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Washington Department of Revenue Property Tax Division

2018 Walla Walla County Levy Audit A Summary Report



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Overview

Purpose

The primary purpose of this review by the Department of Revenue (Department) is to assist the Walla Walla County Assessor (Assessor) in their processes and procedures to ensure compliance with state statutes and regulations.

Method of Calculation

The Department calculated the levy limitations and levy rate for several of the taxing districts for the 2018 tax year. To determine whether an error occurred, the Department compared the amount levied for the district with the lesser of the levy limit, the statutory rate limit, the amount authorized by each district's resolution, and the levy amount certified by the district.

Information Reviewed

The Department reviewed the following information:

- Resolutions/Ordinances adopted by the districts
- Levy certification from the county legislative authority (RCW 84.52.070)
- Tax roll certification to the county treasurer and abstract of the tax roll to the county auditor
- Ballot measures
- Levy limit worksheets
- \$5.90 aggregate and 1 percent constitutional limits

We do not review every taxing district's levy. We audited approximately 40 percent of the taxing districts. The scope of the audit did not include the review of earmarked funds.

Taxing Districts Selected

The Department reviewed the following taxing district levies:

- Cities: College Place and Waitsburg
- Fire Districts: No. 3, No. 7, and No. 8
- Columbia County Public Hospital District
- Port of Walla Walla
- School Districts: Dixie No. 101, Columbia/Burbank No. 400, and Prescott No. 402
- Prescott Park and Recreation District

Executive Summary

Introduction

The primary purpose of a levy audit by the Department is to assist the county assessor in successfully performing the duties associated with levying property taxes for the districts within the county.

An effective audit of levy calculations consists of gathering information from the assessor's office to determine the level of compliance with laws and rules, the accuracy of levy calculations, and the effectiveness of record keeping.

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. The Department believes the assessor could improve their performance and service to the public by making voluntary changes in procedures.

The Department bases requirements and recommendations in our reports on our review 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 two requirements and three recommendations directed toward improving the accuracy of the levy process.

We have listed a summary of these items in the Requirements and Recommendation sections.

Executive Summary, continued

Requirements

1. The Assessor is required to calculate the statutory maximum rate limit for each regular levy. To do this for cities or towns annexed to a fire and or library district, the Assessor must deduct the actual rate levied by the fire and or library district from \$3.60. If the city or town has a fire fighters pension fund, an additional \$0.225 is added to the previous calculation.
2. The Assessor is required to certify the completed tax roll to the Walla Walla County Treasurer (Treasurer) on or before January 15. The Assessor is also required to provide the county auditor with an abstract of the tax rolls showing the total amount of taxes collectible for each taxing district.

Recommendations

1. The Department recommends the Assessor use the Department's most current highest lawful levy form (REV 64 0007) for the calculation of the levy limits and rates.
2. The Department recommends the Assessor provide education to the county legislative authority regarding the certification of budgets or budget estimates for each taxing district within the county wishing to levy for property tax.
3. The Department recommends the Assessor provide education to the Port of Walla Walla (Port) regarding certification of their budget to the county legislative authority.

Requirements

For the items listed as “Requirements,” the Assessor must make changes in procedure to comply with law.

This section contains the requirements we identified.

City of Waitsburg

Requirement

The Assessor is required to calculate the statutory maximum rate limit for each regular levy. To do this for cities or towns annexed to a fire and or library district, the Assessor must deduct the actual rate levied by the fire and or library district from \$3.60. If the city or town has a fire fighters pension fund, an additional \$0.225 is added to the previous calculation.

What the law says

When a city or town is annexed to a fire and or library district, the city or town's statutory maximum levy rate is \$3.60 per thousand dollars assessed value, less the actual levy rate of the fire and or library district for that particular year, plus an additional \$0.225 per thousand dollars assessed value if the city or town has a firefighter's pension fund. (RCW's 52.04.081, 41.16.06, and 27.12.390)

What we found

The Assessor calculated the statutory maximum dollar amount for the City of Waitsburg (City), using an incorrect levy rate of \$3.375. The City is annexed to Fire District No. 2 (FD2) and does not have a firefighter's pension fund. The statutory maximum levy rate for the City is calculated by subtracting the 2018 levy rate for FD2 (\$0.4934013507) from \$3.60. The correct statutory maximum rate for City is \$3.1065986493. The incorrect statutory maximum rate did not result in an under or overlevy error.

