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Washington Department of Revenue
Property Tax Division

**2012 Review
of the
Current Use Program
in San Juan County**



July 2013

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Overview

Introduction This report contains the results of the Department of Revenue's (Department) review of the Current Use Program in San Juan County (County).

Purpose The primary purpose of this review by the Department is to provide the San Juan County Assessor (Assessor) and the county legislative authority the information needed to perform the duties associated with the Current Use Program successfully. There are parts of the Current Use Program that are the responsibility of the Assessor and parts that are the responsibility of the county legislative authority. The Assessor and the county legislative authority may work closely together in administering the program or may administer their duties independently. Some administrative duties may be delegated to other units of county government (land use, planning, etc.).

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

We commend the Assessor, the Assessor's staff, and the county legislative authority for their willingness to look at opportunities to improve the uniformity and administration of the Current Use Program.

Scope of Review

The review is limited in scope. We reviewed:

- The Assessor's role in administering the program
- The county legislative authority's role in administering the program
- Administrative procedures for compliance with state statutes and regulations

We did not review the internal fiscal controls or the internal management of the Assessor or county legislative authority offices.

We did not examine all parcels enrolled in the program or the assessed values of these parcels. The processes used to determine value are within the scope of this review and may be addressed in this report. However, the level of assessment for properties is not within the scope of this review. The Department's Ratio Study Program monitors and measures assessment levels.

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Overview, Continued

Information Reviewed

To complete our review, we gathered information about the administration of the Current Use Program via interviews, documents provided by the County, as well as through independent verification. The areas we reviewed included, but were not limited to:

- Information provided or available to the public about the Current Use Program (forms, publications, and/or education efforts)
 - Administrative procedures for applications, removals, and continuances
 - Homesite classification and valuation
 - Audit process used to ensure continued eligibility
 - Resolutions adopted by the county legislative authority pertaining to current use
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Executive Summary

About this Review

In January 2012, the Department conducted an on-site visit to the Assessor's office and the office of the county legislative authority. We interviewed the Assessor's staff and the county legislative authority about the processes and procedures used in administering the County's Current Use Program.

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 employed that could be considered "best practices," 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 and the county legislative authority. A change is required to adhere to the law.
- The second category, *Recommendations*, requires the attention of the Assessor and the county legislative authority. We note recommendations as being in the best interest of all parties. 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 eleven requirements and four recommendations directed toward improving the County's administration of the Current Use Program. The items identified may be specific to the Assessor's duties, the county legislative authority's duties, or they may have shared components of responsibility. A summary of these items follows.

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Executive Summary, Continued

Summary of Requirements and Recommendations

Requirements

- 1. The Assessor is required to collect the necessary data to appraise classified farm and agricultural land accurately. 10**
- 2. The Assessor is required to use the prescribed methodology for calculating the current use value on classified farm and agricultural land. 12**
- 3. The Assessor is required to use the prescribed methodology for valuing homesites on parcels 20 acres or more in the farm and agricultural land classification of the Current Use Program. 13**
- 4. The county legislative authority is required to appoint a committee to serve in an advisory capacity to the Assessor. 15**
- 5. The county legislative authority is required to rate all land classified as open space in the Current Use Program under the County’s adopted PBRS. Parcel rating may be delegated, but the county legislative authority must hear and approve all parcel ratings..... 17**
- 6. The Assessor is required to include certain information about the Current Use Program on the change of value notice..... 19**
- 7. The Assessor is required to send a Notice of Intent to Remove form by certified mail when they have not received a response to their request for information. 20**
- 8. The county legislative authority is required to follow the criteria in statute and rule when approving open space (including farm and agricultural conservation land) applications... 22**
- 9. The Assessor is required to secure the proper documentation prior to transfers of classified and designated land. 24**
- 10. The Assessor is required to ensure that incidental use on classified farm and agricultural land does not exceed 20 percent of the total classified acreage..... 26**
- 11. The Assessor is required to revalue land being removed from either current use or designated forest land (DFL) with reference to its true and fair value as of January 1 of the year of removal..... 27**

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Executive Summary, Continued

Summary of Requirements and Recommendations (continued)

Recommendations

1. **The Department recommends the Assessor continue their audit program to ensure only those parcels meeting the statutory requirements are allowed to continue in the Current Use and DFL Programs. 30**
 2. **The Department recommends the Assessor, the county legislative authority staff, and/or other delegated staff to develop desk reference manuals for the Current Use and DFL Programs. 31**
 3. **The Department recommends staff involved in administration of the Current Use and DFL Programs (including the county legislative authority or their delegates) continue to maintain an adequate level of knowledge about these programs. 32**
 4. **The Department recommends the Assessor and county legislative authority verify Current Use and DFL Program forms and publications provided to the public are current. 33**
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Requirements

Introduction For the items listed as *Requirements*, the Assessor and/or county legislative authority must make changes in procedure to comply with law.

