

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



Washington Department of Revenue Property Tax Division

2011 Review of Property Tax Administration in Klickitat County



May 2012

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Overview

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

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

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

Once the Assessor receives a final copy of this review, the Department will consult with the Assessor to prioritize the work that must be completed. The Assessor will have an opportunity to provide information to the Department about any issues they encountered during the implementation process.

We commend the Assessor and the Assessor's staff for their willingness to look at opportunities to improve property tax administration and uniformity.

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

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

Continued on next page

Overview, Continued

Background

Duties of the Assessor

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

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

Duties of the Department

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

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

Newly Elected Assessor

The Assessor's office started 2011 with a newly elected Assessor. A change of Assessor brings changes not only for the Assessor's staff, but also to other County departments that interact with the Assessor's office. All elected officials will need to work with each other in order to establish good communication so that each office can operate efficiently.

Assessor's request for assistance

The Assessor requested the Department to conduct a review of selected areas of the assessment process and provide the Assessor assistance in identifying opportunities for improvement.

Continued on next page

Overview, Continued

Background (continued)

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

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

Information Reviewed

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

- Reporting to officials
- Revaluation
- New construction
- Property transfers
- Property segregations
- Senior and disabled exemption/deferral program

We gathered information through staff interviews, documents provided by the Assessor's staff, as well as through independent verification. To complete our review, we interviewed:

- The Assessor
- The Supervisor Assessor
- Segregation Technician
- Property Transfer Technician
- Senior Exemption Administrator

We thank the Assessor and her staff for their cooperation throughout our review.

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Executive Summary

About this Review

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

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

Categories of Results

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

- The first category, *Requirements*, is of the greatest urgency for effective administration by the Assessor 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 will 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.

Summary of Results

The Department identified six requirements and thirteen recommendations directed toward improving property tax administration in the County. A summary of these items follows.

Continued on next page

Executive Summary, Continued

Summary of Requirements and Recommendations

Requirements

- 1. The Assessor is required to submit accurate, complete, timely reports and certifications to the Department and other County officials. 12**
- 2. The Assessor is required to appraise property at 100 percent of its true and fair market value, according to its highest and best use and assessed on the same basis unless specifically provided otherwise by law. The Assessor should document the valuation methodology used to determine accurate property values. 15**
 - a. Uniformity is required 21**
 - b. Consider effect of value change on surrounding parcels..... 21**
 - c. Use correct methodology for value corrections 21**
 - d. Prepare records explaining errors and corrections 21**
- 3. The Assessor is required to appraise and assess all property (including commercial property) at 100 percent of its true and fair market value as of the assessment date. 22**
- 4. The Assessor is required to provide information about the Property Tax Exemption Program for Senior Citizens and Disabled Persons by providing notice of the qualifications, the process for applying, and the penalties for not reporting a change in status..... 24**
- 5. The Assessor is required to notify applicants of their approval or denial and the procedure for appealing the Assessor’s decision. 25**
- 6. The Assessor is required to freeze the market value on approved senior or disabled exemption applications. The frozen value should include only land and improvements eligible for exemption..... 27**

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Executive Summary, Continued

Summary of Requirements and Recommendations

Recommendations

1. The Department recommends the Assessor continue to develop internal policies, processes, and procedures to assure assessment practices are uniformly applied..... 32
2. The Department recommends the Assessor continue to develop desk reference manuals to minimize the loss of institutional knowledge and ensure the uniform administration of property tax. 33
3. The Department recommends the Assessor continue enhancing assessment property records to ensure uniformity in the valuation of real property. 35
4. The Department recommends the Assessor continue working on maintaining a complete and accurate list of all lands or lots subject to taxation. The list should include the owner’s name, the number of acres or list of lots included in the description of the property, and the value. 37
5. The Department recommends that the Assessor continue to work with other county officials to coordinate the updating of maps and property records to reflect combinations and divisions of parcels. The Assessor must timely process transfers, conveyances, acquisitions, or any other transaction or event that changes the boundaries of any parcel. 41
6. The Department recommends the Assessor review the laws and rules directing the valuation and assessment of divided or combined property. 44
7. The Department recommends the Assessor continue to place any property that has increased in value due to new construction on the assessment roll with the assessed valuation of the property considered as of July 31 of that year..... 45
8. The Department recommends the Assessor continue to track added value for improvements to property. This is in addition to tracking value added as new construction..... 46
9. The Department recommends the Assessor continue to develop and refine data analysis and reports necessary for mass appraisal. 47
10. The Department recommends the Assessor consider providing additional training for staff members with the County’s CAMA software..... 49
11. The Department recommends that all staff receive adequate training on the software utilized by the County. 50
12. The Department recommends the Assessor continue to notify participants of the Senior Citizen and Disabled Person Exemption Program of the requirement to renew their exemption once every six years. 51
13. The Department recommends staff involved in the administration of property tax continue to maintain an adequate level of knowledge about the various property tax programs administered by the Assessor. 52

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Requirements

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

Contents This section contains the following requirement topics:

Topic	See Page
Reports and Timelines	12
Appraisal Methods	15
Commercial Property Values	22
Publicizing Senior Citizen and Disabled Person Exemption Program	24
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Reports and Timelines

Requirement **The Assessor is required to submit accurate, complete, timely reports and certifications to the Department and other County officials. (RCW 84.08.020, 84.08.040, 84.40.040, 84.40.130, 84.48.50, 84.40.320, 36.21.100)**

What is required The Department may require reporting on assessments of property, valid and invalid sales, equalization of taxes, the expenditure of public funds for all purposes, and other information that we may request. (RCW 84.08.020(3))

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

What we found Four required reports/certifications were not delivered timely, including:

- Real Property Sales Study
- Certification of Assessment Rolls to County Board of Equalization
- Certification of New Construction to County Board of Equalization
- Abstract of Assessed Value

The 2010 Certification of Assessment Rolls to the Board of Equalization was filed timely (June 21, 2010), but stipulated value agreements were processed untimely. When stipulated value agreements and/or BOE orders are processed late, levy limitations can be negatively affected.

The Assessor stated that the 2011 Certification of Assessment Rolls to the Board of Equalization was delayed because of late changes made by the Department in the way wind turbines are valued. Additionally, the Assessor's staff experienced difficulty in valuing some commercial properties. As a result, this delayed submittal of the Real Property Sales Study and the Abstract of Assessed Value. The Certification of New Construction was delayed because the value of new wind turbines was incorrectly included in the new construction value. The Assessor had to correct and resubmit the Certification of New Construction.

The Assessor acknowledged the need for additional time (until September 1) to value personal property and commercial property. This one time delay did not appear to have an adverse affect other property tax processes.

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Reports and Timelines, Continued

What we found (continued) The Assessor relies on an outside consultant to extract much of the data needed to produce many of the required reports and certifications.

At the time of our on-site visit, the Assessor's staff was in the process of updating/entering several property characteristics needed for their model. This process has been very time consuming. When finished, it will free up staff to complete other tasks such as timely valuation of commercial property.

The Assessor's staff is now aware that new wind turbine construction is included for levy calculation but is not included in the value on the Certification of New Construction.

Numerous stipulated value agreements were processed after the tax roll was certified. Processing stipulated value agreements, BOE orders, manifest error changes, or other adjustments affecting a parcel's taxable value after the tax roll is certified to the County Treasurer in January can result in a loss of revenue for taxing districts. If the assessment reduction results in a refund made to the taxpayer or tax abatement due to destroyed property, taxing districts have the option to levy an administrative refund levy in the following year to recoup the funds returned to the taxpayer. If the reduction in assessment results in an adjustment to the taxpayer's property taxes instead of a refund, taxing districts do not have the option of levying for administrative refunds.