Action needed to meet requirement

The Assessor is required to take the following actions:

- Calculate the statutory maximum rate each year for the cities and towns annexed to the library district and/or fire district, beginning with the \$3.60 statutory maximum rate allowed, then deduct the actual rate of the annexed library district and/or fire district. Add an additional \$.225 to the statutory maximum rate if the city has a firefighter's pension fund.

Why it's important

Use of accurate levy certification information and the correct statutory maximum levy rate ensures districts do not levy more or less than their maximum levy amount and the taxpayers pay the correct amount of property tax allowable by law.

Tax Roll Certification

Requirement

The Assessor is required to certify the completed tax roll to the Walla Walla County Treasurer (Treasurer) on or before January 15. The Assessor is also required to provide the county auditor with an abstract of the tax rolls showing the total amount of taxes collectible for each taxing district.

What the law says

The county assessor must deliver the tax rolls to the county treasurer, on or before the fifteenth day of January, taking a receipt from the treasurer and provide an abstract of the roll to the county auditor. (RCW 84.52.080)

What we found

The Assessor provided a *Certification of Levies Report* to the Department, as documentation of her certification of the tax roll to the Treasurer. The report did not contain a statement of certification, the Assessor's signature, or a date.

The Assessor stated she did not provide an abstract of the tax roll to the Walla Walla County Auditor.

Action needed to meet requirement

The Assessor is required to take the following actions:

- Certify the completed tax rolls to the Walla Walla County Treasurer on or before January 15, taking a receipt from the Treasurer. The certification should include the levy rate, total tax, and the certification language specified in the statute:

I,, assessor of county, state of Washington, do hereby certify that the foregoing is a correct list of taxes levied on the real and personal property in the county of for the year two thousand

Witness my hand this day of, 20. . .

. . . ., County Assessor

The Assessor could show receipt from the Treasurer by having the Treasurer sign and date the certification.

- Provide the Walla Walla County Auditor with an abstract of the tax roll, including the total amount of tax collectible for each taxing district.

Why it's important

State law requires the Assessor to complete different tasks by specific dates. These dates are important for the property tax process and the other departments and entities that rely on the Assessor's work.

Recommendations

For the items listed as “Recommendations,” the Department believes the Assessor could improve by making voluntary changes in procedure.

This section contains the recommendations we identified.

Highest Lawful Levy Worksheet

Recommendation

The Department recommends the Assessor use the Department's most current highest lawful levy form (REV 64 0007) for the calculation of the levy limits and rates.

What we found

The Assessor is not using the most current highest lawful levy worksheet form. The current version of the form has a revision date of September 11, 2015.

Action recommended

The Department recommends the Assessor:

- Use the most current version of the highest lawful levy form, available on the Department's website. (dor.wa.gov) (REV 64 0007, 9/11/15)
 - The current form includes the ability to enter the dollar amount and percentage of change as shown on the taxing district's resolution form. If these two values do not balance with each other, the lesser of the values will be carried forward throughout the levy calculations.

Why it's important

Using the updated highest lawful levy form increases accuracy within the levy rate calculations.

Certification of Budget Amounts by County Legislative Authority

Recommendation

The Department recommends the Assessor provide education to the county legislative authority regarding the certification of budgets or budget estimates for each taxing district within the county wishing to levy for property tax.

What we found

The Assessor provided the Department with timely levy certifications authorized by each of the taxing districts included in this report. The county legislative authority certified the levy requests to the Assessor on November 27, 2017; however, the certification did not include the levy amounts authorized by the school districts.

Action recommended

The Department recommends the Assessor:

- Continue to educate the county legislative authority regarding the certification of each taxing district's budget or budget estimate to the Assessor. This should include the requirement to list each taxing district's budget or budget estimate that is levying property tax.
- Provide the county legislative authority with RCW 84.52.070.

