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Washington Department of Revenue Property Tax Division

2020 Review of Property Tax Administration in Wahkiakum County



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Overview

Introduction

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

Purpose

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

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

Scope of review

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

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

Background

Duties of the Assessor

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

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

Overview, continued

Duties of the Department

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

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

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

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

Information reviewed

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

- Reporting to officials
- Revaluation
- Mass Appraisal Techniques

To complete our review, we interviewed:

- The Assessor
- The Chief Deputy In-Training

Acknowledgment

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

Executive Summary

About this review

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

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

Categories of results

The Department has completed its review and grouped the results into two categories:

- The first category, *Requirements*, is of the greatest urgency for effective administration by the Assessor. A change is required to adhere to the law.
- The second category, *Recommendations*, requires the attention of the Assessor. We believe improvements in these areas can improve service to the public.

The Department based the requirements and recommendations contained in this report on our analysis of the administrative procedures employed, existing state statutes and regulations, and areas we saw opportunities to improve processes, procedures, and communication.

Results

The Department identified one requirement and two recommendations directed toward improving property tax administration in the County. A summary of these items follows.

Executive Summary, continued

Requirements

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

Recommendations

1. The Department recommends the Assessor use the *International Association of Assessing Officers (IAAO) Ratio Standard* to measure the quality of mass appraisals. The IAAO Standard suggests that the level of assessment be analyzed using the median assessment ratio for the jurisdiction being reviewed. The IAAO standard states that the median ratio should be between 90% and 110%.
2. The Department recommends the Assessor adopt practices that will allow for the use of mass appraisal in determining and updating values on an annual basis.

Requirement – Assessor Must Complete Statutorily Required Reports by the Due Date

Requirement

The Assessor is required to submit accurate, complete, and timely reports/certifications to the Department and other County officials. (RCW 84.08.020, 84.08.040, 84.40.040, 84.40.130, 84.40.320, 84.41.041, 84.41.130, 84.48.50, 84.48.080, 36.21.100, WAC 458-53-030, 458-53-070, 458-53-080, 458-53-140)

What the law says

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

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

What we found

Due to the inability of the Assessor's office to complete revaluation and new construction assessments in a timely manner last year, the Assessor did not deliver three of five required reports and certifications in a timely manner. The required reports include the following:

<i>Required Reports & Certifications</i>	<i>Due Date</i>	<i>Reported by Assessor</i>
Assessor's Certificate of Assessment Rolls to the County Board of Equalization	July 15, 2019	November 21, 2019
Assessor's Certificate of New Construction Value to the County Board of Equalization	September 15, 2019	November 20, 2019
Real Property Sales Study (Ratio Study Valid and Invalid Sales Report)	As soon as possible after the real property roll is closed. The Department estimates the ratio if report(s) are not received by November 30.	November 27, 2019
Real Property Stratification Report	As soon as possible after rolls closed. Ratio will be estimated if report(s) are not received by November 30.	November 21, 2019
Abstract of Assessed Value	October 31, 2019	November 21, 2019
Revaluation Plan 2020-2025	March 1, 2019	December 27, 2019
County Revaluation Progress Report	October 15, 2019	January 29, 2020

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

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

- The assessment roll was not officially closed timely.
- The Board of Equalization (BOE) was not able to proceed with hearing petitions until officially notified of the roll closure.
- In addition, late certification of values to neighboring counties with joint taxing districts could affect their ability to certify their levy rates timely.

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

The Assessor's staff could not complete the Valid and Invalid Sales Report until the 2019 assessment roll was officially closed, and the values updated. The delay in receiving the report resulted in:

- Delays completing the ratio.

Real Property Stratification Report

The delay in receiving the report resulted in:

- Delays in completing the ratio.

Abstract of Assessed Value

Submitting the abstract late results in:

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

Revaluation Plan 2021-2026

Submitting the revaluation plan late resulted in:

- Delays the appraisers from beginning revaluation work under the new revaluation plan.

County Revaluation Progress Report

Submitting the progress report late resulted in:

- Delays the Department of Revenue from being able to evaluate compliance with the revaluation program for their county.

Action needed to meet requirement

The Assessor must improve the timeliness in completing required reports. We will look for improvement in dates you submit reports. Once we see evidence of incremental improvement, the requirement will be considered complete. If late certification delays the performance of other statutorily required duties and reports, our continued follow up may be necessary. The Assessor should develop policies, procedures, and training to ensure the accurate and timely reporting to the BOE, County Auditor, County Treasurer, and the Department. Although some reporting dates are guidelines and not absolute requirements, missing them can

adversely affect the property tax process and the other departments and entities that rely on the Assessor's work.