Action needed to meet requirement The Assessor should develop policies, procedures, and training to ensure the accurate and timely reporting to the BOE, County Auditor, County Treasurer, and the Department. Although some reporting dates are considered guidelines and not absolute requirements, missing them can adversely affect the property tax process and the other departments and entities that rely on the Assessor's work. Staff training should include procedures for proper querying of the database and the production of required reports.

Real Property Sales Study

The Assessor is required to submit a sales study to the Department each year (September 15). The sales study consists of all sales occurring in the county between August 1 (preceding January of the current assessment year) and March 31 (of the current assessment year). The Assessor must deduct one percent from each recorded sales price, as adjustments for values transferred that are not assessable as real property. All sales must be reviewed and coded by the Assessor as valid or invalid sales as per WAC 458-53-070 and 458-53-080.

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Reports and Timelines, Continued

Action needed to meet requirement
(continued)

Assessor's Certificate of Assessment Rolls

The Assessor must certify the taxable (assessed) value of all locally assessed real and personal property after revaluation is complete. The Assessor's Certificate of Assessment Rolls to the County Board of Equalization (form 64 0051) serves as a permanent record of locally assessed values for the county (forest land, current use land, improvements on current use land, senior frozen value, real property, and personal property). The Assessor is required to deliver the certificate to the BOE, with a copy to the Department by July 15 each year. (RCW 84.40.320)

Assessor's Certificate of New Construction Value

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

Abstract of Assessed Value

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

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

To minimize the effect of changes on taxing districts, stipulated agreements (or any other type of change that will affect the taxable value of property), should be completed prior to the calculation of the levy limitations.

Why it's important

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

Appraisal Methods

Requirement **The Assessor is required to appraise property at 100 percent of its true and fair market value, according to its highest and best use and assessed on the same basis unless specifically provided otherwise by law. The Assessor should document the valuation methodology used to determine accurate property values. (RCW 84.40.030, 84.48.065, 84.48.150, WAC 458-07-010, 458-07-015, 458-07-030)**

What is required

The Assessor is required to appraise property at 100 percent of its true and fair market value, according to its highest and best use. Assessed values are based on market data and should reflect market conditions at the appraisal date. The Assessor is required to demonstrate and document the valuation methodology used to determine property values.

The Assessor's records should contain information regarding the parcel's characteristics, i.e. site size, property type, view, improvement size, improvement condition, age, site utility, etc. of each parcel, and each parcel should be assigned a neighborhood. Each of these characteristics has an influence on the market value of an individual parcel. However, the influence of each one of these characteristics could change from one neighborhood to the next or from one property type to the next. Market data should be analyzed to determine the market influence in each neighborhood or for each property type.

When the Assessor determines the market value of a property and later discovers additional information that affects that value, the Assessor may change the assessed value. The type of correction and the timing of the certification of assessed values to the BOE establish the method of correction allowed. The methods of correction for changes of value include:

- Changes *prior to* mailing the current assessment year notice of value change
- Changes *after* mailing the current assessment year notice of value change
- Manifest error corrections
- Stipulations due to definitive land use designation changes
- Stipulations due to revaluation of property

Value changes prior to mailing the notice of value change

The Assessor may change values any time prior to sending the change of value notices.

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Appraisal Methods, Continued

**What is
required**
(continued)

Value changes after mailing the notice of value change

After the change of value notices are mailed, and before the assessment roll is certified, the Assessor may complete a change of newly determined value. The property record should detail the information necessary to support the change of value. The Assessor must mail a new change of value notice (indicating the new value) and the deadline for appeal restarts.

Manifest errors

If the Assessor discovers an assigned characteristic is incorrect after the assessment roll is certified, the Assessor can change the assessed value of the property through a manifest error correction. Manifest errors are corrections of assessed value that *do not require appraisal judgment*. (RCW 84.48.065(1)) Manifest errors may not be made more than three years preceding the year the error is discovered.

Stipulations - definitive land use designation change

The Assessor may correct an assessment for definitive land use designation changes when:

- The assessment roll has been certified; and
- The Assessor and taxpayer have signed an agreement (commonly known as a stipulation) as to the true and fair value of the taxpayer's property and establishing in the agreement the valuation information upon which the agreement is based on. (RCW 84.48.065(2)(a)(i)) The Department provides the *Assessment Roll Corrections Agreement Based on a Change of Land Use Designation* (form 64 0045) for this purpose.

Stipulations – corrections involving revaluation

The Assessor may correct assessments that involve a revaluation of property after the certification of the assessment roll when:

- The taxpayer timely filed a petition with the BOE pursuant to RCW 84.40.038 for the current assessment year; and
- The BOE has not yet held a hearing on the merits of the taxpayer's petition; and
- The Assessor and taxpayer have signed an agreement (commonly known as a stipulation) as to the true and fair value of the taxpayer's property and establishing in the agreement the valuation information upon which the agreement is based on. (RCW 84.48.065(2)(b)(ii)) The Department provides the *Assessment Roll Corrections Agreed to by the Taxpayer* (form 64 0078) for this purpose.

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Appraisal Methods, Continued

What we found The Department randomly sampled parcels that were stipulated by the Assessor's staff. For clarity, we will refer to value changes as stipulations when a stipulation form was completed. The sample included a total of thirty-eight parcels:

- Twenty-four from the 2010 assessment year
- Fourteen from the 2011 assessment year

The Department reviewed county records, interviewed the Supervisor Assessor, and conducted a site visit (for a portion of the parcels). We completed a site visit if we felt it would help us better understand the reason for the stipulation.

2010 assessment year stipulations

Both past and present Assessor administrations completed stipulations for the 2010 assessment year. The prior Assessor's staff originally assessed all the parcels. Of the twenty-four stipulations reviewed, the prior Assessor completed six and the current Assessor completed eighteen.

Prior Assessor's 2010 stipulations

The Department's random sampling included six stipulated parcels completed by the prior administration. No interview was conducted for these stipulations, as no staff members were available that had any background on them. The sample revealed:

- There was no explanation provided for any of the six stipulated parcels indicating what characteristic may have changed, or was previously unknown, that caused the value to be incorrect when the parcels were originally assessed.
- Four of the six stipulations had comparable sales attached. Based on a desk review of the comparables supplied, three of the four parcel comparables appear to support the stipulated value. The comparables for the fourth stipulation appear to support a value higher than the stipulated value, but there was a prior sale on this parcel for less than the stipulated value.
- Two stipulations had no supporting data or comments on file.

There is not adequate supporting data to determine how the prior Assessor's staff reached the stipulated values.

