

P.O. Box 47471  
Olympia, WA 98504-7471

# Washington Department of Revenue Property Tax Division

## 2021 Douglas County Levy Audit A Summary Report



# Table of Contents

Overview .....	3
Executive Summary .....	4
Requirement – Certification of levy request amounts .....	6
Requirement – Fire District No. 8.....	8
Requirement – \$5.90 and 1 percent constitutional aggregate limits .....	10
Recommendation – Uniform levy rates .....	12
Recommendation – Certification of assessed values to taxing districts .....	14
Next Steps .....	15

# Overview

---

---

## Purpose

The primary purpose of this review by the Department of Revenue (Department) is to assist the Douglas 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 2021 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 used the following information during the review:

- 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:

- City/Towns: Coulee Dam, Mansfield, and Rock Island
- Fire District No. 8
- Hospital Districts: 2 and 6
- Cemetery Districts: 2 and 3
- North Central Regional Library District
- School Districts: Orondo No. 13, Bridgeport No. 75, Mansfield No. 207, and Waterville No. 209

# 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 three requirements and two 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 determine the lesser of the levy limitations for most taxing districts based on the levy amounts certified to him by the county legislative authority.

The Assessor is required to apply the dollar and percentage of change to the previous year's levy as authorized by a taxing district in a separate ordinance or resolution.

2. The Assessor is required to use the levy amount certified by the county legislative authority when determining the lesser of the levy limitations.
3. The Assessor is required to verify that none of the tax code areas within the county exceed the \$5.90 aggregate limit.

The Assessor is required to determine whether the total of all regular tax levies, with the exception of levies made by port and public utility districts, applied to real and personal property within the county exceeds one percent of the true and fair market value.

### Recommendations

1. The Department recommends the Assessor continue to work with the software vendor to correct the software problem that prevented him from entering 10 digit levy rates for regular and excess levies, for all taxing districts.
2. The Department recommends the Assessor certify the total assessed values, both locally and state assessed, to the taxing districts upon receipt of the state assessed values from the Department.

## Requirement – Certification of levy request amounts

---

### Requirement

The Assessor is required to determine the lesser of the levy limitations for most taxing districts based on the levy amounts certified to him by the county legislative authority.

The Assessor is required to apply the dollar and percentage of change to the previous year's levy as authorized by a taxing district in a separate ordinance or resolution.

### What the law says

Most taxing districts are required to certify a budget or budget estimate to the county legislative authority on or before November 30 for levying property taxes (RCW 84.52.020).

The county legislative authority is required to certify the amount to be levied for most of the taxing districts, including the county, to the county assessor on or before November 30 of each year as not all taxing districts have statutory authority to make a property tax levy (RCW 84.52.070).

If a levy amount is certified to the county assessor after the thirtieth day of November, the county assessor may use no more than the county legislative authority's certified levy amount for the previous year for the taxing district. This levy consequence does not apply to state levies or when the assessor has not certified assessed values as required by RCW 84.48.130 at least twelve working days before November 30 (RCW 84.52.070(3)).

Taxing districts wishing to increase their regular levy, as compared to their prior year's levy amount, beyond the allowable increases for new construction, improvements to property, certain types of green energy, and state assessed utility value increases, must adopt a resolution or ordinance stating the dollar increase and percentage of change. The dollar increase and percentage of change statement must be made in a separate ordinance or resolution (RCW 84.55.120).

### What we found

The Douglas County Legislative Authority adopted Resolution C.E. 21-02 (REF: CE 20-77) certifying the levy dollar amounts to be collected for the various taxing districts in Douglas County, for the 2021 tax year. This document is dated January 25, 2021. This occurred after the Assessor certified the 2021 tax roll to the Douglas County Treasurer on January 15, 2021.

The Assessor did not certify 2020 assessed values, for the 2021 tax year, to the taxing districts twelve working days before November 30, thus, the levy consequence in RCW 84.52.070(3) does not apply.

The Assessor supplied the Department with levy certification documents authorized by each taxing district, for the 2021 tax year. These levy certifications are dated on or before November 30. The Assessor used the certification amounts listed in these documents to calculate the levy rates for the 2021 tax year.

## Requirement – Certification of levy request amounts, continued

---

In an email to the taxing districts, dated November 17, 2020, the Assessor instructed the taxing districts to submit their certified levy requests to his office rather than the Douglas County Legislative Authority. The email also stated the amount of funds the taxing districts wish to levy for refunding purposes was not to be included in this certification.

The Assessor's November 17, 2020, email instructs taxing districts wishing to levy for refunds to add their refund levy request to their dollar and percentage of increase resolution, if they authorize one. When a taxing district wishes to increase their levy amount from the previous year they must authorize a separate resolution stating the dollar amount and percentage of change from the previous year's levy amount. The resolution should not include additional topics, such as refund levy certification amounts.