Contents This section contains the following requirement topics:

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Data Collection

Requirement **The Assessor is required to collect the necessary data to appraise classified farm and agricultural land accurately. (RCW 84.34.065, WAC 458-30-260, and WAC 458-30-262)**

What is required The current use value of farm and agricultural land is calculated 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 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. (RCW 84.34.065).

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 the land. The value of government subsidies must be included when calculating net cash rental if the subsidies are based on the earning or productive capacity of the land. The Assessor may also use other reliable statistical sources including a soil capability analysis in determining the earning or productive capacity of the classified land. (WAC 458-30-260).

What we found An updated soil capability analysis was completed in 2009 but has not yet been used to update the net cash rental for classified farm and agricultural land. According to the Assessor, the data used to calculate net cash rental for farm and agricultural land has not been updated since 1989.

Action needed to meet requirement The Assessor should begin updating the net cash rental for classified farm and agricultural land using the new soil capability analysis and/or any other relevant data that provides pertinent information on the earning or productivity capacity of the land.

As a result of our review, the San Juan County Council adopted a resolution on December 18, 2012 authorizing the formation of an Agricultural Tax Advisory Committee to assist the Assessor in implementing assessment guidelines for farm and agricultural land.

Continued on next page

Data Collection, Continued

**Why it's
important**

Periodically gathering relevant data and using the data to update classified farm and agricultural land values ensures more accurate valuation and also ensures other taxpayers are not shouldering a disproportionate amount of property taxes.

Calculating Farm and Agricultural Land Values

Requirement **The Assessor is required to use the prescribed methodology for calculating the current use value on classified farm and agricultural land. (RCW 84.34.065, WAC 458-30-260)**

What is required Once the net cash rental values are updated, the Assessor must divide the net cash rental by the capitalization rate to obtain the current use value of farm and agricultural land. The capitalization rate consists of an interest rate and a property tax component for each county. Each year, the Department updates the capitalization rate and provides it to the assessors to apply to their current use calculations. (WAC 458-30-262)

What we found The Department discovered that when the Assessor is calculating the farm and agricultural land values, updated capitalization rates have not been regularly applied to net cash rental. Prior to the 2012 assessment year, San Juan County revalued land every three years. However, the Department found examples of the current use value not changing over a period of longer than three years. San Juan County converted to an annual revaluation cycle in 2012, so the Assessor must revalue *all* real property each year.

Action needed to meet requirement If net cash rental is not updated annually because of a lack of data, or lack of change in the data, the updated capitalization rate must still be applied to the net cash rental of the parcel being revalued. A change in the capitalization rate results in a change in the current use value of farm and agricultural land.

The Assessor should have documentation supporting a change in value, (or lack of change), since the last revaluation of a parcel. At a minimum, the current use value should change based on a change in the capitalization rate.

Why it's important Using accurate, updated information and the current-year capitalization rate assists in ensuring more accurate farm and agricultural land values.

Valuing Integral Homesites

Requirement **The Assessor is required to use the prescribed methodology for valuing homesites on parcels 20 acres or more in the farm and agricultural land classification of the Current Use Program. (RCW 84.34.065, WAC 458-30-317)**

What is required Qualifying *land* on which the principal residence of a farm operator or owner of farm and agricultural land or the housing for farm and agricultural employees is situated is valued by adding the prior year's average value of classified farm and agricultural land in the county to the market value of any land improvements used to serve the residence or housing, such as sewer, water, and power. However, *buildings* used by the farm operator or owner as his or her principal residence and building(s) used to provide shelter to farm and agricultural employees are valued at their true and fair market value.

To qualify for a reduction in assessed value, the land on which the residence or housing stands must be 20 acres or more, or consist of multiple parcels that are contiguous and total 20 acres or more. The residence or housing must be integral to the use of the classified land for commercial agricultural purposes. If the residence or housing for employees is *not* integral to the farming operation, the land on which the residence or housing stands is valued at its true and fair market value.