Current Assessor's 2010 AY stipulations

The eighteen remaining 2010 properties were submitted for appeal under the prior Assessor's administration. These properties had not been processed as a stipulation (or heard by the BOE) prior to the change of administration on

Continued on next page

Appraisal Methods, Continued

What we found
(continued)

Current Assessor's 2010 AY stipulations (continued)

January 3, 2011. The assessed values of the properties were then amended by the current administration with several reasons given for the adjustments. Listed below are some of the Department's concerns:

- The Assessor and the staff that facilitated these stipulations were new to the office. Eleven parcels (61 percent) were stipulated in the first month after the new Assessor took office. It is unclear how many 2010 AY stipulations the current Assessor completed. We requested this information from the Assessor's staff but at the time of finalizing our report, the total number of stipulations was not available. If the sample is representative of the total, it reflects a large number of stipulations completed in the first month in addition to other responsibilities and day-to-day operations.
- Several value changes were a result of changing the effective age and or condition of the property, resulting in more depreciation than originally estimated. It is unclear if the additional depreciation was warranted due to a lack of documentation or notes in the official file as to why the condition/effective age was changed. A drive by inspection by the Department staff did not reveal any obvious reasons for making a change in depreciation.
- Salvage value was placed on a dwelling with a comment in the file that the taxpayer was going to tear down the dwelling. Upon inspection from the street, we found the property was occupied and there were no signs of recent exterior repairs. While the physical condition of this dwelling could be considered fair or even poor, the condition appeared better than salvage.
- An improvement value was calculated based on the prior year's cost tables due to a *proposed* power line project that would cross the property. This project *could potentially* have a negative market effect on the property if the project is eventually built, but the only comment noted in the file was "no comps to support, stipulated to prior year's value before new cost tables." No explanation for the stipulation was noted for an adjustment made for a condition that does not yet exist.
- A property owner claimed their property was located within a floodplain and estimated the value of their twenty-acre parcel to be \$52,500. The assessed value was \$75,000 and it was stipulated to \$18,000 due to the location within a floodplain. The Department visited the site and found only a portion of the property was located within a drainage swell while the majority of the site appeared buildable, similar in elevation, and comparable to neighboring parcels. Neighboring five-acre parcels are assessed for \$55,000 and fifteen to twenty-acre parcels are assessed for \$61,000 to \$89,920. Based on comparable land sales the Assessor has in the parcel's file, we found no

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Appraisal Methods, Continued

What we found *Current Assessor's 2010 stipulations (continued)*
(continued)

support for the \$18,000 stipulated value and that this twenty-acre parcel should have a market value greater than the surrounding five-acre parcels. It appears either that the stipulated value of this parcel is too low or the assessed values of the surrounding parcels are too high. The date of the value change on the parcel records is August 9, 2010; however, the date of the stipulation agreement is January 28, 2011.

2011 assessment year stipulations

All 2011 stipulations reviewed were completed prior to the certification of the assessment roll. While these are not “official stipulations” because the assessment roll was not yet certified, we will continue to refer to them as such when a “Stipulation Form” was completed.

The current Assessor's staff performed all the 2011 assessed valuations and processed all the 2011 stipulations. The Department sampled fourteen randomly selected stipulated parcels for this review. The sample included:

- Eleven stipulations that were as a result of land code changes
- One stipulation was for adjustments to condition/effective age
- One stipulation due to changed neighborhoods
- One stipulation due to site size

Land coding

Land codes are assigned to parcels based on:

- Size
- Location
- Topography
- Access
- View
- Any combination of these influences or characteristics

In the sample of fourteen 2011 stipulations, the Department reviewed eleven parcels that were stipulated because of a change in land codes. In all cases, county records stated the characteristic that resulted in the land code change. We reviewed these parcels by site visits, maps, or available aerial photography to determine the existing characteristics. Some characteristics were easy to verify, while others require appraisal judgment.

We did not see a pattern of arbitrary or unwarranted changes to land coding; however, there is a concern about the large number of different codes used. If too many codes are used it can reduce the sample size of each type to the point that the results can be easily distorted.

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Appraisal Methods, Continued

What we found
(continued)

Neighborhoods

One of the 2011 stipulations lowered the value due to a change in neighborhood. The stipulated parcel was located to the west of Shilling Road and assessed at \$78,700, as were other parcels on the west side of Shilling Road. Similar parcels located on the east side of Shilling Road were coded to a different neighborhood and were assessed at \$45,300. The Assessor adjusted the assessed value by changing the neighborhood of the stipulated parcel to the same neighborhood as the property across the street. The Department agrees that property on both sides of the street should be in the same neighborhood however, all parcels on both sides of the street should be coded to be in the same neighborhood, not just the one being stipulated. It may be more appropriate for all parcels on the east side of the road to be changed to the subject's original neighborhood due to natural boundaries just beyond the properties to the east of Shilling Road.

The Assessor should be careful to draw neighborhood lines or boundaries that emulate the general real estate market as near as possible. In this case, an easy boundary was drawn using a road when the real estate market appears to consider both sides of the road to be in the same market area.

Condition

One parcel was stipulated due to a change in the "condition" of the improvements. The value of this parcel was increased after upgrading the condition based on an interior inspection. The Department staff could not verify the condition without conducting an interior inspection and assumes the adjustment is warranted.

Site Size

One stipulation was made after it was brought to the Assessor's attention that the site size on record was incorrect. The file was updated and the value correction made.

**Action needed
to meet
requirement**

When assessing property, the Assessor must value all parcels at 100 percent of their true and fair market value in money and assessed on the same basis unless specifically provided otherwise by law. This is also the standard when stipulating a value.

Continued on next page

Appraisal Methods, Continued

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

Uniformity is required

The Washington State Constitution requires that all taxes be uniform upon the same class of property within the territorial limits of the authority levying the tax. To comply with this constitutional mandate and ensure that all taxes are uniform, all real property must be valued in a manner consistent with this principle of uniformity.

Consider effect of value change on surrounding parcels

When the Assessor changes the value of a parcel based on information that may affect surrounding parcels, the Assessor should consider a change in value for the other affected parcels as well. The Assessor should document the reasons if no change is warranted for the surrounding parcels.

Use correct methodology for value corrections

When completing a value correction, the Assessor must use the appropriate method for the type of value correction and the timing of the correction.

Prepare records explaining errors and corrections

When the Assessor cancels or corrects assessments (in this case stipulates), the Assessor is required to prepare records explaining the facts relating to the error and correction.

The Department recommends the Assessor continue to provide the *Klickitat County Mass Appraisal Report*. Documentation is vital to valuation and necessary when explaining values to taxpayers. The report should continue to document valuation process and should detail:

- The appraisal approach to value (cost, sales, or income approach)
- The valuation process (physical inspection or statistical update)
- Sales analysis
- Property characteristics

**Why it's
important**

Ad valorem property appraisals conducted in a uniform manner, based on proper appraisal methods, ensures fair and equitable assessed values for property owners in the County.

Commercial Property Values

Requirement **The Assessor is required to appraise and assess all property (including commercial property) at 100 percent of its true and fair market value as of the assessment date. (RCW 84.40.030, 84.40.040, 84.41.030, 84.41.041, WAC 458-07-010, 458-07-015, 458-07-030)**

What is required The Assessor is required to appraise property at 100 percent of its true and fair market value, according to its highest and best use. The Assessor is required to demonstrate and document the valuation methodology used to determine property values. Assessed values are based on market data and should reflect market conditions as of the appraisal date. Valuation starts with market analysis, benchmarking, calibration, and calculation of preliminary values. Ratio studies are used to evaluate the accuracy and consistency of values between property types. Values are then subject to office and field review. Finally, assessed values are listed on the assessment roll.

The County is an annual revaluation county conducting physical inspections on a six-year cycle. During the interval years between physical inspections, the values of the property must be reviewed and updated based on statistical data analysis.

What we found According to the Assessor's *2011 Revaluation Progress Report*, all scheduled inspections of commercial property for assessment year (AY) 2011 were completed. Only a few commercial property values changed for AY 2011 (most commercial property values were not adjusted). The extent of the Assessor's analysis and review of commercial values for commercial property is unclear. The following influenced the Assessor's decision not to change 2010 assessed values for commercial property for AY 2011:

- The Assessor has an early version of ProVal CAMA system. The module did not function properly. The Appraiser Supervisor reported that when they initially used the cost module for commercial appraisal work calculations would not work and previous values would disappear. Existing commercial values for AY 2010 included inputted values that had over-ridden values calculated by the CAMA system. The previous and current appraisal staff has used a hard copy of a commercial cost publication to calculate the improvement values for commercial property.
- Thirteen commercial sales occurred in 2010 and some may not have been valid sales for use in a sales study. The available sales provided neither an indication of upward nor downward trends in commercial property values.