The taxing districts authorized their levy certifications, on or before November 30, and provided them to the Assessor as he instructed. After reviewing the Assessor's instructions to the taxing districts and all of the certification documents together, the Department concludes the information related to levy certification was delivered timely, even though the Douglas County Legislative Authority's certification occurred after the November 30 deadline.

### Action needed to meet requirement

The Assessor is required to take the following action(s):

- Obtain a written certification of levy amounts, for most taxing districts, from the county legislative authority before certifying the tax roll.
- Continue to educate the Douglas County Legislative Authority on the certification of levies process.
- Update his message to the taxing districts regarding the levy request amount certification process.
  - The levy request certification for most taxing districts are made to the Douglas County Legislative Authority, not the Assessor.
  - The amount of funds to be levied for refunding purposes must be included in the district's certified request as this is part of the district's total levy amount.
  - A statement should not be added to the district's resolution or ordinance authorizing an increase over their prior year's levy, as the reference to increase the levy is to be made in a separate document.

### Why it's important

Statutory deadlines exist to provide a timely, orderly process for property taxation. When the levy requests are not certified to the county assessor timely, it could result in a taxing district being limited to the levy amount certified on their behalf from the prior levy year. This limitation may cause a loss of funds for the taxing districts. It also puts the Assessor at risk of not meeting their statutory deadline to certify the tax roll to the county treasurer on or before January 15. When the January 15 deadline is missed it results in delay of receipt of property taxes from the taxpayers and distribution of taxes to the taxing districts.

## Requirement – Fire District No. 8

---

### Requirement

The Assessor is required to use the levy amount certified by the county legislative authority when determining the lesser of the levy limitations.

### What the law says

Most taxing districts are required to certify a budget or a budget estimate to the county legislative authority on or before November 30 to levy for property taxes (RCW 84.52.020).

The county legislative authority is required to certify the amount to be levied for each of the taxing districts, including the county, to the county assessor on or before November 30, of each year. If the certification is made after November 30 and the assessor has certified the assessed values to the taxing districts at least 12 business days before November 30, the assessor may not levy any more than the certified levy amount for the previous year for the taxing district (RCW 84.52.070).

As stated in *State v. Wiley, supra, at p. 647*:

*“The duties of respondent in relation to the matters in question are ministerial, and, if the facts upon which he is to act were properly certified to him from a tribunal with jurisdiction in the premises, that order constitutes his warrant and he is bound to proceed under it. His only concern is to know whether ‘his warrant proceeds from competent authority,’ and, if so, fulfill it as he is commanded.”*

### What we found

Fire District No. 8 (FD8) certified a refund levy amount of \$273.81, for the 2021 tax year. The Assessor noted on the levy calculation worksheet, *no refund available for 2021*. He did not add the refund levy amount certified by FD8 to the levy limit calculation or the increase to the district’s previous year’s levy amount authorized by the district in Resolution No.1123-20, for the 2021 tax year.

The Assessor must levy the amounts certified to him by the county legislative authority. He does not have the authority to change a district’s levy certification amount.

Since neither the levy limit or resolution limit was the lesser limit, there is no levy error.

### Action needed to meet requirement

The Assessor is required to take the following action(s):

- Include the refund levy amounts certified to him when calculating the levy limitations for a taxing district.



## **Requirement – Fire District No. 8, continued**

---

### **Why it's important**

To ensure the taxing districts do not levy more or less than their maximum levy amount allowed by law and the taxpayers pay the correct amount of property tax.

## Requirement – \$5.90 and 1 percent constitutional aggregate limits

---

### Requirement

The Assessor is required to verify that none of the tax code areas within the county exceed the \$5.90 aggregate limit.

The Assessor is required to determine whether the total of all regular tax levies, with the exception of levies made by port and public utility districts, applied to real and personal property within the county exceeds one percent of the true and fair market value.

### What the law says

The aggregate of regular levies for junior taxing districts and senior taxing districts, with the exception of the state and other specifically identified districts, may not exceed \$5.90 per thousand dollars of assessed valuation (RCW 84.52.043).

When the county assessor finds that this limit has been exceeded, the assessor recalculates the levy rates and establishes a new consolidated levy rate as described in RCW 84.52.010. The \$5.90 statutory aggregate dollar rate limit is reviewed before the constitutional one percent limit (WAC 458-19-070).

The aggregate of all regular tax levies, with the exception of levies made by port and public utility districts, upon real and personal property by the state and all taxing districts shall not exceed one percent of the true and fair value of such property (RCW 84.52.050).

The assessor must calculate the one percent limit maximum effective rate, by dividing ten dollars by the higher of the real or personal property ratio of the county, for the assessment year in which the levy is made (WAC 458-19-075).