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

The Assessor must certify the taxable (assessed) value of all locally assessed real and personal property after revaluation is complete. The Assessor's Certificate of Assessment Rolls to the County Board of Equalization (form 64 0051) serves as a permanent record of locally assessed values for the county (forest land, current use land, improvements on current use land, senior frozen value, real property, and personal property). The Assessor is required to deliver the certificate to the BOE, with a copy to the Department by July 15th or by August 15th if the county legislative authority has extended the petition filing time from thirty to sixty days. (RCW 84.40.320)

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

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

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

The Assessor is required to submit a sales study to the Department each year. The sales study consists of all sales occurring in the county between May 1 (preceding January of the current assessment year) and April 30 (of the current assessment year). The Assessor must deduct one percent from each recorded sales price, as adjustments for values transferred that are not assessable as real property. All sales must be reviewed and coded by the Assessor as valid or invalid sales as per WAC 458-53-070 and 458-53-080. Prior to running the report, all assessed values must be updated to reflect the current year's values.

Real Property Stratification Report / Personal Property Stratification Report

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

Abstract of Assessed Value

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

Revaluation Plan 2020-2025

The Assessor was required to submit a new Revaluation Plan (2020-2025) by March 1, 2019. The Assessor did not submit the plan until December 27, 2019. The March 1 deadline helps to ensure that assessors have a new plan in place before beginning inspections for the next assessment year, which often happens starting in the fall or early winter. Wahkiakum County has previously operated on a four-year inspection cycle that was amended to a six year plan because the county had difficulty in completing their scheduled inspections for several years. The county now has an approved six-year plan which will reduce the number of inspections required to be done

each year. The Department will be continuing to monitor compliance with the inspection requirement and yearly valuation updates.

County Revaluation Progress Report

The Assessor is required to prepare and submit to the Department a detailed report of the progress made in the revaluation program in their county as of October 15, 2020. The Department sends instructions and the Revaluation Progress Report form to all assessors during September.

Reliance on Assessor to report timely

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

Why it's important

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

Recommendation – Meet the IAAO Standard for Median Assessment Ratio

Recommendation

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

What we found

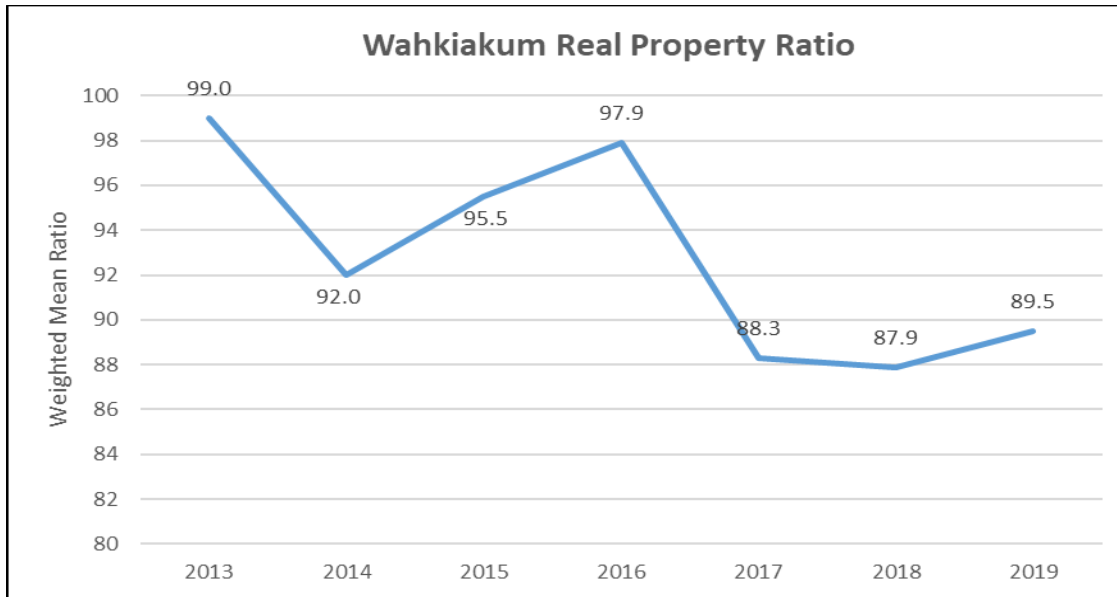
The County’s weighted mean ratio used for equalization by the Department has been under 90% for the past three years. Our 2019 Ratio Study indicates a weighted mean ratio of 89.5%, which reflects lower assessed value to sale price ratios for multiple categories of property, including agricultural, multifamily and commercial, and single family residential. The statewide average ratio was 89.9% for 2019.

Recent real property ratios for Wahkiakum County are as follows:

Assessment Year	Median	Weighted Mean
2019	N/A	89.5%
2018	N/A	87.9%
2017	90.0%	88.3%
2016	101%	97.9%
2015	95.0%	95.5%
2014	97.0%	92.0%
2013	99.0%	99.0%

Sources:

[Measuring Real Property Appraisal Performance In Washington’s Property Tax System](#)
[Property tax ratios by county | Washington Department of Revenue](#)



In addition, in 2017, 30 counties met the IAAO standard for median ratio at 90% or greater for the overall county, while nine counties, including Wahkiakum at 88.3%, did not meet the standard because their level of assessment was less than 90%. We do not have median ratio data available for 2018 or 2019.