What we found According to the Assessor, qualified integral homesites are valued at the same per acre value as the surrounding farm and agricultural land. This is not the prescribed method of valuing qualified integral homesites.

Action needed to meet requirement San Juan County converted to an annual revaluation cycle in 2012, so the Assessor must update the homesite calculation annually and apply it to all qualified integral homesites in the farm and agricultural land classification.

The value of the land under a qualifying residence is calculated by adding the value of land improvements, such as sewer, water, and power to the *prior year's average value of classified farm and agricultural land in the county*. The prior year's average value of classified farm and agricultural land is calculated by dividing the county's *prior year total farm and agricultural current use land value* by the county's *prior year total acreage in the farm and agricultural land classification*.

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Valuing Integral Homesites, Continued

**Action needed
to meet
requirement
(continued)**

The Department recommends the Assessor review WAC 458-30-317 and Property Tax Advisory (PTA) 4.3.2012 for guidance on valuing qualified integral homesites.

As a result of our review, the Assessor calculated the appropriate *prior year's average value of classified farm and agricultural land in the county* and will be using that amount for the 2013 assessment year homesite value. According to the Assessor, the market value of any land improvements used to serve the primary residence or employee housing will be listed with other improvements.

**Why it's
important**

Accurate valuation of qualified integral homesites ensures uniformity in taxation of the same class of property as required by the Washington State Constitution.

Open Space Advisory Committee

Requirement **The county legislative authority is required to appoint a committee to serve in an advisory capacity to the Assessor. (RCW 84.34.145, WAC 458-30-345)**

What is required The county legislative authority is required to appoint an advisory committee, commonly referred to as a farm advisory board or open space advisory committee. This five-member committee represents the active farming community and advises the Assessor in implementing assessment guidelines.

The advisory committee does not give advice regarding the valuation of specific parcels; however, it may supply the Assessor with advice on typical crops, land quality, leases, and expenses. This information will assist the Assessor in determining appropriate values. (RCW 84.34.065)

What we found The county legislative authority has appointed:

- The *Open Space Advisory Team* to review open space applications
- The *Farm Resource Board* to review open space farm and agricultural conservation land applications

Neither group was established for the purpose of assisting the Assessor but for the purpose of assisting the county legislative authority with applications for open space and open space farm and agricultural conservation land. It is unclear if the county legislative authority has ever appointed committee members to serve on an advisory committee to assist the Assessor.

As a result of our review, the San Juan County Council adopted a resolution on December 18, 2012 authorizing the formation of an Agricultural Tax Advisory Committee to assist the Assessor in implementing assessment guidelines for farm and agricultural land.

Action needed to meet requirement The Assessor can assist by contacting individuals who may be interested in serving, but the county legislative authority is responsible for the annual appointment of members to the advisory committee. The county legislative authority should attempt to locate and appoint members each year and document their efforts if they are unsuccessful in appointing the five-member committee.

Meetings of the advisory committee may constitute a public meeting. The Department recommends the county legislative authority review WAC 458-30-345 and chapter 42.30 RCW to determine if public notice and access are required.

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Open Space Advisory Committee, Continued

**Why it's
important**

The committee ensures the Assessor has reliable information and advice about typical farming activity in the county. Public access to advisory committee meetings and records ensures the committee's actions are transparent to county officials, Current Use Program participants, and the public.

Rating Land under the Public Benefit Rating System (PBRs)

Requirement **The county legislative authority is required to rate all land classified as open space in the Current Use Program under the County’s adopted PBRs. Parcel rating may be delegated, but the county legislative authority must hear and approve all parcel ratings. (RCW 84.34.037, RCW 84.34.055, WAC 458-30-330)**

What is required When a county legislative authority adopts or amends a PBRs, all existing open space (including farm and agricultural conservation land) parcels must be rated under the criteria of the PBRs (as amended). The assigned rating (or rerating) of a parcel must be heard by the county legislative authority.

What we found San Juan County adopted their PBRs in 1998, and amended the PBRs in 2011. We found there were existing open space land parcels that were rated under the original PBRs, and had not been rated under the amended PBRs.

The Department did not review each parcel enrolled in open space, but according to Community Development and Planning, there are approximately 150 parcels still rated under the 1998 PBRs.

