residential property -- Maintenance of assessed valuation -- Notice of change.
84.40.185	Individuals, corporations, limited liability companies, associations, partnerships, trusts, or estatesrequired to list personalty.
84.40.190	Statement of personal property.
84.40.200	Listing of personalty on failure to obtain statement -- Statement of valuation to person assessedor listing -- Exemption.
84.40.210	Personalty of manufacturer, listing procedure, statement -- "Manufacturer" defined.
84.40.220	Merchant's personalty held for sale -- Consignment from out of state -- Nursery stock assessableas growing crops.
84.40.230	Contract to purchase public land.
84.40.240	Annual list of lands sold or contracted to be sold to be furnished assessor.
84.40.315	Federal agencies and property taxable when federal law permits.
84.40.320	Detail and assessment lists to board of equalization.
84.40.335	Lists, schedules or statements to contain declaration that falsification subject to perjury.
84.40.340	Verification by assessor of any list, statement, or schedule -- Confidentiality, penalty.
84.40.343	Mobile homes -- Identification of.
84.40.344	Mobile homes -- Avoidance of payment of tax -- Penalty.
84.40.350	Assessment and taxation of property losing exempt status.

84.40.360 Loss of exempt status -- Property subject to pro rata portion of taxes for remainder of year.

84.40.370 Loss of exempt status -- Valuation date -- Extension on rolls.

84.40.380 Loss of exempt status -- When taxes due and payable -- Dates of delinquency -- Interest.

84.40.390 Loss of exempt status -- Taxes constitute lien on property.

84.40.405 Rules for agricultural products and business inventories.

84.40.410 Valuation and assessment of certain leasehold interests.

RCW sections 84.41 revaluation:

84.41.010 Declaration of policy.

84.41.020 Scope of chapter.

84.41.030 Revaluation program to be on continuous basis -- Revaluation schedule -- Effect of otherproceedings on valuation.

84.41.041 Physical inspection and valuation of taxable property required -- Adjustments during intervalsbased on statistical data.

84.41.050 Budget, levy, to provide funds.

84.41.060 Assistance by department of revenue at request of assessor.

84.41.070 Finding of unsatisfactory progress -- Notice -- Duty of county legislative authority.

84.41.080 Contracts for special assistance.

84.41.090 Department to establish statistical methods -- Publication of rules, regulations, and guides --Compliance required.

84.41.100 Assessor may appoint deputies and engage expert appraisers.

84.41.110 Appraisers to act in advisory capacity.

84.41.120 Assessor to keep records -- Orders of department of revenue, compliance enjoined, remedies.

84.41.130 Assessor's annual reports.

84.44 Taxable situs.

84.48 Equalization of assessments.

84.52 Levy of taxes.

84.55 Limitations upon regular property taxes.

84.56 Collection of taxes.

84.60 Lien of taxes.

84.64 Lien foreclosure.

84.68 Recovery of taxes paid or property sold for taxes.

84.69 Refunds.

84.70 Destroyed property—Abatement or refund.

84.72 Federal payments in lieu of taxes.

84.98 Construction.

Title 458 WAC

Chapters

458-02	Consolidated licensing system.
458-07	Valuation and revaluation of real property.

WAC 458-07 Sections

458-07-010 Valuation and revaluation of real property -- Introduction.

458-07-015 Revaluation of real property -- Annual counties.

458-07-020 Revaluation of real property -- Multiyear counties.

458-07-025 Revaluation of real property -- Plan submitted to department of revenue.

458-07-030 True and fair value -- Defined -- Criteria -- Highest and best use -- Data from property owner.

458-07-035 Listing of property -- Subdivisions and segregation of interests.

458-10	Accreditation of real property appraisers.
458-12	Property tax division—Rules for assessors.
458-14	County boards of equalization.
458-15	Historic property.
458-16	Property tax—Exemptions.
458-16A	Property tax—Exemptions—Homes for the aging, senior citizens and disabled persons.
458-17	Assessment and taxation of ships and vessels.
458-18	Property tax—Abatements, credits, deferrals and refunds.
458-18A	Limited income deferral program.
458-19	Property tax levies, rates, and limits.
458-20	Excise tax rules.
458-28	Taxation of financial businesses by cities or towns.
458-29A	Leasehold excise tax.
458-30	Open Space Taxation Act rules.