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Commercial Property Values, Continued

What we found
(continued) The Assessor notified all commercial property owners that if the property owner contacted the Assessor's Office and provided information, the Assessor's appraisers would consider an income approach. This notification was made through an enclosure with the change of value notices mailed to commercial property owners.

Action needed to meet requirement The Assessor must evaluate the values of all commercial property each year in conjunction with current sales, cost, and income information to determine if current values are reflective of 100 percent of true and fair value. Conducting ratio studies and interpreting statistical measures will assist the Assessor in determining the value adjustments for the current AY. The Department recommends the Assessor consider:

- Automating the calculation of the cost approach through the use of the CAMA system (long term solution) or through the use of commercial cost estimator software (short-term solution)
 - Additional staff training in commercial appraisal (as resources allow)
 - Staff attended training with Spokane County (also a ProVal CAMA user) in the use of Marshall and Swift cost products for valuation
 - Continuing to add property characteristics and data related to value influences for commercial property to the ProVal CAMA system
 - Continued development of commercial valuation models
 - Focus on validation and verification of commercial sales
 - Contacting other counties to develop a network for sharing information on sales of special use property
 - Cross-training staff so multiple appraisers have exposure to analysis and appraisal of commercial property
 - Updating to the most recent version of ProVal
-

Why it's important For all real property within the county, assessed values must be at a similar ratio to market value to ensure uniformity in taxation as required by the state Constitution.

Publicizing Senior Citizen and Disabled Person Exemption Program

Requirement **The Assessor is required to provide information about the Property Tax Exemption Program for Senior Citizens and Disabled Persons by providing notice of the qualifications, the process for applying, and the penalties for not reporting a change in status. (RCW 84.36.385)**

What is required The Assessor must publicize the requirements and application process through communications media (including paid advertisements or notices). Property tax statements and revaluation notices for all residential property including mobile homes (except rental properties), must include the following information on or with the notices (RCW 84.36.385(6)):

- Qualifications of the program
 - How to apply
 - The penalties for not reporting a change in status
 - Where to get additional information about the programs
-

What we found The Assessor publicizes the program through local newspapers and online, as well as on property tax statements and revaluation notices.

The notifications on the County’s property tax statements and revaluation notices include all the required information except the penalties for not reporting a change in status.

Action needed to meet requirement The Assessor should review and update the notification statements on the value notices and work with the Klickitat County Treasurer (Treasurer) to ensure the appropriate notifications appear on the property tax statements.

The information not only publicizes the program but also serves as a reminder to taxpayers receiving the exemption about their responsibility to notify the Assessor of any changes in circumstances that may affect the exemption.

Why it’s important Timely notification of changes in status from program participants limits the number of adjustments necessary and helps to ensure timely processing of adjustments and corrections by the Assessor and Treasurer.

Written Notification of Exemption Approval or Denial

Requirement **The Assessor is required to notify applicants of their approval or denial and the procedure for appealing the Assessor’s decision. (WAC 458-16A-140)**

What is required The Assessor is required to accept and review applications or renewals, and approve or deny exemptions at the appropriate level based on the application or renewal and the supporting documents provided.

When the appropriate level of exemption is determined, the Assessor must:

- Notify the applicant of the approval or denial of the exemption
 - Notify the applicant of the level of exemption approved
 - Advise the applicant of the requirements for continuing the exemption, if approved
 - Provide the applicant information about their right to appeal (RCW 84.48.010, 84.40.038)
-

What we found The Assessor’s staff appropriately accepts and reviews applications, approving or denying exemptions at the appropriate level based on the applications or renewals received and the supporting documents provided by the applicants. Staff appropriately notes income information on the application or renewal worksheet. Staff either returns or destroys documents provided by the applicant that are used to verify age and income. (RCW 84.36.389, WAC 458-16A-140)

Application denial

Applicants receive written notification when the Assessor denies an application. The denial letter includes the reasons for denial and information regarding the taxpayer’s right to appeal under the provisions of RCW 84.48.010 and RCW 84.40.038.

Application approval

An adjusted tax statement is the only notification provided to applicants when the Assessor approves an application.

Continued on next page

Written Notification of Exemption Approval or Denial, Continued

Action needed to meet requirement

The Assessor should continue to provide dated written notification when an application is denied. The Assessor should begin providing dated written notification when an exemption is granted. The notice should include:

- The level of exemption granted
- The applicant's right to appeal if they disagree with the level of exemption granted
- The requirement that the applicant must file timely renewal applications and changes in status (WAC 458-16A-140)

Written notice of approval fulfills the Assessor's obligation to notify the applicant of the approval and the applicant's responsibilities for continuing the exemption.

The applicant has the right to appeal the denial of an exemption and/or the level at which an exemption was granted. Without a written notice, the appeal period has no official beginning or end.

Why it's important

Formal approval or denial of an application provides the applicant information necessary to appeal the Assessor's decision and ensures the applicant their due process.

Computing Frozen Value and Calculating the Exemption Amount

Requirement **The Assessor is required to freeze the market value on approved senior or disabled exemption applications. The frozen value should include only land and improvements eligible for exemption. (RCW 84.36.381, WAC 458-16A-140)**

What is required Upon approval of an exemption, the Assessor must establish the frozen value of the eligible residence in the year of approval. The eligible residence includes the applicant's dwelling and one acre of land where the dwelling is located, or up to five acres of land when land use regulations require a larger parcel size.

Frozen value may be adjusted for new construction or inclusion/exclusion of other improvements. Any future changes in land use regulations may also require the Assessor to recalculate the frozen value to reflect newly allowed or excluded acreage.

The purpose of freezing the value for a participant in the exemption program is to ensure the senior/disabled property owner receives a relatively consistent tax bill from year to year, avoiding large fluctuations that can cause hardship and, potentially, the loss of the home due to the inability to pay property taxes.

What we found Upon approval of an exemption, the Assessor freezes the market value of the parcel in the year of approval. However, this is not necessarily the same as freezing the value used for calculating tax. The "frozen value" should only include the value of land and improvements eligible for exemption, whereas the market value includes the value of the entire parcel of land and all improvements.

Prior Assessor practices

It appears that in the initial application year, the market value was frozen and assigned an eligible "percentage." The percentage determined what portion of the total value was eligible for exemption or excluded from exemption.

The percentages assigned change each year and the current percentage may not correctly reflect the original frozen value of the property eligible for exemption. This is especially true when, in a declining economy, tax must be calculated using the lower of the frozen or market value.

Continued on next page

Computing Frozen Value and Calculating the Exemption Amount, Continued

What we found *Current Assessor practices*
(continued)

In an effort to ensure consistency and to allocate land value more appropriately, the Assessor has made administrative changes regarding the percentage of value allocated between the homesite and additional acreage. There have also been changes in which improvements are included or excluded for exemption purposes. These changes, along with the fluctuating ratio of improvement to land value, affect the percentages used to apply the property tax exemption.

Using percentages to determine how to apply the exemption does not ensure the property owner receives all (and only), the benefit available, particularly in the following situations when:

- Values of land or improvements increase or decrease disproportionately
- Changes are made in allocation of land values
- There are multiple dwellings on a parcel that are eligible for exemption
- There is a mobile home assessed as personal property and the taxpayer also owns the land where the mobile home is located

Random sample of exemptions

The Department reviewed a random sample of fifty-two of the approximately seven hundred parcels in the exemption program. Of the fifty-two parcels reviewed, we found:

- Fifteen parcels (29 percent of sample) were 100 percent eligible for exemption (all land and improvements included in the parcel were eligible for exemption and the exemption was correctly applied to the lower of the frozen or market value)
- Thirty-seven parcels (71 percent of parcels) included ineligible land or improvements, or involved more than one tax account number

For the parcels that included ineligible land or improvements, the frozen value included the entire market value for the assessment year in which the value was frozen (i.e., the frozen value includes land and/or improvements not eligible for exemption), and there were no adjustments to frozen value for new construction or allocation changes.