Action needed to meet requirement The county legislative authority (or their delegate) must review and rerate any open space parcels that have not been rated under the amended PBRs. If rating is delegated, the proposed ratings must go before the county legislative authority for approval.

The county legislative authority must hold a hearing to approve or deny the rating of open space parcels under the PBRs, then notify the Assessor of the approved rating(s) for assessed valuation purposes.

When a PBRs is amended and parcels are rerated, if the rerating of a parcel causes the assessed value to change, the assessor must send a change of value notice in accordance with RCW 84.40.045. Within thirty days of receipt of the change of value notice, the owner may request that the parcel(s) of land be removed from the open space classification without payment of additional tax, interest, and penalty.

If a PBRs is amended after parcels have been accepted into the program and rated, the amended PBRs criteria must be applied to *all* parcels in the program, not just future applicants.

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Rating Land under the Public Benefit Rating System (PBRs), Continued

**Why it's
important**

The Washington State Constitution requires that all taxes be uniform upon the same class of property within the County. Fair and equitable assessment of all property in the County is enhanced when the PBRs criteria are applied to all land classified as open space.

Change of Value Notices

Requirement **The Assessor is required to include certain information about the Current Use Program on the change of value notice. (RCW 84.34.160)**

What is required The Department and the granting authority are required to publicize the qualifications and method of applying for classification. The Assessor is required to include with every change of value notice:

- Current Use Program qualifications
 - Method of applying
 - Where to find information about the Current Use Program
-

What we found The change of value notice includes some general information about the Open Space Taxation Act but does not provide information about program qualifications, the method of applying, or how to get more information.

Action needed to meet requirement Space on the change of value notice is extremely limited and requires information about many property tax programs. The Department recommends the Assessor remove some of the existing language in the Current Use Assessment Information section of the change of value notice and insert information about program requirements, the method of applying, and where to obtain additional information.

As a result of our review, the Assessor revised the 2012 assessment year change of value notice to reflect the required information listed in RCW 84.34.160.

Why it's important Change of value notices are often the only communication a property owner receives from the Assessor. Providing basic information to property owners on the change of value notice ensures all potential applicants have been notified about the Current Use Program and other important property tax programs.

Mailing Notice of Intent to Remove

Requirement **The Assessor is required to send a Notice of Intent to Remove form by certified mail when they have not received a response to their request for information. (WAC 458-30-270)**

What is required When the Assessor has formally requested information by first class mail, the property owner must submit the requested information or data, in writing, no later than sixty calendar days following the mailing date of the request.

When the Assessor receives no response, he must send the property owner a second request for information by certified mail, return receipt requested. This second request must include a statement that failure to submit the requested information or data within thirty calendar days of the date of mailing may cause the removal of land from classification.

What we found The Department found that the Notice of Intent to Remove was not sent by certified mail.

Action needed to meet requirement The Department recommends the Assessor follow the established guidelines for information requests. When requesting information from program participants, the Assessor should:

- Send requests for information by first class mail.
 - Make a notation in their records for the future date on which the requested information is required (sixty calendar days following the mailing date of the information request).
- If the requested information is not received timely, the Assessor must send the program participant a second request for information by certified mail, return receipt requested. The Assessor may also consider sending the second request by first class mail, in addition to sending it by certified mail, in case the property owner does not claim the certified mail.
- The second request (Notice of Intent to Remove form) must include a statement that failure to submit the requested information or data within thirty calendar days of the date of mailing may cause the land to be removed from classification.
 - Make a notation in their records for the future date on which the requested information is required (thirty calendar days following the mailing date of the second request).

If the owner of classified land has not responded, the Assessor may remove the land from classification in accordance with RCW 84.34.108.

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Mailing Notice of Intent to Remove, Continued

**Action needed
to meet
requirement**
(continued)

As a result of our review, the Assessor has started mailing the Notice of Intent to Remove form by certified mail.

**Why it's
important**

Following established procedures for information requests ensures consistency of procedures in the program and provides due process for program participants.

Approving Open Space Land under Buildings

Requirement **The county legislative authority is required to follow the criteria in statute and rule when approving open space (including farm and agricultural conservation land) applications. (RCW 84.34.020, 84.34.037, 84.34.055, WAC 458-30-230, 458-30-242, WAC 458-30-330)**

What is required Unlike the farm and agricultural land and timber land classifications, there is no statutory authority for land under buildings to be approved for the open space land classification unless the land is designated as open space in a comprehensive land use plan and zoned accordingly. (RCW 84.34.020(1)(a)). While this citation does not specifically make reference to “land under buildings” it does state that “any land area” can be open space land if it is designated by an official comprehensive land use plan and zoned accordingly; therefore, if land under a building does *not* meet this criteria, then it cannot be approved for the open space classification.