Why it's important

State law directs the county legislative authority to formally certify the levy amounts for each taxing district to the county assessor. The use of this format enhances the transparency of levying property tax.

Port of Walla Walla

Recommendation

The Department recommends the Assessor provide education to the Port of Walla Walla (Port) regarding certification of their budget to the county legislative authority.

What we found

The Port did not include a specific dollar amount for a refund levy in their Resolution No. 11-9-17, which appears to serve as their levy certification to the county legislative authority. The resolution stated a budget amount not to be exceeded and the dollar and percentage of change from the previous year's levy.

The Port provided the Assessor with minutes from their November 9, 2017 public meeting held to discuss the district's budget. The minutes include language that documents the district's decision to levy for refunds made, as provided to them by the Assessor.

The Assessor determined the lesser of the levy limitations based on the increase the district authorized in Resolution No. 11-9-17, plus additional increases as authorized in RCW 84.55.120(3)(b), and a \$30,657 refund levy.

When all of the documents provided by the Assessor are reviewed together, the Department determined the Assessor's levy limitation calculations substantially complied with the law.

Action recommended

The Department recommends the Assessor:

- Continue to educate the Port regarding the requirement to:
 - Certify a specific budget amount to the county legislative authority, including a specific levy amount for refunds. (RCW 84.52.020)
 - Adopt a resolution, separate from their budget request document, when the district wishes to increase their levy compared to their previous year's levy.
- Encourage the Port to use the Department's Levy Certification form (REV 64 0100) and Ordinance/Resolution form (REV 64 0101), available on our website (dor.wa.gov).

Why it's important

The refund levy is outside of the levy limitations in chapter 84.55 RCW. Without the taxing district specifying a specific amount they wish to levy for this purpose the assessor will not know how much to add to the levy limits in chapter 84.55 RCW.

Next Steps

Follow-up

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

The Department will conduct a follow-up review in February 2019. This will give the Assessor an opportunity to implement the required changes, recommended changes, and 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:

Washington State Department of Revenue
Property Tax Division
PO Box 47471
Olympia, WA 98504-7471
(360) 534-1400
<http://dor.wa.gov>

Appendix – General Information

Introduction

General information provided to assist all assessors and taxing districts.

Contents

This section contains the following topics:

- Regular Levy Limitation
- Refunds
- Excess Levy
- Timber Assessed Value (TAV)
- Assessor Guidelines

Regular Levy Limitations

What are the statutory limitations?

Regular property tax levies are generally considered to be those levies that are subject to several statutory limitations.

The assessor must adhere to the following statutory limitations:

- Levy limit (a.k.a., 101 percent)
- Statutory dollar rate limit
- Amount authorized by resolution/ordinance
- District budget
- \$5.90 aggregate limit
- 1 percent constitutional limit

Levy Limit

The amount of regular property taxes a taxing district can levy, other than the state and port district industrial development levies, is limited to an amount that will not exceed the amount resulting from the following calculation:

- The highest amount that could have been lawfully levied by the taxing district in any year since 1985 for 1986 collection, multiplied by the limit factor; plus
- A dollar compensation calculated by multiplying the district's levy rate for the preceding year, or the last year the district levied taxes, by the increase in assessed value of the district from the previous year attributable to:
 1. New construction
 2. Increases in assessed value due to wind turbine, solar, biomass, and geothermal facilities (if the facilities generate electricity)
 3. Improvements to property
 4. Any increase in assessed value of state assessed property.

If an error occurred or an error correction was made in the previous year, use the levy rate that would have been levied had no error occurred.

The limit factor used in calculating the levy limit is defined in RCW 84.55.005 and WAC 458-19-005.

Regular Levy Limitations, continued

If the district's population is...	Then the limit factor is...
less than 10,000	101 percent.
greater than 10,000 and a finding of substantial need was made	the lesser of the substantial need factor or 101 percent.
for all other taxing districts	the lesser of 101 percent or 100 percent plus inflation.

