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Washington Department of Revenue
Property Tax Division

**2008 Review
of the
Current Use Program
in Mason County**



December 2008

Table of Contents

Overview..... 3

Executive Summary 4

Requirements 5

Recommendations..... 7

Overview

Purpose

The primary purpose of this review by the Department of Revenue (Department) is to assist the Mason County Assessor (Assessor) and county legislative authority in successfully performing the duties associated with the Current Use Program. An effective review of the methods employed by Mason County in administering the Current Use Program will promote fair, timely, and uniform property tax assessments.

In August 2008, the Department conducted an on-site visit to the Assessor's Office. The Department has completed its review, and the findings are grouped into two categories:

- The first section, *Requirements*, is of the greatest urgency for effective administration by the Assessor and the county legislative authority. Implementation of these changes is necessary to comply with statute.
- The second section, *Recommendations*, requires the attention of the Assessor and the county legislative authority. These recommendations are for changes that will improve service to the public.

Once the Assessor and the county legislative authority receive a final copy of this review, the Department will conduct a follow-up in six months to review the changes that were implemented. This will also provide an opportunity for the Assessor and the county legislative authority to provide information to the Department on various issues they encountered during the implementation process.

We commend the Assessor and her staff along with the county legislative authority for their willingness to look at changes to improve the uniformity and administration of the Current Use Program.

Executive Summary

About This Review

This report contains the results of the Department's review of the Current Use Program in Mason County.

During the 2008 review, the Department identified two requirements and three recommendations directed toward improving the administration of the county's Current Use Program. A summary of these findings is listed below:

Requirements

- 1. The Assessor is required to collect the necessary data to accurately appraise farm and agricultural land.**
- 2. The Assessor is required to submit documentation to the county recording authority within 10 working days of approving or receiving a notice of approval involving the classification, reclassification, withdrawal, and removal of parcels in the Current Use Program.**

Recommendations

- 1. The Department recommends that the Assessor enhance the internal audit program to ensure that only those parcels meeting the statutory requirements are eligible to continue in the Current Use Program.**
- 2. The Department recommends that the Assessor and her staff continue attending the Basic Current Use Class and the Current Use Administrative Workshop offered by the Department.**
- 3. The Department recommends that the Assessor and the county legislative authority contact the Department's Forest Tax Section for assistance in reviewing timber management plans.**

Requirements

The Assessor is required to collect the necessary data to accurately appraise farm and agricultural land. (RCW 84.34.065.)

The per acre current use value of farm and agricultural land is computed by dividing net cash rental by the capitalization rate. The Department provides the capitalization rate each year, but the Assessor must calculate net cash rental. Net cash rental is defined as the average rental paid on an annual basis, in cash, for the land being appraised and other farm and agricultural land of similar quality and similarly situated that is available for lease for a period of at least three years to any reliable person without unreasonable restrictions on its use for production of agricultural crops. If net cash rental data is not available, the earning or productive capacity of farm and agricultural lands is determined by the cash value of typical or usual crops grown on land of similar quality and similarly situated averaged over not less than five years.

Lease and productive capacity information for farmland and grazing land can be obtained from the following sources:

- Surveys of local farmers
- Mason County Auditor's Office
- American Society of Farm Managers and Rural Appraisers <www.asfmra.org>
- Washington State University <www.farm-mgmt.wsu.edu>
- National Agricultural Statistics Service <www.nass.usda.gov>
- Washington State Department of Natural Resources <www.dnr.wa.gov>

If an insufficient number of leases are available, the Assessor must calculate net cash rental by the actual or estimated earning or productive capacity of land. When calculating net cash rental, the value of government subsidies must be included if the subsidies are based on the earning or productive capacity of the land. (WAC 458-30-260.)

According to the Assessor, the figures used for net cash rental have not been updated since the 1970s, and there are few, if any, recorded leases. However, the Assessor has not been consistently collecting information on the earning and productive capacity of land. Therefore, the method of appraising current use farm and agricultural land in Mason County is unclear.

Since Mason County produces a variety of agricultural commodities, the Assessor should send questionnaires to local farmers in order to gather updated production yields and expenses. By using current production and expense data to calculate net cash rental, the Assessor is ensuring that other property owners are not shouldering a disproportionate amount of the property tax.

The Assessor is required to submit documentation to the county recording authority within 10 working days of approving or receiving a notice of approval involving the classification, reclassification, withdrawal, and removal of parcels in the Current Use Program. (WAC 458-30-245.)

If an application for classification or reclassification into the Current Use Program is approved, the county recording authority must record the notice of approval. The recording authority is the county auditor. If a change in status occurs with the parcel, such as a withdrawal or removal, the county recording authority must also record these documents. If an application for classification, reclassification, or the notice of continuance is denied, it does not have to be recorded.