458-40	Taxation of forest land and timber.
458-50	Intercounty utilities and transportation companies—Assessment and taxation.
458-53	Property tax annual ratio study.
458-57	State of Washington Estate and Transfer Tax Reform Act rules.
458-61A	Real estate excise tax.
458-276	Access to public records.

APPENDIX C – LEGISLATION AND PROPERTY TAX SPECIAL NOTICES

Legislation

1. EHB 1271 (2021) Insures continuity of operations for county elected officials during public health crises – allows for use of aerial imagery as a supplement in physical inspections

2. ESB 5454 (2021) Creates a property tax exemption for homes damaged by natural disasters

3. HB 2858 (2020) Adjusts the deadline for assessors to certify the assessment folls from July 15^{th} to August 15^{th} for 60-day appeal counties

4. HB 2634 (2020) Exempts a sale or transfer of real property for affordable housing to a nonprofit entity, housing authority, or public corporation from the REET fee.

5. 2SSB 6231 (2020) Expands the exemption for physical improvement to single family dwellings to include newly construction accessory dwelling units.

6. HB 1852 (2019) Allows property tax refunds for more than three years after the due date resulting from certain manifest errors.

7. HB 2479 (2018) County Boards of Equalization will notify all parties of a hearing 22 days prior to the hearing date

8. ESSB 6091 (2018) Provided requirements for counties to develop water plans in each of their identified water resource areas but also eased requirements on drilling wells for domestic use.

9. HB 1283 (2017) – Eliminates the requirement that the county treasurer collect a deposit of advance tax before the county auditor records a new or altered subdivision of two or more lots.

10. SSB 5276 (2015) – County legislative authority may authorize manifest error corrections or cancellations more than three years preceding the year in which the error is discovered.

11. SSB 5444 (2013) – Removed the requirement for assessors to value and provide COV notices for publicly owned government property and eliminates the leasehold excise tax credit for amounts that are in excess of the amount of property tax that would have applied if the lessee owned the property

12. SSB 5368 (2009) – All counties must value property annually for /property tax purposes and provide advisory appraisals of industrial properties valued at $25 million or more in real and personal property when requested by assessor

Property tax special notices

1. The flat rate state real estate excise tax (REET) fee changed to a graduated rate based on sales price 12/26/2019

2. Evidence due date for BOE appeal hearings is changing to 21 days for all parties 5/9/2018

3. Eliminating the collection of anticipated taxes and assessments (revised) 1/23/2018

4. Adding new value to the assessment roll 11/27/2017

5. Refund of property taxes paid as a result of manifest errors in description of property 7/9/2015

6. Changes in the statute to create greater efficiency for assessors by eliminating the requirement to annually appraise tax-exempt government properties 1/10/2014