Continued on next page

Computing Frozen Value and Calculating the Exemption Amount, Continued

What we found
(continued)

The calculation of percentages affects over half (362/700) of the parcels enrolled in the exemption program. This is a labor intensive, manual process, completed using a spreadsheet calculation for each individual account. The process lends itself to data entry errors. To complete the calculations, Assessor's staff must:

- Calculate the values for land and improvements included in the exemption
- Calculate the values for land and improvements excluded from the exemption
- Enter those values in the spreadsheet to calculate the percentage
- Enter the percentage calculated into the mainframe database

The Assessor's staff completes these manual calculations each year. If the Assessor is unable to complete the percentage calculations prior to certifying the tax roll to the Treasurer (and the printing of tax statements), the Treasurer's office staff must use their resources to issue corrected tax statements. This process is time consuming for both the Assessor and Treasurer offices.

Action needed to meet requirement

The use of a percentage for exemption purposes requires the Assessor to complete the percentage calculations prior to certifying the roll. This method has proven to be challenging, time consuming, with less than accurate results.

To minimize the effect of changes on taxing districts, changes that will affect the taxable value of property should be completed prior to the calculation of the levy limitations.

Rather than using the percentage method, the Department recommends the Assessor use administrative parcel segregations and combinations to freeze the value for exemption purposes and accurately carry it forward for tax purposes in future years. Using administrative segregations and combinations, rather than fluctuating percentages, will:

- Ensure uniformity from year to year
 - Ensure accurate application of the appropriate level of exemption
 - Provide clarity and transparency for program participants
 - Make it easier for the Assessor to adjust the frozen value when there is new construction, destroyed property, or changes in laws
 - Reduce the workload of the Assessor's staff on an annual basis
 - Reduce the workload of the Treasurer's staff on an annual basis
 - Help minimize impacts in levy rates for taxing districts
-

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Computing Frozen Value and Calculating the Exemption Amount, Continued

Action needed to meet requirement
(continued)

Administrative segregations offer a long-term solution to calculating accurate exemption amounts. The Department acknowledges there may be other ways to accomplish accurate exemption percentages.

Why it's important

Though administrative segregations and combinations require more time initially, the accuracy gained would result in a significant reduction in rework by the Assessor and the Treasurer, as well as a higher level of confidence in the accuracy of the tax statements for all stakeholders.

Recommendations

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

Contents The section contains recommendations on the following topics:

Topic	See Page
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Develop and Document Policies, Processes, and Procedures

Recommendation **The Department recommends the Assessor continue to develop internal policies, processes, and procedures to assure assessment practices are uniformly applied.**

What we found The Assessor has had limited time to review the assessment processes. The mandated requirement to complete physical inspections and valuation work has limited the time available for documenting procedures applicable to the appraisal and assessment process.

Though the Assessor is currently documenting procedures, the level of documentation for previous procedures and valuation processes is unclear. Many inconsistencies in the property records are due to the lack of standardized practices and structured procedures to guide the mass appraisal process.

The Assessor is developing standard procedures and guidelines to promote greater consistency in the appraiser's assignment of subjective characteristics and influences on value. As time has allowed, the Assessor and staff have increased the documentation of their processes and guidelines for appraisal work.

Action recommended Internal controls are vital to the reliability of the data used to generate values. The Assessor should continue to develop and implement policies and procedures that will ensure directives are carried out uniformly and will result in an efficient assessment process to produce fair and uniform assessments.

Why it's important Documentation of internal processes and training helps staff gain confidence in their work and ensures office functions continue during brief or long-term staff absence.

Desk Reference Manuals

Recommendation **The Department recommends the Assessor continue to develop desk reference manuals to minimize the loss of institutional knowledge and ensure the uniform administration of property tax.**

What we found The most current Senior and Disabled Person Exemption and Deferral Program training manual is used as part of the exemption clerk's desk reference. The manual includes question and answer responses from the Department as well as business processes for the office. The manual is updated regularly and staff regularly uses the Department's online resources, which has links to training, laws, and rules.

The effect of a loss of institutional knowledge during staff transitions (specifically, newly elected Assessors) can be minimized by a more transparent approach to office administration.

Action recommended To ensure consistency and continuity, the duties of the Assessor should be documented in a desk reference manual. Desk reference manuals are useful not only for training and for succession purposes, but to ensure that all property owners are treated uniformly and the assessment processes are timely managed.

In addition, desk reference manuals should be developed for each staff position. Staff desk reference manuals can include policy information and specific step-by-step procedures on how to administer the various property tax programs. A detailed desk reference manual can serve as a back-up for the employee and assist their coworkers, in the event of a short term (or long term) staff absence.

Desk reference manuals serve as a resource tool for employees, especially where employees perform multiple tasks, or tasks that must be performed in a specific way. Staff should be involved in the creation of their desk manuals, with assistance from the Assessor.

Desk reference manuals should include:

- Instructions on how to use the manual and definitions of terms
 - Step-by-step instructions for tasks performed, procedures, or processes
 - Time requirements/deadlines for tasks
 - Information about when and where to get help
 - Other resources and reference materials
-

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Desk Reference Manuals, Continued

**Why it's
important**

Desk reference manuals are useful in:

- Ensuring consistent application of laws, rules, policies, and procedures
- Promoting uniformity throughout the County

Written procedures and desk reference manuals are tools that can prevent the loss of institutional knowledge and provide staff with the means to operate with some independence, freeing the Assessor's time for other management and appraisal duties.

Enhance Property Records

Recommendation **The Department recommends the Assessor continue enhancing assessment property records to ensure uniformity in the valuation of real property.**

What we found *Prior to the 2010 assessment year*

The Assessor was operating under a cyclical revaluation plan, which called for physical inspection and revaluation once during a 4-year period. Appraisers completed individual property appraisals for revaluation purposes.

The office began laying the groundwork for changes in processes prior to our approval of their 2010 revaluation plan. Preparing for conversion to annual revaluation required the prior Assessor to expand the use of mass appraisal methods in order to appraise and statistically update values for 100 percent of the parcels each year (roughly a 75 percent increase in the number of parcels from the previous year). Mass appraisal is a method where properties with similar characteristics and influences are identified and grouped to allow for calculation of values using CAMA software.

The following factors impacted the mass appraisal methods used by the appraisal staff both prior to and after the conversion to annual revaluation:

- Electronic property records contained limited information about land characteristics and other value influences (for example, view, utility, and access).
- Property characteristics captured in property records reflect inconsistencies due to variations between appraisers in how they listed subjective property characteristics. Examples of variations of characteristic include items such as quality, condition/depreciation, and measuring subjective land influences (such as view).

2010 assessment year and after

The County's current annual revaluation plan began in 2010 and provides for revaluation of all real property each year, with physical inspection of property at least once every four years. The Assessor has completed the second year of an annual revaluation plan.

Refinement of mass appraisal methods necessary under annual revaluation continued during the past two years. The Department expects the continued refinement of mass appraisal methods in future years.