What we found The county legislative authority approved land under barns and other farm buildings for farm and agricultural conservation land. There are currently nine parcels classified as farm and agricultural conservation land. Based on correspondence with the San Juan County Community Development and Planning Department, there is no land in the County that meets the criteria of being designated as open space land by an official comprehensive land use plan and zoned accordingly.

Action needed to meet requirement Once land is approved for the open space land classification, the Assessor is responsible for monitoring whether the land continues to meet the program requirements, including the conditions outlined in the Open Space Taxation Agreement. When determining whether land in open space continues to qualify, the Assessor may request assistance from the county legislative authority. With assistance from the county legislative authority, the Assessor should review the nine parcels currently classified as farm and agricultural conservation land to ensure proper identification and classification of the portion of land that is attributable to a building. If it is determined that the land attributable to the building does not meet the program requirements, then the non-qualifying land will need to be removed from classification and assessed at true and fair market value.

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Approving Open Space Land under Buildings, Continued

**Action needed
to meet
requirement**
(continued)

The Assessor may waive additional tax, interest, and penalty resulting from removal if the land was classified under chapter 84.34 RCW in error, through no fault of the owner. "Fault" means a knowingly false or misleading statement, or other act or omission not in good faith that contributed to the approval of classification under this chapter or the failure of the assessor to remove the land from classification under this chapter. (RCW 84.34.108(6)(l))

**Why it's
important**

Proper classification and assessment of parcels in the Current Use Program ensures other property owners are not shouldering a disproportionate amount of property tax.

Documentation for Transfers of Classified and Designated Land

Requirement **The Assessor is required to secure the proper documentation prior to transfers of classified and designated land. (RCW 84.33.140, 84.34.108, WAC 458-30-275, and WAC 458-30-700)**

What is required When classified or designated land is sold or transferred, the new owner must complete the appropriate forms to ensure the continued classification or designation of the land. The new owner must elect to continue classification or designation by completing a *Notice of Continuance* form. Additionally, when timber land is sold or transferred, a timber management plan is required. For DFL, the Assessor has the option of requiring a timber management plan.

However, when an heir or devisee receives either timber land or DFL from a deceased owner, they are not required to sign a notice of continuance and the Assessor cannot require that a timber management plan be submitted.

What we found The Department discovered that the Assessor was requiring heirs to submit timber management plans when receiving inherited timber land and DFL.

Action needed to meet requirement Though the Assessor may request additional information necessary to determine continued eligibility upon transfer, he should ensure he is not exceeding his statutory authority.

According to RCW 84.34.041(4)(b), a timber management plan is required when a sale or transfer of timber land occurs and a notice of continuance is signed.

According to RCW 84.33.140(7)(b), the Assessor may require a timber management plan be submitted when a sale or transfer of DFL occurs and a notice of continuance is signed.

Because heirs and devisees are not required to sign a notice of continuance when receiving classified or designated land from a deceased owner, the Assessor cannot require that heirs and devisees submit a timber management plan when receiving the land.

When heirs or devisees inherit classified or designated land, the Assessor may contact them to explain program requirements and may also send them information about program requirements.

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Documentation for Transfers of Classified and Designated Land, Continued

Why it's important

Following established procedures for continuing classification or designation provides consistency of procedures in the program, fair and uniform treatment, and ensures the program participant's due process.

Incidental Use for the Farm and Agricultural Land Classification

Requirement **The Assessor is required to ensure that incidental use on classified farm and agricultural land does not exceed 20 percent of the total classified acreage. (RCW 84.34.020, WAC 458-30-200, 458-30-210)**

What is required For classified farm and agricultural land, up to 20 percent of the total classified land may be used for incidental uses. Incidental use is the use of classified land in a manner that is compatible with agricultural purposes. (RCW 84.34.020(2)(e)). An example of an incidental use on farm and agricultural land is a farm woodlot.