Action recommended

The Department recommends that County appraisers use ratio studies and other statistical analysis to test the quality and accuracy of their appraisal process and methods. Appraisers should do the following:

- Analyze both the level of assessment and the uniformity of the assessments in all categories of property and locations. Calculate the statistical measures recommended by the IAAO to test whether valuation models and methods accurately value all parcels at 100% of market value each year.
- Develop skill using Excel, an easily accessible tool, that appraisers can use for ratio studies and calculating most of these statistical measures. The IAAO provides training and publications that explain the use of statistical measures. The *Property Tax Training Calendar* typically includes classes about ratio studies, including how to conduct the study using Excel.
- Review the Department's annual ratio study for your county and our published reports that explain statistical analysis with calculated measures for each county, including:
 - [Measuring Real Property Appraisal Performance In Washington's Property Tax System](#) - Annual reports published through 2017 are available on the Department's website.
 - *Real Property Ratio Summary Statistics Report* - Available by contacting the Department or through the Property Tax Resource Center (PTRC).

Use ratio studies to identify property types and locations across the County where assessed values are not reflective of market value. Update the values of parcels in the current physical inspection area and in the other five non-inspected areas. Annual revaluation means updating values throughout the County each year.

Why it's important

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

- Internal quality assurance and identification of appraisal priorities where resources should be concentrated in order to improve assessment levels.
- Determination of whether administrative and statutory standards have been met.
- Determination of time trends for older sales, which could be used for adjustment of appraised values for the current assessment year.

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

Recommendation – Develop Mass Appraisal Valuation Practices

Recommendation

The Department recommends the Assessor adopt practices that will allow for the use of mass appraisal in determining and updating values on an annual basis.

What we found

The Assessor is currently in the process of expanding his office's use of their computer assisted mass appraisal (CAMA) system. The County acquired PACS in 2010. PACS allows flexibility so that each assessor's office can set up and customize the system to calculate improvement and land values for their county. Lack of system training for county staff, no staff with sequel programming experience, and staff changes delayed full use of the system for generating assessed values. The current Assessor has subsequently set up land tables (schedules) in PACS to calculate land values for many parcels. The Assessor currently uses an Access database that is storing building and other improvement data. After appraisers determine the improvement value for each parcel, they enter a flat improvement value into PACS.

Our meeting with the Assessor included a discussion of long-term efficiencies that could be achieved by having all of their data in PACS, updating the Marshall & Swift (M & S) cost tables within PACS, and moving towards automated valuation practices.

Action recommended

We recommend the Assessor develop a plan for expanding his office's use of mass appraisal. The following suggestions will help to set up basic system functionality so that parcels can be updated in a consistent and uniform manner. It would be beneficial to have a staff member dedicated to managing this transition and implementing the plan by inspection area for a six-year cycle until all parcels have been updated.

- *Property Records Storage* – In order to achieve full mass appraisal functionality, which includes the ability to update multiple records in mass, the Assessor should develop a plan to transfer property characteristic data, photos, and sketches into the PACS system. This cannot be done by a mass upload of data from Access into PACS, so this will need to be done on a parcel by parcel basis. As inspections are completed over the next several years, data can be transferred to and updated in the PACS system.
- *Land Use Codes* (state land use codes listed in WAC 458-53-030) – The Assessor should provide appraisers with a list of the land use codes and review the proper application of the codes to promote consistent application by all staff. Land use codes should reflect the actual use of the land. During inspections, appraisers should review codes for accuracy. Staff application and review of land use codes is a critical function that results in accurate parcel information, allows similar properties to be grouped accurately for analysis and appraisal, and improves accuracy of state reports that require correct land use codes.
- *Neighborhood Codes* – A plan should be developed to delineate parcels within their geographical area. This is a first step in stratifying properties in order to evaluate market influences that affect them.

- *Marshall and Swift Cost Tables* – Marshall and Swift building cost updates were not automatically installed by the vendor and the CAMA system cost approach uses cost tables. It is unclear if current cost multipliers have been used to bring cost factors to current cost. Marshall and Swift Cost Tables should be updated annually before valuation work begins for the current year.
- *Depreciation* – Depreciation rates vary by quality of construction and age of the improvement. Routine repairs and maintenance can affect the rate. Depreciation schedules should be built in the PACS system for different building types and grades and applied to the cost approach.
- *Land Characteristics* – The Assessor and appraisers should determine which characteristics are the greatest influences on value and develop guidelines for all appraisers to capture these characteristics consistently in the electronic property record.
- *Utilize GIS* – Use GIS and maps to identify and capture many land characteristics and then verify or fine-tune those during the inspection process. Accurate land valuation depends on capturing the major influences that affect value of properties.

Why it's important

The law requires that all parcels in a county be revalued every year at 100% of market value. It is imperative that mass appraisal techniques are used because it is the most efficient method available to value all parcels every year. It allows for uniform treatment of taxpayers and consistent application of market trends to all parcels.

Next Steps

Prioritizing Requirements and Recommendations

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

Follow-up

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

The Department will follow up in six months to review the changes implemented. This will give the Assessor an opportunity to provide information to the Department about any issues they encountered during the implementation process.

Questions

For questions about specific requirements or recommendations in our report, please contact the Property Tax Division at (360) 534-1400.

For additional information contact:

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