Continued on next page

Enhance Property Records, Continued

Action recommended

To ensure that all taxes are uniform for the same class of property, real property must be valued in a manner consistent with the principle of uniformity, using proper appraisal methods. The Department recommends the Assessor continue to verify, improve, and refine the information contained in electronic property records by:

- Continuing to review the adequacy and quantity of data (property characteristics and data related to value influences for property) contained in electronic property records.
- Developing procedures and guidelines for physical inspections and listing of new construction. Guidelines should include standards for qualitative adjustments related to quality of construction and condition of property.
- Developing a procedure for tracking identified errors in property characteristics. This information is used to improve the data collection process and to prevent future errors in captured data.
- Utilizing the Department's available tools to promote consistency in physical inspections:
 - *Property Inspection Field Sheet* - to collect data during a physical inspection
 - *Common Fields and Property Characteristics* - which provides a list of frequently used administrative fields and property characteristics
 - *Numerical Quality Checklist* - to assist counties in achieving uniformity in determining a quality rating
 - *Effective Age with Addition* - provides examples of calculating the effective age of a home with an addition

Why it's important

Consistent identification and capture of property characteristics ensures the appropriate detail necessary to mass appraisal and promotes uniformity in the valuation of real property.

Accurate Listing of Land or Lots Subject to Taxation

Recommendation **The Department recommends the Assessor continue working on maintaining a complete and accurate list of all lands or lots subject to taxation. The list should include the owner’s name, the number of acres or list of lots included in the description of the property, and the value. (RCW 84.40.160)**

The Assessor’s listing of all property subject to taxation is also referred to as the Assessor’s roll or assessment roll. The list should include the owner’s name, the number of acres or list of lots included in the description of the property, and the value. (RCW 84.40.160) Timely processing of conveyance documents ensures that the Assessor’s records contain each parcel subject to assessment and name of the property owner(s).

Washington State law directs the conveyance of real property by deed. (RCW 64.04.010) The Assessor must use legal and conveyance documents to make changes in the Assessor’s record of property ownership. Although exchanges of property are subject to real estate excise tax (REET), the payment of REET and filing of the REET affidavit with the Treasurer is not the appropriate document for a conveyance of property ownership. The Assessor should review the legal deed to make changes of property ownership in assessment records.

Effects of not updating records timely

When ownership conveyance documents are not properly recorded in assessment records or transfers of ownership are not entered into assessment records timely:

- The sale may not be included in Assessor's reports to the Department.
- Sales available for the Assessor’s sales analysis and valuation work could be limited.
- Both internal and external ratio studies can be impacted when valid sales data is omitted from the studies.
- The Assessor may have difficulty with:
 - verification of eligibility for property tax programs and exemptions
 - property owners receiving change of value notices and tax statements
 - physical inspections
 - validation and verification of sales
 - valuation work
 - identifying new construction

Continued on next page

Accurate Listing of Land or Lots Subject to Taxation, Continued

What we found

Status of ownership transfers

The Assessor provided a system generated report of REET affidavits requiring processing by the Assessor. The Treasurer also uses this report to track processed REET affidavits in Ascend, the joint Assessor/Treasurer software. At the time of our on-site review, the report listed sixty-six conveyance documents that required processing by the Assessor. Of these documents:

- Forty-three documents were for transactions recorded in 2011 (for transactions recorded from May through October, 2011)
- Three documents were for transactions recorded in 2010
- There were no remaining documents to be processed for transactions recorded in 2009
- Twenty documents were for transactions recorded from 2002–2008

Backlog of conveyance documents for 2011 and 2010

Staff changes in 2011 affected the timely processing of ownership transfers. A new staff member (with prior experience with the County Auditor's office and with a local title company), has been in place since April 2011. This has helped reduce the backlog of ownership transfers.

The remaining ownership transfers are challenging due to conveyance documents that may not be accurate or complete. The Assessor cannot change ownership of property unless the documents contain the correct ownership of the grantor and an accurate description of the conveyed property. Similar to other Assessor's offices, incomplete or inaccurate documents require additional follow-up with owners or their legal representatives by the Assessor's staff.

Backlog of conveyance documents for years 2002-2008

It is unclear why the twenty ownership transfers listed between 2002 and 2008 were not previously processed. It is unclear if the conveyance documents were actual recorded documents. According to Assessor's staff, the Ascend tracking system for an ownership change began with the pre-approval process. Potential changes were entered in the system based on preliminary documents rather than the final recorded documents.

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Accurate Listing of Land or Lots Subject to Taxation, Continued

What we found
(continued)

The backlog of 2002-2008 conveyance documents included:

- Changes in ownership or changes in land configuration that may not have been finalized
- Tracked transactions that may not be valid or completed transactions
- Many of the listed, but unprocessed, transactions reflect Quit Claim Deeds typically used for release of ownership interest
- The majority of the older potential changes appear to be related to a release of partial ownership

Current status

The Assessor has timely completed the ownership change for the majority of the documents recorded in 2011. The Assessor has a process in place to ensure that assessment records are reflecting current owners of property. The Assessor continues to verify older transactions and, for those that are valid, they are completing the ownership changes. Monitoring completion of ownership transfers through only a listing of REET affidavits covers only part of the process. The Department recommends:

- The Assessor work with other county officials to review processes to ensure completion of ownership transfers
- The Assessor and Treasurer continue to track and monitor transfers of property ownership
- The expansion of tracked information to include legal documents (in addition to Treasurer documents)
- The Assessor document the reasons for extended delays in processing conveyance documents

Process for document pre-screening

In the past, the Assessor, Treasurer, and Auditor initiated a pre-approved screening of documents to ensure accuracy and completeness of documents prior to recording. County officials pre-screen conveyance documents. Though law does not require pre-approval, most owners willingly abide by the practice. However, because owners and professional representatives may push for a quick screening by the Assessor's staff, this practice may not allow adequate time for the staff to ensure accuracy of conveyance documents.

Continued on next page

Accurate Listing of Land or Lots Subject to Taxation, Continued

Action recommended

The Assessor cannot change ownership of a property if the Assessor has no documentation of a grantor's interest in the property. The Department recommends the Assessor develop a revised conveyance document review process that includes the following steps:

- Verify with the Treasurer that you receive copies of all REET documents
- Verify with the County Auditor that you have electronic access to all recorded documents
- Communicate with the County Clerk to determine if you need information from their office
- Cross-reference the sources to verify receipt of all ownership and mailing address changes (tracking should include reference to conveyance document and REET affidavit)
- Continue to use the *Property Transfer Reference Manual* to document processes, procedures, and policies. This new manual was created by the Assessor's staff and includes helpful information about legal descriptions, laws and rules, the process for changing straight across ownership for property records in Ascend, and office processes for the position.
- Screening of conveyance documents to determine if the document transfers all of an existing parcel (straight-across transfer) or if the document requires the segregation of an existing parcel.
- Enhance the Assessor's staff efficiency in identifying the need for segregation of parcels through available training.
- Ensure Assessor's staff has direct access to maps and the GIS parcel layer to confirm legal descriptions in conveyance documents. The current and alternative approach requires very structured coordination between the Assessor and Planning/GIS Departments (currently responsible for mapping functions).
- The initial screening of property conveyances (sales) may also be a good time to screen each document to determine if it is a valid sale for purposes of external and internal ratio studies.

Why it's important

Timely processing of conveyance documents ensures the Assessor's records contain each parcel subject to assessment and the correct owner(s) of each parcel.

Updating Maps and Property Records

Recommendation **The Department recommends that the Assessor continue to work with other county officials to coordinate the updating of maps and property records to reflect combinations and divisions of parcels. The Assessor must timely process transfers, conveyances, acquisitions, or any other transaction or event that changes the boundaries of any parcel. (RCW 84.40.160)**

What we found The Assessor is timely processing segregations to reflect combinations and divisions of property for maps and property records.

The Assessor's staff provided a listing from the Treasurer that includes twenty-seven parcels that require segregation. This count appears to be based on parcels rather than projects and is comprised of:

- Twenty-four parcels listed with dates from May to October 2011
- Two parcels listed with dates from 2010
- One parcel listed with a date from 2009

Considering that previous staff left office in 2011 and new staff began working on segregations in July of 2011, the level of incomplete segregations appears reasonable for 2011. It is unclear why the three oldest segregations are not complete.