7. General guidance regarding property valuation appeals 5/20/2009

8. Building permits in relation to adding value of new construction 9/15/2008

APPENDIX D – DEFINITIONS AND TERMINOLOGY

A	
Ad valorem tax	A tax based on the value of property.
Affidavit	The real estate excise tax affidavit required by RCW 82.45 and WAC 458-61. The affidavit will be prescribed by the department and furnished to county treasurers. This form is used by landowners to report sales or transfers of classified land. The owner or transferor and the purchaser or transferee, or agents of each, must sign the affidavit under penalty of perjury.
Agreement	Agreement executed between an owner and the granting authority regarding the classification or reclassification of land as either open space or timberland under RCW 84.34 .
Appraisal	An estimate of value.
Assessed value RCW 84.04.020 RCW 84.04.030	The terms "assessed valuation of taxable property," "valuation of taxable property," "value of taxable property," "taxable value of property," "property assessed," and "value," whenever used in any statute, law, charter or ordinance with relation to the levy of taxes in any taxing district, shall be held and construed to mean "assessed value of property" as defined in RCW 84.04.030. RCW 84.04.030 – Assessed value of property shall be held and construed to mean aggregate valuation of property subject to taxation by any taxing district as placed on the last completed and balanced tax rolls of the county preceding the date of any tax levy.
Assessment date RCW 84.40.020 WAC 458-12-360	All real and personal property in this state that is subject to taxation shall be listed and assessed every year, with reference to its value on the first day of January of the year in which it is assessed.
Assessment ratio RCW 84.40.030	All property shall be valued at one hundred percent of its true and fair value in money and assessed on the same basis unless specifically provided otherwise by law.
Assessment year RCW 84.40.020 RCW 84.04.040	January 1 through December 31 of any year. The year the property is listed and assessed by the county assessor. The assessment year is the calendar year prior to the year the taxes become due and payable.
Assessor	The county assessor or any agency or person who is authorized to act on behalf of the assessor.

B	
Barter	The value represented from an exchange of goods or services for other goods or services.
Board of Equalization (County) RCW 84.48.010 WAC 458-14-001	The county governmental authority has the option of either appointing the members or constituting the board. The board shall consist of not less than three nor more than seven members.
C	
Change in use	A direct action taken by an owner that actually changes the use of, or has started changing the use of, classified land to a use that is not in compliance with the conditions of the agreement executed between the owner and the granting authority or to a use that is otherwise not in compliance with the provisions RCW 84.34 and WAC 458-30-295.
Classified land	A parcel(s) of land that has been approved by the appropriate granting authority for taxation under RCW 84.34.
County legislative authority WAC 458-30-200(q)	The county commission, council, or other legislative body.
County recording authority RCW 84.04.045 WAC 458-15-015	The county auditor or the county recording authority as authorized under Home Rule Charter.
Current assessment year	The year the property is listed and valued by the county assessor.
Current tax year	The year the taxes are due and payable.
Current use	Present use of the land.
D	
Delinquent assessments	Assessment remaining unpaid on and after the due date for which a penalty for non-payment is attached.
Department RCW 84.04.047	Department of Revenue of the state of Washington.
Destroyed Property RCW 36.21.080	If, on or before December 31 in any calendar year, any real or personal property placed upon the assessment roll of that year is

RCW 84.7.010	destroyed in whole or in part, or is in an area that has been declared a disaster area by the governor and has been reduced in value by more than twenty percent as a result of a natural disaster, the true and fair value of such property shall be reduced for that assessment year by an amount determined by taking the true and fair value of such taxable property before destruction or reduction in value and deduct there from the true and fair value of the remaining property after destruction or reduction in value.
E	
Easement	Voluntary sale or donation of specific use rights to land. Examples of rights that could be sold include the rights to use land for cropping purposes (in Wetlands Reserve Program and Grassland Reserve Program). Landowners who sell or donate an easement retain all other ownership rights to the land, including the right to sell the land. Future owners of land subject to an easement are legally required to abide by easement terms. Easements are perpetual or are long-term, 25 years or more.
Eminent Domain	The right of government to take private property for public use (usually by purchase)
F	
Fiscal year RCW 84.04.040	The assessment year and fiscal year shall commence January 1st and end December 31st in each year.
G	
H	
Highest and best use WAC 458-07-030(3)	Basis for valuing property for assessment purposes. Highest and best use is the most profitable likely use for which a property can be put. It is the use, which will yield the highest return on the owner's investment.
I	
Improvement	Any valuable change in or addition to real property, such as buildings, septic, other utilities.
Improvements to Property WAC 458-19-005(2)(i)	Any valuable change in or addition to real property, including the subdivision or segregation of parcels of real property or the merger of parcels of real property
Indicated Real Property Ratio	The sum total of the actual real property assessed values, forest land assessed values, senior freeze assessed values, and current use