Reference:

- RCW 84.55.010
- RCW 84.55.0101
- WAC 458-19-020

Statutory Rate Limit

The statutory rate limit varies by district. These limits are found in the various statutes for each type of district and in the *Property Tax Levies Operations Manual*. The levy amount for each district cannot exceed the statutory maximum rate. The statutory dollar rate limits for senior taxing districts can be found in RCW 84.52.043(1). The statutory dollar rate limits for all taxing districts can be found in the levy manual, chapter 3.

Reference:

- RCW 84.52.043
- Property Tax Levies Operation Manual, https://dor.wa.gov/sites/default/files/legacy/Docs/Pubs/Prop_Tax/LevyManual.doc, chapter 3

Truncating Levy Rates

The final certified levy rate cannot result in a levy amount that exceeds the statutory limitations. To ensure that the final levy rate results in a levy amount at or below the statutory levy limit for each taxing district the assessor must truncate the rate at the last digit (not round).

If truncating the levy rate for a bond levy results in a levy amount less than the amount requested by the district, the levy rate must be rounded up to ensure sufficient funds are levied for the repayment of the debt.

Regular Levy Limitations, continued

Resolutions/Ordinances

The amount authorized by a district in its resolution or ordinance is another limitation on taxation. If a district does not adopt a resolution/ordinance compliant with RCW 84.55.120, the district cannot levy more than it received in the previous year, other than the increase amount resulting from the following:

1. New Construction
2. Improvements to property
3. Wind turbines
4. Solar, biomass, and geothermal facilities (if the facilities generate electricity)
5. Increases in state-assessed property

The resolution or ordinance must state the increase over the previous year's levy in terms of percentage and dollars. The resolution is separate from the budget certification.

Reference:

- RCW 84.55.120

<https://dor.wa.gov/legacy/Docs/forms/PropTx/Forms/OrdinanceResolution.doc>

Regular Levy Limitations, continued

Levy Certification (Budget)

Taxing districts that wish to levy must certify a budget or budget estimate to the county legislative authority by November 30 of the assessment year. (**Note:** the November 30 deadline does not apply if the assessor has not certified assessed values to the taxing district at least twelve working days prior to November 30).

The county legislative authority must certify the amount to levy for each of the taxing districts, including the county, to the assessor on or before November 30 of each year. However, the county legislative authority may elect to conduct its budget hearing on the first Monday in December, as permitted by RCW 36.40.071.

Reference:

- RCW 84.52.020
- RCW 84.52.070
- <https://dor.wa.gov/legacy/Docs/forms/PropTx/Forms/LevyCertf.doc>

\$5.90 Limit

The \$5.90 limit applies to the total of most regular levies in each tax code area. The aggregate of the junior and senior taxing districts (excluding the state levy and a few others) cannot exceed \$5.90 per \$1,000 of assessed value.

RCW 84.52.010 provides the order in which taxing districts rates are prorated, in order to bring the aggregate rate down to \$5.90. The \$5.90 limitation does not apply to levies made by or for:

- The support of common schools (state levy)
- Port districts
- Public utility districts
- Conservation futures
- Criminal justice
- Emergency medical services
- Affordable housing
- Metropolitan parks (if voters protect a portion of the levy from this limit)
- County ferry districts
- County transit
- Regional transit authority

Reference:

- RCW 84.52.043

Regular Levy Limitations, continued

1 Percent Constitutional Limit

The 1 percent constitutional limit is based on true and fair value, unlike the \$5.90 limit, which is based on assessed value.

In 1972, the voters adopted a constitutional limit of 1 percent. This limits the amount of property taxes that may be imposed on an individual parcel (real or personal) of property without voter approval of 1 percent of its true and fair value.

The 1 percent limit applies to all regular levies (except port and public utility district levies). It does not apply to excess levies approved by the voters.

Reference:

- RCW 84.52.050
- RCW 84.52.010
- Article 7, Section 2 of Washington Constitution

Refunds

Types of Refunds

There are two types of refunds:

- Adjudicated (court ordered)
- Administrative

Use this table to decide how to levy for a refund

If the refund is an...	Then...	And...
Adjudicated refund	the district is required to levy the refund	the refund is added to the district's levy.
Administrative refund	the refund levy is optional	the refund may be added to the levy only if the district requests the refund in its levy certification or budget.