Current process

The Assessor pre-screens conveyance documents to identify property subject to segregation and to provide for collection of current year and delinquent taxes. The Assessor uses a segregation checklist and has a documented process for the segregation process. The new staff has created a desk reference manual for the segregation position. In addition, documents related to each segregation are bundled into a packet that is scanned and stored electronically.

Action recommended

The configuration of a parcel may change due to:

- Subdivisions
 - Alterations to subdivisions
 - Short subdivisions
 - Boundary line adjustments (BLA)
 - Binding site plans
 - Conveyance documents
 - Administrative segregations
-

Continued on next page

Updating Maps and Property Records, Continued

Action recommended
(continued)

Defined dates for completing the process of listing and valuation of new subdivisions of real property are included in statute and rule. (WAC 458-07-035) However, the timing of completing the segregation process is not defined in statute for most other segregations of property.

Administrative segregations

Taxpayers may request the Assessor segregate the value for one parcel for use in allotting the property tax to multiple taxpayers (administrative segregation). (RCW 84.56.340 and WAC 458-07-035) Administrative segregations may also be required for exemption or deferral programs. Several issues affect efficiency in completing segregations:

- Complexity of divisions of property requires staff to review documents, surveys, and maps. Staff may have questions about the ownership of land and the rights transferred.
- Staff may need confirmation of payment of current taxes and advance payment of taxes. (RCW 84.56.340)

Long delays processing segregations of property result in incorrect assessment records and tax statements. When segregations of property are not processed timely, the Assessor's records will contain incorrect information (i.e. the size of the parcel). These elements may influence property values. Outdated parcel configurations and incorrect property characteristics can lead to problems with:

- Physical inspections
- Verification of sales
- Valuation work
- Identifying new construction
- Verification of eligibility for property tax programs and exemptions

Incomplete information about recently divided property may be excluded from the Assessor's sales analysis and valuation work if the segregations have not been timely processed. To further define the segregation process and enhance efficiency, the Department recommends the Assessor:

- Work with the Auditor and Planning Department to ensure access (as needed) to all conveyance documents, recorded surveys, subdivision documents and plat maps, and all other documents that are useful in processing divisions and consolidations.
- Cross train staff to enable more than one person to review documents and legal descriptions (formal training may be useful).

Continued on next page

Updating Maps and Property Records, Continued

Action recommended
(continued)

Defining the segregation process and enhancing efficiency (continued)

- Process the oldest documents first and work forward. The oldest changes may be necessary in order to process the more recent segregations.
- Work with the GIS administrator to ensure updating the parcel layer and any paper maps used by office staff.
- Acquire direct access to county GIS for the Assessor's staff working on segregations.
- Work with the Planning Department to ensure requests for segregations are only allowed for reasons permitted by law (and do not permit unlawful division of land).

Why it's important

The quality of ratio studies depends on the inclusion of valid sales data.

Valuing Divided or Combined Property

Recommendation **The Department recommends the Assessor review the laws and rules directing the valuation and assessment of divided or combined property. (RCW 84.40.042, WAC 458-07-035)**

What we found The County was a cyclical revaluation county prior to 2010. As a cyclical county, the valuation of newly divided or consolidated property was more restricted than it would be as an annual revaluation county.

Since the 2010 assessment year, the County functions as an annual revaluation county. Although there may be differences in how newly divided property was valued before 2010 versus after 2010, both processes could be correct based on the revaluation plan in place at the time. In addition, the timing of the land division may affect the manner in which the Assessor values divided land.

Action recommended The Department recommends the Assessor and the accredited appraisers review the laws and rules for the valuation and assessment of divided or combined property. An accredited appraiser must value new parcels.

Why it's important Understanding the provisions for listing and valuing parcels created through land division ensures the appropriate valuation of altered or divided property.

Tracking and Valuing New Construction

Recommendation **The Department recommends the Assessor continue to place any property that has increased in value due to new construction on the assessment roll with the assessed valuation of the property considered as of July 31 of that year. (RCW 36.21.080, WAC 458-19-005)**

What we found The Assessor’s staff has a process for tracking the receipt of building permits that includes:

- Tracking the inspection and listing of new construction for the purpose of assessment (*permit tracker spreadsheet*)
- Noting the level of completion as of July 31, of the current AY
- Continuing to check back each year on incomplete construction projects to determine the percent complete

The Assessor’s annual report of revaluation progress indicates all permitted new construction was inspected and valued at the percentage of completion as of July 31, 2011 (*2011 County Revaluation Progress Report*).

Action recommended The Department recommends the Assessor continue work on and further develop the tracking of permits and new construction. New construction means the construction or alteration of any property for which a building permit was issued, or should have been issued, which results in an increase in the value of the property (WAC 458-19-005(2)(p)). Listing of all new construction value by the Assessor should be complete by August 31 (RCW 36.21.080). The importance of completing new construction by August 31 is to:

- Allow time for final certification of values
- Print and mail change of value notices
- Open the BOE filing period
- Defend values before the BOE

The time between September 1 and December 1 is used to finalize the current year’s work and prepare to begin the next year’s work by December 1.

Why it’s important Tracking building permits and the level of completion each year facilitates the Assessor’s inspection and documentation of the additional value of new construction in the County. Listing all new construction ensures taxing districts receive the budget increases provided by new construction to provide services to the property owners in their district.

Tracking Value of Improvements to Property

Recommendation **The Department recommends the Assessor continue to track added value for improvements to property. This is in addition to tracking value added as new construction. (Chapter 84.55 RCW, WAC 458-19-005)**

What we found The Assessor’s staff currently tracks the new value added to the assessment roll resulting from the division, merging, or segregation of parcels.

Action recommended New value due to new construction, improvements to property, and other criteria impact levy calculations. Improvement is defined in levy rules as “...any valuable change in or addition to real property, including the subdivision or segregation of parcels of real property or the merger of parcels of real property.” (WAC 458-19-005)

The Department recommends staff members review the Department’s Special Notice, *Adding New Value to the Assessment Rolls*, to gain a better understanding of how to identify new value attributable to subdivisions.

Why it’s important When new property value is not tracked, taxing districts may not receive the benefit of adding that new value at the appropriate level in their levy calculations.

Develop and Refine Data and Reports

Recommendation **The Department recommends the Assessor continue to develop and refine data analysis and reports necessary for mass appraisal.**

What we found The Assessor has improved the reliability of sales information through use of a documented process for sales verification. Subscription to Multiple Listing Service, contact with buyers, sellers, realtors, and inspections of sold properties has increased the reliability of sales data.

The following has impacted data analysis and mass appraisal methods used by the appraisal staff (both prior to and after the conversion to annual revaluation):

- Limited staff is available to conduct additional field reviews and inspections of recently sold property. Verification of sales information, property characteristics, and condition of the property at the time of sale enhances quality of sales data.
 - The Appraiser Supervisor conducts internal ratio studies. Ratio studies are a reflection of the data quality. If the data is not accurate, or not captured in a consistent manner, the usefulness and quality of studies is decreased. To ensure the quality of sales data, sales are verified through a documented process.
 - Neighborhoods, as originally delineated for annual revaluation, require refinement of boundaries based on additional analysis and new market data.
 - Although required use of Department land use codes may be an accurate reflection of use, the codes may not reflect the influence of market based highest and best use of the property. Property records that include both land use codes and indications of the highest and best use of the property can be useful in analysis.
-

Action recommended Sales data is essential for calibrating and specifying market models as well as developing sales ratio studies. The reliability of any ratio study or valuation model depends on the quality and quantity of the data. To obtain valid measures of market value, the Assessor must collect, analyze, and adjust specific sales data to reflect the market conditions at the time of assessment.