WAC 458-53-135	assessed values is divided by the sum of the indicated market values to determine the county indicated real property ratio.
L	
Land	The soil with everything on it and under it.
Land use code WAC 458-53-020	The identification of each real property parcel by numerical digits as representations of the major use of the property. The Land Use Code is derived from the Standard Land Use Coding Manual as prepared by the Federal Bureau of Public Roads and includes use classifications specified by state law.
Legal Description RCW 84.04.055	For property tax purposes, the legal description is the parcel number
Legislative authority	Government authority of a city, town, or county.
Levy RCW 84.52.040	The rate percent necessary to raise the amount of taxes for any taxing district within the county computed by an assessed valuation of any property. The total dollar amount is also referred to as a levy.
Lot, tract, etc.	A piece or parcel of real property and piece or parcel of land is any contiguous quantity of land in the possession of, owned by, or recorded as property of the same claimant, person, or company.
M	
Manifest Error RCW 84.68.110	Any error that is clearly evident from an inspection of any assessment list or tax roll itself; or any error that becomes clearly evident upon examination of any record of the county assessor or other public officer, any other error made in process of preparing any assessment list or tax roll and subsequently becoming evident. Providing that the correction of any of the above errors does not involve a revaluation of the property.
Market value (see True and Fair Value)	In an open and competitive market, a buyer willingly pays and a seller willingly takes this highest estimated, and acceptable, price for an item.
Mobile Home RCW 82.50.010 RCW 46.04.302	A structure, designed and constructed to be transportable in one or more sections, and is built on a permanent chassis, and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities that include plumbing, heating, and electrical systems.
Modular Home RCW 46.04.303	A factory assembled structure designed primarily for use as a dwelling when connected to the required utilities that include

	plumbing, heating, and electrical systems, does not contain its own running gear, and must be mounted on a permanent foundation.
N	
New Construction Chapter 36.21 RCW WAC 458-12-342 WAC 458-19-005	The creation of something new rather than the repair or improvement of something already existing. It is the building or erection of something which did not exist before, as distinguished from the alteration or repair of something already existing. The construction or alteration of any property for which a building permit was issued, or should have been issued, under chapter 19.27, 19.27A, or 19.28 RCW or other laws providing for building permits, which results in an increase in the value of the property
Notice of change of value RCW 84.40.045 WAC 458-12-360	A notice mailed by the assessor to the taxpayer when there is a change in the true and fair value of real property (land and/or improvements) or a change in value of land in open space classification.
O	
Omitted Real Property RCW 84.40.080 WAC 458-12-050	Real property omitted from the assessment roll for any preceding year at the value for that year. (Limitation of no more than three assessment years from the year of discovery)
Owner WAC 458-30-200(hh)	Any person(s) having a fee interest in a parcel of land; or (ii) The contract vendee when the land is subject to a real estate contract.
P	
Plat RCW 58.17.020	A map or representation of a subdivision, showing thereon the division of a tract or parcel of land into lots blocks, streets and alleys, or other division and dedications.
Power of eminent domain	The right of government to take private property for public use (usually by purchase).
Primary use WAC 458-30-200(ll)	The existing use of a parcel or parcels of land so prevalent that when the characteristic use of the land is evaluated a conflicting or nonrelated use appears to be very limited or excluded. The primary use of a parcel does not represent a specific percentage of the total classified land.
R	

Ratio RCW 84.48.075 WAC 458-53-020	The percentage relationship of real property assessed value to the true and fair value of real property as determined by real property sales, by department appraisals, or by department approved county appraisals, or the percentage relationship of personal property assessed value to the true and fair value of personal property as determined from department audits or from department approved county audits. A ratio study is the Department's annual comparison of the relationship between the county assessed values of real and personal property with the market value of that property as determined by the Department's analysis of sales, appraisals, and /or audits or the comparison of the relationship between the county assessed values of real property classified under chapter 84.34 RCW (current use) with the current use value of that property as determined by the Department.
Real property	Exclusive rights of possession, dominion, and use. A mental concept of real estate arising from ownership.
S	
Sales Study RCW 84.40.030	A study of comparable sales within the past five years for appraisal of real property using all factors as to time of sale, location, physical or other factors affecting value as of the assessment date.
Stratification WAC 458-53-020	The grouping of real or personal property assessment records into specific assess vale and/or use categories for ration sampling and calculation purposes.
Subdivision RCW 57.17.020	The division or re-division of land into five or more lots, tracts, parcels, sites, or division for the purpose of sale, lease, or transfer of ownership. This does not include a short subdivision. A short subdivision is the division or re-division of land into four or fewer lots, tracts, parcels, sites, or division for the purpose of sale, lease, or transfer of ownership.
T	
Tax/taxes RCW 84.04.100	The word "tax" and its derivatives, "taxes," "taxing," "taxed," "taxation" and so forth shall be held and construed to mean the imposing of burdens upon property in proportion to the value thereof, or the purpose of raising revenue for public purposes.
Tax lien RCW 84.60.010	All taxes and levies which have been lawfully imposed or assessed upon the real and personal property. Liens include charges and expenses concerning the taxes.