Note: the statutory limit cannot be exceeded when adding a refund to the levy.

Reference:

- RCW 84.68.040 (adjudicated refund)
- RCW 84.69.180 and RCW 84.69.020 (administrative refund)
- WAC 458-19-085 (adjudicated and administrative refunds)

Excess Levy

What is an Excess Levy

Excess levies are over and above the regular property tax levies.

- Excess levies require voter approval
- Duration of excess levies is subject to limitations
- Excess levies are not subject to the statutory limitations placed on regular levies

Type of Levy	Taxing District	Duration
Bond	Most districts	Long term debt, usually 15-20 years
Maintenance & Operational (M&O)	School and fire districts	2-4 years
General	Most districts except school and fire districts	1 year
Technology	School	2-6 years
Transport Vehicle	School	2 years
Construction/Modernization/Remodeling	School and fire districts	2-6 years

Reference:

- RCW 84.52.052
- RCW 84.52.053
- RCW 84.52.056
- RCW 84.52.130

<https://dor.wa.gov/get-form-or-publication/ballot-measure-requirements>

Timber Assessed Value (TAV)

What is Timber Assessed Value?

Timber assessed value determines each taxing district's share of the timber excise tax revenue and in setting property tax levy rates. It serves as a substitute for the value that would be carried on the assessment roll if timber were taxable as real property for all bond and excess levy calculations.

Components of TAV

Based on taxes levied, acreage, and assessed value of property in the Designated Forest Land Program (DFL) from the prior tax year, and the estimated public acreage available for timber harvesting (RCW 84.33.089), the assessor calculates the following values:

- Composite tax rate
- Forest land assessed value (FLAV)
- Average assessed value per acre on privately owned DFL

After making these calculations, the assessor has all the information necessary to complete the Timber Tax Distribution Priority 1, 2, and 3 worksheets. The priority worksheets list the individual taxing district's TAV that is to be added to the district's taxable value for levy calculations.

Tax Base

The assessor must ensure that the appropriate amount of TAV is included in the tax base for calculating excess levies.

If the levy type is...	Then use this percentage of TAV in the tax base...
Bond	100 percent
Capital Project	100 percent
Transportation Vehicle	100 percent
School M&O	50 percent of TAV or 80 percent of the 1983 timber roll, whichever is greater
All other excess levies	100 percent

Reference:

- RCW 84.52.080(2)

Assessor Guidelines

Introduction

The assessor generally calculates the property tax levy rate necessary to collect the amount of taxes levied for each district, within the limitations provided by law (WAC 458-19-010). Listed below are some of the guidelines for the assessor based on the taxing district's adopted documentation.

Determine the authorized levy amount

Use the table below to determine the authorized levy amount given certain situations.

When the taxing district submits...	Then...
a certified levy request to the county legislative authority, but does not adopt a resolution/ordinance authorizing an increase over the prior year's levy	the district's levy is the lesser of the following: <ol style="list-style-type: none"> 1. Previous year's levy plus <i>any</i> increase resulting from new construction, improvements to property, wind turbines, solar, biomass, and geothermal facilities (if the facilities generate electricity), and the increased value of state-assessed property. 2. Current year's certified levy request. 3. Levy limit (with a 100% limit factor). 4. Statutory maximum amount.
a resolution/ordinance authorizing an increase over the prior year's levy, but no certified levy request to the county legislative authority	the assessor does not have the statutory authority to levy on behalf of the taxing district.
a certified levy request to the county legislative authority and a resolution/ordinance authorizing an increase over the prior year's levy	the district's levy is the lesser of the following: <ol style="list-style-type: none"> 1. Previous year's levy <i>plus</i> the percentage increase authorized by the resolution <i>plus</i> any increase resulting from new construction, improvements to property, wind turbines, solar, biomass, and geothermal facilities (if the facilities generate electricity), and the increased value of state-assessed property. 2. Current year's certified levy request. 3. Levy limit (with a limit factor up to 101% depending on the district's population). 4. Statutory maximum amount.
neither a certified levy request nor a resolution/ ordinance authorizing an increase over the prior year's levy	the assessor does not have the statutory authority to levy on behalf of a taxing district.