Prior to 1988, farm woodlots on classified farm and agricultural land were limited to an amount of at least five but less than 20 acres but could not exceed 50 percent of the total classified land. In 1988, farm woodlots on classified farm and agricultural land were limited to an amount of at least five but less than 20 acres. In 1992, the law was amended to limit incidental use, which includes farm woodlots, on classified farm and agricultural land to 20 percent of the total classified acreage. Unless otherwise provided in statute, classified farm and agricultural land must meet the current classification requirements.

What we found According to the Assessor, there are parcels of classified farm and agricultural land in which the percentage of incidental use exceeds 20 percent.

Action needed to meet requirement The Assessor should review all parcels classified as farm and agricultural land to determine whether any acreage needs to be removed because the amount of incidental use exceeds 20 percent of the total classified land. Any land that needs to be removed for this reason can be removed without the imposition of additional tax, interest, and penalties because the removal is a result of a change in law that caused the land to no longer qualify. (WAC 458-30-355)

As a result of our review, the Assessor has started the process of identifying classified farm and agricultural land parcels that may exceed 20 percent incidental use and informing the property owners that land in excess of the 20 percent incidental use could be removed from classification without the imposition of additional tax, interest, and penalty.

Why it's important Determining eligibility of classified land after changes in law ensures uniformity among program participants and ensures other property owners are not shouldering a disproportionate amount of property tax.

Removal Calculations

Requirement **The Assessor is required to revalue land being removed from either current use or designated forest land (DFL) with reference to its true and fair value as of January 1 of the year of removal. (RCW 84.34.108, 84.33.140, WAC 458-30-300, 458-30-700)**

What is required When land is removed from current use or DFL, the Assessor is required to revalue the land to be removed with reference to its true and fair value as of January 1 of the year of removal.

For current use removals, this value is used when calculating the taxes due from January 1 of the year of removal through the removal date and the taxes due from the removal date through December 31 of the year of removal.

For DFL removals, this value is used when calculating the taxes due from January 1 of the year of removal through the removal date, the compensating taxes, and the taxes due from the removal date through December 31 of the year of removal.

What we found When removing land, the Assessor is using the true and fair value as of January 1 of the year preceding the removal year when calculating the applicable taxes due.

Action needed to meet requirement When land is removed from current use or DFL, the Assessor must use the true and fair value as of January 1 of the year of removal in the applicable removal calculations.

As a result of our review, the Assessor has started using the true and fair value as of January 1 of the year of removal in DFL and current use removal calculations.

Why it's important Using correct values in removal calculations ensures uniformity among program participants and ensures that property owners are paying the correct amount of taxes when their land is removed from classification or designation.

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Recommendations

Introduction For the items listed as *Recommendations*, the Department believes the Assessor and/or county legislative authority could improve program compliance and service to the public by making voluntary changes in procedure.

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Audit Program

Recommendation **The Department recommends the Assessor continue their audit program to ensure only those parcels meeting the statutory requirements are allowed to continue in the Current Use and DFL Programs. (RCW 84.34.121, 84.33.140(5)(d))**

Only those parcels meeting the statutory requirements are allowed to continue in the Current Use and DFL Programs. To determine continuing eligibility, the Assessor may request relevant information necessary to determine if the land is eligible for continued classification or designation.

What we found According to Assessor staff, there is a formal audit process. Parcel audits occur during the physical inspection cycle, at the point of sale or transfer, or if information is received from the public. A copy of the letter and questionnaire used for audits was provided.

The Department of Natural Resources provides Forest Practice Permits (cutting permits) for timber land and DFL. The Assessor uses the permits to monitor commercial timber harvesting.

Action recommended In addition to the review of parcels at sale or transfer, the Department recommends a system of random sample audits (at a minimum). Questionnaires could be mailed through a random sampling of current use parcels located in the upcoming physical inspection area. Additional information (production, expenses, leases, etc.) collected through an audit questionnaire could also be useful when completing farm and agricultural land valuation calculations.

Some of the relevant data or information the Assessor can collect includes, but is not limited to:

- Federal income tax returns (or receipts from sales of agricultural products produced on the classified land)
 - Rental or lease agreements/receipts
 - Government payments and subsidies
 - Crop and livestock data
 - Crop production or yield rates
 - Income/expense information related to the land
-

Why it's important Monitoring all parcels in the Current Use and DFL Programs on a periodic basis adds integrity to the assessment process and ensures other property owners are not shouldering a disproportionate amount of property tax.