	A claim that governmental units have upon properties until taxes have been paid.
Taxpayer WAX 458-18-510	The person holding legal title to the property against which tax is charged. A taxpayer is any individual, corporation, association, partnership, trust, or estate whose property has been or will be assessed for property tax purposes according to Title 84 RCW.
Transfer	The conveyance of the ownership of a parcel of land without an exchange of valuable consideration and may include situations where classified land is donated to an owner, corporation, partnership, or limited liability corporation.
True and Fair Value RCW 84.40.030 WAC 458-07-030	The basis of all assessments. Means market value and is the amount of money a buyer willing but not obligated to buy would pay for it to a seller willing but not obligated to sell. In arriving at a determination of such value, the assessing officer can consider only those factors, which can within reason be said to affect the price in negotiations between a willing purchaser and willing seller.
U	
Uniformity	All taxes shall be uniform upon the same class of property within the territorial limits of the authority levying the tax and shall be levied and collected for public purposes only (Article VII, Section 1, State Constitution.). The county commissioners are the authority that levies the tax (not individual taxing districts) in the county, and all property that comes within their jurisdiction must be uniformly valued and assessed. This rule firmly prohibits the use of varying assessment ratios within the confines of the county borders. The assessor must value all real and personal property at its fair market value and then apply the same or a uniform assessment ratio thereto. (Carroll Barlow, Snohomish County Assessor v. Washington State Tax Commission (1967).)
V	
Value/valuation (*Black's Law Dictionary)*	Relationship between a thing desired and a potential purchaser. Volume of goods, commodities, service a thing will command in exchange. It exists in the minds of men (people create value). Value is related to and influenced by need, utility, scarcity, and purchasing power.

APPENDIX E – REFERENCES FOR ASSESSORS

Valuation models

- For general information on valuation models refer to: International Association of Assessing Officers (IAAO), *Standard on Mass Appraisal of Real Property,* (Kansas City, MO: IAAO, 2017) Sec. 4.

- For more detailed information on specification, calibration, residential models, commercial models, land models, model testing, and reporting see: International Association of Assessing Officers (IAAO), *Standard on Automated Valuation Models.* (Kansas City, MO: IAAO, 2018)

- Model Specification and Model Calibration: International Association of Assessing Officers (IAAO), *Property Assessment Valuation* (3rd ed.), (Chicago, IL: IAAO, 2010) 410-15.

- Model building and model calibration: Gloudemans, Robert J., *Mass Appraisal of Real Property*. (Chicago, IL: International Association of Assessing Officers(IAAO), 1999), Ch. 3 and 4.

- Model building and model calibration: International Association of Assessing Officers (IAAO), *Property Appraisal and Assessment Administration*, (Chicago, IL: IAAO, 1990), Ch. 14 and 15.

Ratio studies & statistical analysis

- International Association of Assessing Officers (IAAO), *Standard on Ratio Studies,* (Kansas City, MO: IAAO, 2013)

- International Association of Assessing Officers (IAAO), *Property Assessment Valuation,* (3rd ed.), (Chicago, IL: IAAO, 2010), 430-453.

- Gloudemans, Robert J., *Mass Appraisal of Real Property*, (Chicago, IL: International Association of Assessing Officers (IAAO), 1999), Ch. 5.