Accurate sales data is necessary for proper model calibration and ratio studies. Accurate characteristics at the time of sale are necessary for proper comparison.

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Develop and Refine Data and Reports, Continued

Action recommended
(continued)

The Department recommends the Assessor continue to focus on verification of sales information and capturing property characteristics at the time of sale by:

- Verifying sales to ensure the Assessor’s database of sales includes accurate information as of the time of sale. Information to be verified should include sales information, condition of property at sale, highest and best use of the land, and other influences to value. As office resources permit, inspections outside the current inspection area should be conducted when necessary to confirm sales information.
- Utilizing the Department’s online resources for information about verification of sales and an example of a verification template:
 - *Property Sales Verification Template* – used to assist in collecting data during a sales verification inspection.
 - *Recommendation for Developing a Sales Verification Process* – An article on sales verification and the data that should be collected.

Reports can be useful for explaining how values are derived, the level of assessed values as compared to one hundred percent of true and fair values (market), and the equity (or inequity) of assessed values for property in the county. The Department recommends the Assessor continue to develop and refine data analysis and the reports necessary to mass appraisal.

Continuing to conduct ratio studies for neighborhoods and by property types, characteristics, or other criteria, ensures models produce values reflective of market value each year with acceptable measures of equity.

The Department recommends the Assessor establish a process for reviewing consistency of values and statistics between adjoining neighborhoods and different property types, or other criteria.

Why it’s important

Completing appraisals and statistical updates of values in a uniform and consistent manner, based on proper analysis and appraisal methods, ensures fair and equitable assessed values for property owners in the County.

CAMA Software

Recommendation **The Department recommends the Assessor consider providing additional training for staff members with the County’s CAMA software.**

What we found The Assessor uses an older version of ProVal, a CAMA software. Use of the older version prevents the Assessor’s staff from the benefit of updates and the use of expanded modules available to other assessment jurisdictions.

The appraiser supervisor has experience with mass appraisal methods and the ProVal software; however, other appraisers have limited exposure to mass appraisal practices and the valuation tables. It is unclear how much documentation is available on the structure of land valuation tables and value benchmarks within the CAMA system.

Action recommended The Department recommends the Assessor continue to review, refine, and document elements of the valuation model within the CAMA system, including:

- Documenting the process for updating valuation tables within the CAMA system
- Verifying and documenting the frequency of vendor updates to cost information within the CAMA system.
- Cross-training staff so at least two appraisers have exposure to all analysis and appraisal functions.
- Clarifying the components, source, and application of depreciation schedules.
- Documenting general benchmarks for valuation of land, which may be useful for explaining values derived from mass appraisal methods.
- Coding of parcels for neighborhood placement in analysis and valuation work should be reviewed and refined based on the results of additional analysis and the evolving market data.

As changes are made, property records must be updated with the new codes and valuation tables may require adjustment.

Why it’s important Documentation of internal processes and cross-training helps staff gain confidence in explaining mass appraisal work.

Computer Software Training

Recommendation **The Department recommends that all staff receive adequate training on the software utilized by the County.**

What we found The Assessor relies on an outside consultant to extract much of the data needed to produce many of the required reports and certifications. There is currently no procedure manual for producing required reports and certifications.

Action recommended The Department recommends that all staff receive necessary computer software training to complete the functions required by their position. Computer software training ensures staff understands the full capabilities of the software. Training will help staff to:

- Input and maintain data efficiently
- Generate the necessary reports and certifications timely
- Gain the appropriate system knowledge to implement changes in the program, if and when changes become necessary

The Department recommends the Assessor and the staff participate in all available training on the use of their software for assessment administration and valuation work from the vendor. This may include training provided by the vendor through:

- On-site training
 - Webinars
 - Technical assistance by phone
 - Online instructions available for various procedures conducted
-

Why it's important Access to training is critical for staff in their routine administrative functions and in efficiently utilizing the CAMA module of the software.

Senior/Disable Person Exemption Renewals

Recommendation **The Department recommends the Assessor continue to notify participants of the Senior Citizen and Disabled Person Exemption Program of the requirement to renew their exemption once every six years.**

What we found When the Assessor discovers an unreported change in status and determines the participant received an exemption in prior years based on erroneous information, adjustments are made for collection of taxes and penalties as provided in RCW 84.40.130 for a period not to exceed five years.

The Assessor is in the process of converting to a six-year renewal cycle for exemptions.

Action recommended During the interim years between renewals, staff should continue to review records (death certificates, obituaries, property transfers, and ownership changes) to discover unreported changes in status that may affect program eligibility.

Why it's important The renewal process ensures property owners are appropriately receiving an exemption and ensures other taxpayers are not shouldering a disproportionate amount of property taxes.

Property Tax Training

Recommendation **The Department recommends staff involved in the administration of property tax continue to maintain an adequate level of knowledge about the various property tax programs administered by the Assessor.**

What we found Property Tax can be difficult to administer. Assessor's staff have attended specific training offered through the Department, WSACA, and have gained knowledge through formal training or other learning opportunities.

Action recommended The Department offers a variety of training courses each year to assist staff involved in property tax administration. The schedule of course offerings is available from the Department upon request. To minimize the cost associated with training, many courses are offered via *webinar* format. In addition to training noted in other areas of this report, the Department recommends training in the subject matter below:

Legal Descriptions ~ Staff involved in completing ownership transfers and segregation work should attend Basic and/or Intermediate Legal Description training. The basic course provides a hands-on approach to the foundation of legal descriptions. The intermediate course builds on the foundation presented in the basic course and includes discussion of the framework of the computer drafting and GIS, but with hands-on practice using traditional drafting tools.

Reporting to Officials ~ At least one staff member or contract person should be trained and responsible for completing the assessment roll reports.

Sales Ratio Studies / Revaluation / Mass Appraisal ~ Statistical analysis and mass appraisal modeling is essential to annual revaluation. The Department recommends the Assessor develop a training plan for appraisers with an emphasis on mass appraisal training and courses sponsored by the Department and the Washington State Association of County Assessors (WSACA). The Assessor and staff members that may be involved in valuation work would benefit from additional training such as:

- STARS and MARS,(Department provided analysis tools)
- IAAO Course 312: Commercial/Industrial Modeling Concepts – scheduled for October 8-12
- IAAO Course 300: Fundamentals of Mass Appraisal – not yet scheduled for 2012

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Property Tax Training, Continued

Action recommended
(continued)

Individual Benefit Programs ~ Exemption and Deferral staff should attend the Admin Workshop on an annual basis to ensure continuing education. The Assessor and three staff members attended training in 2011.

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 assessment-related training. For information about course offerings and scholarships, contact the Department's Education Specialist at (360) 534-1424.

Why it's important

Attending training provides an opportunity to learn about the various property tax programs and encourages discussion with other counties about their administrative processes.

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Next Steps

Prioritizing Requirements and Recommendations

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

Follow up

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

Questions

For questions about specific requirements or recommendations in our report, please contact the staff member listed below:

General Report Questions	Judy Wells	(360) 534-1360
Reporting to Officials	Deb Mandeville	(360) 534-1406
Appraisal Methods (Stipulated Value Agreements)	Mark Studer	(360) 534-1425
Revaluation, New Construction , and Segregations	Cindy Boswell	(509) 663-9747
Senior Exemption Program	Peggy Davis	(360) 534-1410

For Additional Information Contact

Washington State Department of Revenue
Property Tax Division
P.O. Box 47471
Olympia, WA 98504-7471
(360) 534-1400
www.dor.wa.gov