Desk Reference Manuals

Recommendation **The Department recommends the Assessor, the county legislative authority staff, and/or other delegated staff to develop desk reference manuals for the Current Use and DFL Programs.**

What we found The Assessor’s staff stated they did not have a manual comprised of individual procedures and policies.

Action recommended To ensure consistency and continuity, the Department recommends that the Assessor’s staff and the county legislative authority (or their delegate) develop desk reference manuals for the program duties. Desk reference manuals can include policy information and specific step-by-step procedures on how to administer the Current Use and DFL Programs.

A detailed desk reference manual can serve as a backup for the employee and assist their coworkers, in the event of a short-term (or long-term) staff absence.

Why it’s important Desk reference manuals are useful for training staff and a good tool in preventing the loss of institutional knowledge.

Training

Recommendation **The Department recommends staff involved in administration of the Current Use and DFL Programs (including the county legislative authority or their delegates) continue to maintain an adequate level of knowledge about these programs.**

What we found The Assessor has attended current use training (which includes information about DFL) offered by the Department, most recently in 2011, but the Current Use Administrator and the county legislative authority staff have not attended training.

There are areas of the Current Use and DFL Programs that all staff could benefit from additional training.

Action recommended The Department recommends staff involved in the application and approval process continue to maintain an adequate level of knowledge about the Current Use and DFL Programs through formal training or other learning opportunities.

The Department offers current use training courses each year to assist staff involved in current use and DFL administration. The schedule of course offerings is available at the Department's Property Tax Resource Center (PTRC).

The Washington State Association of County Assessors' Education Committee annually awards scholarships to Assessor's office employees to assist with the cost of attending various administrative and assessment-related training. For information about these scholarships, contact the Department's Education Specialist at (360) 534-1424.

As a result of our review, the Current Use Administrator for San Juan County participated in the Advanced Current Use webinar held on May 23, 2013.

Why it's important Attending training provides an opportunity to gain information about the Current Use and DFL Programs and encourages discussion with other counties about their administrative processes.

Forms and Publications

Recommendation **The Department recommends the Assessor and county legislative authority verify Current Use and DFL Program forms and publications provided to the public are current.**

The Department must prepare and make available to the Assessor's office the necessary forms, publications, and applications for the Current Use and DFL Programs. The appropriate granting authority is required to provide these forms to property owners who want to apply for these programs. (Chapter 84.34 RCW and RCW 84.33.130(4))

What we found The Assessor provides information about these programs through personal contact with property owners via phone calls and visitors to the Assessor's office. Additionally, the Assessor provides information through speaking engagements, targeted education, and the San Juan County website.

A review of the Assessor's website showed a link to the current Open Space Taxation publication, the Department's website, and also some general information about the Current Use Program. However, information about the DFL Program (except a link to a document that listed timber management plan requirements) was not available. Additionally, various legislative changes to the Current Use Program were not reflected in the general information about the Current Use Program.

The county legislative authority's website contained no information about the open space and timber land classifications.

Action recommended The Department updates forms and publications on a regular basis. The Department encourages the Assessor to provide a link to the Department's DFL publication and also update general information on the website that reflects legislative changes to the Current Use Program.

The Department also recommends the county legislative authority include general information on their website about the open space and timber land classifications with links to the Department's forms and publications.

Continued on next page

Forms and Publications, Continued

**Action
recommended**
(continued)

Property Tax forms are available on the Department's website at dor.wa.gov/content/getaformorpublication/formbysubject/forms_prop.aspx.

Property Tax publications are available on the Department's website at dor.wa.gov/content/GetAFormOrPublication/PublicationBySubject/#property.

If the County has limited resources for website updates, we recommend providing a brief explanation of each category of classified land with a link to the Department's website at dor.wa.gov/Content/FindTaxesAndRates/PropertyTax/.

**Why it's
important**

Utilizing updated forms and publications by linking to the Department's website ensures the use of materials that reflect recent changes in statute, regulation and/or procedure.

Next Steps

Prioritizing Requirements and Recommendations

Once the Assessor and the county legislative authority receive a final copy of this review, the Department will (if requested) consult with them to prioritize the items listed in the report.

Follow-up

The Department is committed to the success of the Assessor and county legislative authority 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 and the county legislative authority 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 contributing staff member listed below.

Current Use Specialist	Leslie Mullin	(360) 534-1424
County Performance & Administration Manager	Mike Braaten	(360) 534-1428

For Additional Information Contact

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