- Basic statistics: Appraisal Institute, *The Appraisal of Real Estate* (14th ed.), (Chicago, IL: Appraisal Institute, 2013), Appendix B.

- Sales analysis and performance evaluation: International Association of Assessing Officers (IAAO), *Property Appraisal and Assessment Administration*. (Chicago, IL: IAAO, 1990), Ch. 20.

GIS

- *GIS Guidelines for Assessors*, by URISA and IAAO, 1999. Iaao.org/store/.aspx
- International Association of Assessing Officers (IAAO), *Standard on Digital Cadastral Maps and Parcel Identifiers,* (Kansas City, MO: IAAO, 2009).
- URISA, *Spatial Information Technology Standards and System Integration.*
- URISA, *Digital Parcel Mapping Handbook.*
- GIS publications: http://www.urisa.org/publications.
- General overview: International Association of Assessing Officers (IAAO), *Property Assessment Valuation,* (3rd ed.) (Chicago, IL: IAAO, 2010), pp 152-161.
- General overview: International Association of Assessing Officers (IAAO),*Property Appraisal and Assessment Administration*, (Chicago, IL: IAAO, 1990) pp 461-464.

Property characteristics

- Information on how to select property characteristics: International Association of Assessing Officers (IAAO), *Standard on Mass Appraisal of Real Property,* (Kansas City, MO: IAAO, 2017), Section 3.
- International Association of Assessing Officers (IAAO), *Property Assessment Valuation* (3rd ed.), (Chicago, IL: IAAO, 2010), pp 169-174.
- Gloudemans, Robert J., *Mass Appraisal of Real Property*. (Chicago, IL: International Association of Assessing Officers (IAAO), 1999), pp 34 - 43.
- General overview: International Association of Assessing Officers (IAAO), *Property Appraisal and Assessment Administration*, (Chicago, IL: IAAO, 1990), pp 101-102, 113-114,116-119, and 156.
- Commercial and industrial: International Association of Assessing Officers (IAAO), *Property Appraisal and Assessment Administration*. (Chicago, IL: IAAO, 1990), pp 127-129.

Neighborhood data and delineation

- International Association of Assessing Officers (IAAO), *Property Assessment Valuation* (3rd ed.), (Chicago, IL: IAAO, 2010), pp 77-89.

- Gloudemans, Robert J., *Mass Appraisal of Real Property*, (Chicago, IL: International Association of Assessing Officers (IAAO), 1999), Pg 16.

- Market areas, neighborhoods, and districts: Appraisal Institute, *The Appraisal of Real Estate* (14th ed.), (Chicago, IL: Appraisal Institute, 2013), Ch 11.

- Neighborhood analysis: International Association of Assessing Officers (IAAO), *Property Appraisal and Assessment Administration*, (Chicago, IL: IAAO, 1990), pp 100-101.

Coding

- Coding is influenced by software type and query abilities associated with the software. For instance; with neighborhood codes, some counties have two digit codes and others seven digit codes, systems with query limitations generally necessitate longer neighborhood codes. Refer to counties using the same CAMA system or your vendor for coding information.

- General overview: International Association of Assessing Officers (IAAO), *Property Appraisal and Assessment Administration*, (Chicago, IL: IAAO, 1990), pp 114-117.

Sales verification

- General overview: International Association of Assessing Officers (IAAO), *Property Assessment Valuation* (3rd ed.), (Chicago, IL: IAAO, 2010), pp 205-208.

- Obtaining sales data and sales data screening: Gloudemans, Robert J., *Mass Appraisal of Real Property*. (Chicago, IL: International Association of Assessing Officers (IAAO), 1999), pp 50-55.

- Obtaining sales data and sales data screening: International Association of Assessing Officers (IAAO), *Property Appraisal and Assessment Administration*, (Chicago, IL: IAAO, 1990), pp 134-138.

- General overview: International Association of Assessing Officers (IAAO), *Standard on Ratio Studies,* (Kansas City, MO: IAAO, 2013), Section 6.