Because the Current Use Program is considered a tax deferral and not a tax exemption, recording these documents constitutes a public record that will appear on the title report for the parcel. The information on the title report is important if the owner attempts to sell the property or obtain additional financing that uses the property as collateral.

According to the Assessor, the only documentation sent to the county auditor's office for recording is the application for classification and the notice of continuance. The cost of recording the notice of approval for classification and reclassification can be recovered by charging a reasonable application fee. (WAC 458-30-325.) Documentation involving the reclassification, withdrawal, and removal of parcels from the Current Use Program should also be forwarded to the County Auditor for recording.

Recording documents relating to parcels in the Current Use Program ensures that changes in classification are transparent to county officials, the applicant, and the public.

Recommendations

The Department recommends that the Assessor enhance the internal audit program to ensure that only those parcels meeting the statutory requirements are eligible to continue in the Current Use Program. (RCW 84.34.121.)

One of the tools available to the Assessor to ensure that only eligible parcels continue to qualify is to conduct an audit of the parcels in the Current Use Program. An audit program is not statutorily required, but the criteria for classification continue to apply even after the applications have been approved. Therefore, the Assessor may request any relevant data or information that will assist in determining whether the land is eligible for continued classification. (WAC 458-30-270).

According to the Assessor, an audit was conducted in 2003 for parcels of less than 20 acres in the farm and agricultural land classification. Because Mason County has active participation in the open space, farm and agricultural land, and timber land classifications, the Assessor should consider initiating an audit program for at least one of the classifications.

Some of the relevant data or information the Assessor can collect include:

- Receipts from sales of agricultural products produced on the classified land.
- Federal income tax returns.
- Rental or lease agreements/receipts.
- Government payments and subsidies.
- Crop and livestock data.
- Other income/expense information related to the land.

Most of the information listed above is more applicable to the farm and agricultural land classification than to the open space and timber land classifications. The information collected from parcels in the farm and agricultural land classification can be used to determine both assessed value and eligibility.

When auditing parcels in the open space and timber land classifications, the Assessor should consider reviewing the information contained in the initial application as well as the timber management plan that was submitted with the application for the timber land classification. The information collected from parcels in the open space and timber land classification can be used only for eligibility purposes. Assessed value for timber land is determined by the Department, and assessed value for open space is calculated by the Assessor by one of two methods. If the county has adopted a public benefit rating system, classified land will be valued accordingly. If the county has not adopted a public benefit rating system, the assessed value of open space land must not be less than the minimum value per acre of classified farm and agricultural land.

Relevant data/information can also be obtained through physical inspections and questionnaires mailed to owners. The frequency of an audit does not have to occur annually but should at least coincide with a parcel's revaluation cycle.

If done by mail, the Assessor can send a written request for the data/information, and the owner has 60 days to submit the requested data/information. If there is no response to the first request within 60 days, the Assessor can send a second written request for the data/information by certified mail, and the owner has 30 days to submit the requested data/information. If the owner fails to respond to the second request, the Assessor may begin the process to remove the land from classification. (WAC 458-30-270.)

Monitoring all parcels in the Current Use Program on a periodic basis will add integrity to the assessment process and ensure that taxpayers are not shouldering a disproportionate amount of the property tax.

The Department recommends that the Assessor and her staff continue attending the Basic Current Use Class and the Current Use Administrative Workshop offered by the Department.

Since the Current Use Program can be difficult to administer, the Department recommends the Assessor and her staff continue attending the Basic Current Use Class and the Current Use Administrative Workshop offered by the Department each year.

Attending these classes on a regular basis provides an opportunity for gaining information about the programs and encourages discussion with other counties about their administrative processes.

The Washington State Association of County Assessors Education Committee annually awards scholarships to county employees to assist with the cost of attending various assessment-related classes. For more information about these scholarships, contact the Current Use Specialist at (360) 570-5865.

The Department recommends that the Assessor and the county legislative authority contact the Department's Forest Tax Section for assistance in reviewing timber management plans.

A timber management plan is *required* for classification or reclassification into current use timber land. A timber management plan is *optional* for classification or reclassification into designated forest land. Since many counties do not have a forester on staff to assist with forest land issues, the Department provides expertise in this area through the Forest Tax Section of our Special Programs Division.

The Department recommends the Assessor and the county legislative authority contact our Special Programs Division if they need assistance with reviewing timber management plans or have stocking level questions. For additional assistance, Washington State University has a variety of forest land publications available at <www.ext.nrs.wsu.edu/>