### What we found

The Assessor did not include tax code areas 211 and 291 in the \$5.90 aggregate and 1 percent constitutional limit verifications.

The Assessor did not use the higher of the real and personal property ratios to calculate the maximum effective rate for the one percent constitutional limit. The Department calculated and provided the Assessor with a real property ratio of 88 percent and a personal property ratio of 95.8 percent, for assessment year 2020, tax year 2021. The Assessor used the real property ratio, 88 percent, to calculate a maximum effective rate of \$11.363636 for the 2021 tax year. The correct maximum effective rate for the 2021 tax year is \$10.438413, based on the personal property ratio.

None of the tax code areas exceeded the \$5.90 or 1 percent constitutional aggregate limits for the 2021 tax year.

## **Requirement – \$5.90 and 1 percent constitutional aggregate limits, continued**

---

### **Action needed to meet requirement**

The Assessor is required to take the following action(s):

- Include all of the tax code areas within the county in the \$5.90 and 1 percent constitutional aggregate limit verifications.
- Verify the one percent constitutional limit by calculating the maximum effective rate using the higher of the real and personal property ratios.

### **Why it's important**

To ensure a taxing district is not levying more or less than their maximum levy amount allowable by law and the taxpayers pay the correct amount of property tax.

## Recommendation – Uniform levy rates

---

### Recommendation

The Department recommends the Assessor continue to work with the software vendor to correct the software problem that prevented him from entering 10 digit levy rates for regular and excess levies, for all taxing districts.

### What we found

The City of Coulee Dam (CD) boundaries include Douglas and Okanogan Counties. Okanogan County is the parent county for this district and is responsible for certifying a uniform levy rate to be applied to all property within the district. Okanogan certified a levy rate to the Assessor consisting of 10 digits past the decimal point; however, the Assessor applied the rate using only nine digits past the decimal point. This resulted in a non-uniform rate for the CD. The Assessor stated there was a software issue that only allowed him to enter a nine digit levy rate for most of the regular levies. He provided the Department with his email notifying the software vendor of the issue. There was no levy error for the CD as a result of using the nine digit levy rate.

The North Central Regional Library (Library) boundaries include Douglas County as well as several other counties. The Library is responsible for certifying a uniform levy rate to be applied to all property within the district. The Library certified a levy rate to the Assessor consisting of 12 digits past the decimal point; however, the Assessor applied the rate using only ten digits past the decimal point. This resulted in a non-uniform rate within the district. It is unclear to the Department whether the software problem prevented him from using a 12 digit levy rate.

The Washington State Constitution states in article VII, section 2, *all taxes shall be uniform upon the same class of property within the territorial limits of the authority levying the tax.*

Washington Courts have found that tax is uniform if an equal tax rate is applied to properties with equal assessment ratios. [University Village LTD. Partners v. King County, 106, Wn. App. 321,23 P 3d 1090 (2001).]

### Action recommended

The Department recommends the Assessor:

- Continue to work with your software vendor to solve the levy rate entry issue.
- Levy the rate certified to him by the county or district responsible for calculating the levy rate, for joint taxing districts.
- Notify the county assessor or taxing district certifying a levy rate to you of the number of digits past the decimal point your software system can accommodate. Request a certified levy rate within this parameter for the 2022 tax year and thereafter. This will ensure the levy rate is uniform in a taxing district when it crosses county boundaries.

## **Recommendation – Uniform levy rates, continued**

---

### **Why it's important**

The Washington State Constitution requires fair and equitable taxation for all taxpayers within a taxing district, and a uniform levy rate within a taxing district ensures taxpayers are paying the correct amount of property tax.

## Recommendation – Certification of assessed values to taxing districts

---

### Recommendation

The Department recommends the Assessor certify the total assessed values, both locally and state assessed, to the taxing districts upon receipt of the state assessed values from the Department.

### What we found

The Assessor certified the total assessed values, including both locally and state assessed, to the taxing districts on January 15, 2021. He provided preliminary value estimates to the taxing districts on November 17, 2020.

### Action recommended

The Department recommends the Assessor:

- Certify the total assessed values, including both locally assessed values and state assessed utility values, to the taxing districts after receipt of the state assessed property values from the Department. Taxing districts use the certification of assessed value when planning their levy certification amount, due November 30.

### Why it's important

Timely certification of assessed values to the taxing districts will assist the taxing districts with their budget process and determine if there are any levy consequences if the county legislative authority certifies the levy requests to the Assessor after November 30. It will also enhance the transparency in the governmental process of levying property tax.

## 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 2022. 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

General levy information is available in the Department's *Property Tax Levies Operating Manual*, available on our website.

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>