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Washington Department of Revenue
Property Tax Division

**2013 Review of
Property Tax Administration
in Grant County**



July 2013

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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 Grant County (County).

Purpose

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

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

Scope of Review

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

We reviewed selected administrative procedures for compliance with state statutes and regulations. We did not examine all parcels enrolled in the various programs or the assessed values of these parcels. The processes used to determine value are within the scope of this review and may be addressed in this report. However, the level of assessment for properties is not within the scope of this review. The Department's Ratio Study Program monitors and measures assessment levels.

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.

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

Continued on next page

Overview, Continued

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):

- Revaluation
- Reporting to officials

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 Deputy Assessor
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Acknowledgment

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.

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

Categories of Results

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

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

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

Results

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

Continued on next page

Executive Summary, Continued

Requirements

- 1. The Assessor is required each year to complete revaluation work by May 31 and new construction valuation by August 31. 10**
- 2. The Assessor is required to submit accurate, complete, timely reports and certifications to the Department and other County officials. 16**

Recommendations

- 1. The Department recommends the Assessor continue developing and updating desk reference manuals to minimize the loss of institutional knowledge and ensure that property tax is administered uniformly. 22**
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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
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Reporting to Officials	16

Real Property Valuation

Requirement **The Assessor is required each year to complete revaluation work by May 31 and new construction valuation by August 31. (RCW 84.40.040 and 36.21.080)**

What the law says The Assessor must complete inspection and valuation of property by May 31 of each year. (RCW 84.40.040) The courts have interpreted the date of May 31 as directory rather than mandatory. (Niichel v. Lancaster, (1982) 97 W2d 620, 647 P2d 1021) The courts have also ruled that being too late can invalidate the assessments. (Hillis v. Kittitas County, Docket No. 98-2-00187-1 (Kittitas County Superior Court, June 23, 1998))

New construction valuation must be completed by August 31 of each year. (RCW 36.21.080)

When assessment and valuation processes are not completed in a timely manner, it can have significant impacts. It can set the Assessor's work back, causing a late start on the next year, which can compound over time. It may also cause the Assessor to not meet other deadlines that are dependent on valuations being complete and the assessment roll certified, such as:

- Board of Equalization (BOE) hearings
- Completion of the levy process
- Completion of accurate and timely reports

Delays also impact the work of other county officials such as the treasurer and the various taxing districts. The assessment and taxation process is dependent on following sequential steps and works best when assessment work is completed in a timely manner.

What we found The Assessor was late on completing the following 2012 assessment year processes:

Description	Completed
Real property inspections	08/10/2012
Real property valuation notices mailed	11/05/2012
Personal property account processing	08/10/2012
Personal property valuation notices mailed	11/05/2012
New construction inspections	08/10/2012
New construction valuation notices mailed	11/05/2012

Continued on next page

Real Property Valuation, Continued

What we found
(continued)

The primary reason for the lag time between mailing valuation notices on November 5 and certifying the assessment roll in late December was issues generating reports with the Assessor’s new software. The Assessor had to run additional queries and reconcile queries in order to arrive at the correct numbers for roll certification. This extra work took a significant amount of time, hit at a very busy time for the office with significant competing demands on staff time, and contributed to the late roll certification.

The Assessor’s staff has been working for the past three years on writing and refining queries and procedures to produce information needed to certify the roll and generate the required reports. They feel that they now have a more efficient process in place and this process will only take a few days in future years.

Many other factors contributed to the Assessor’s late valuations for the 2012 assessment year.

Staffing

- The Assessor’s office staff was reduced from 21 to 17 full time equivalents (FTEs).

Year	FTEs
2008	20
2009	21
2010	19
2011	17
2012	17

- One appraiser was out for 2-½ months for medical leave.
- There were learning curve considerations due to one staff member shifting from residential to commercial appraisal work. Additionally, two new residential appraisers with fee appraisal experience were learning processes and procedures of mass appraisal.
- There was a significant change in the staffing mid-year with the Chief Appraiser retiring.

Software Issues

Software conversions can affect productivity due to:

- Extra tasks
- Disruptions to processes
- Changes to processes (design and implement)
- Staff learning curve

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Real Property Valuation, Continued

What we found
(continued)

In addition to general conversion impacts there were numerous specific issues with the new software that had significant impact on productivity, including:

- Issues resulting from the software not being fully developed.
- Within the software package, a new drawing program was introduced mid-year. This introduced sketching errors that needed to be corrected and the need to redo some of the sketching work.
- The Assessor discovered additional data conversion errors that affected many commercial buildings. Correction of these errors added to the workload.

New Construction

There has been an unprecedented amount of growth and new construction in the County. This places significant additional demands on the staff. The table below shows the amount of new construction in the County as a percent of assessed value for the past five years.

Year	Value of New Construction	New Construction as a % of Assessed Value
2008	\$908,668,681	13.60%
2009	\$1,542,075,025	18.40%
2010	\$1,655,558,829	18.61%
2011	\$877,284,660	10.14%
2012	\$275,176,763	3.14%

Note: these figures include new construction, improvements to property, and wind turbines (limited to a few counties). For comparison, the statewide figures for 2012 were a mean of 1.09 percent and a median of 0.92 percent.

Workload Complexity

The County has the second highest percentage of commercial properties, which is more than double that of the state average. This is an indication of workload and complexity of work for the Assessor's staff.

Continued on next page

Real Property Valuation, Continued

What we found
(continued)

Appeals

There was a significant increase in the number of appeals. The County also saw an increase in the complexity of appeals. This required a significant amount of staff time.

Year	Number of BOE Appeals	% of Property Appealed	Statewide % Appealed	Number of BTA Appeals
2008	230	0.43%	1.08%	13
2009	429	0.80%	1.16%	6
2010	689	1.30%	0.79%	0
2011	777	1.46%	0.76%	31
2012	272	0.51%	0.52%	0

Valuation Processes

The combined effect of software conversion and conversion to annual valuation required significant changes to the Assessor's processes, especially in the area of valuations.

Conversion requires review and testing of values and does not always go smoothly. One example is when the staff removed the fixed values that were transferred from the previous computer system and ran values in the new system. Review of new values led the staff to believe the software or Computer Assisted Mass Appraisal (CAMA) system was introducing inequities into the valuations. To address this they manually reentered fixed values for approximately two thirds of the county. This was a time consuming process. Continuing use of transferred fixed values will require developing and applying a separate trending factor to different portions of their county for the next several years, which is also more time consuming.

Conversion to Annual Revaluation

The Assessor recently converted from a cyclical valuation program to an annual valuation program. Such a conversion is always a process over time that includes working through changes. This affects staff time, focus, and energy.

Compounded Effects

When assessment and valuation processes are not completed timely, the impacts can compound over time.

Continued on next page

Real Property Valuation, Continued

Action needed to meet requirement

Staffing

The Assessor should continue her efforts to fill the Chief Appraiser position and bring that individual up to speed as quickly as possible. The Department recommends Assessor:

- Continue to review and refine work assignments within the office.
- Continue working with the county legislative authority to consider ways to increase the staffing level.

Software Issues

While there are some aspects of the software issues that are not in the Assessor's direct control, the Assessor should continue to work with her staff on maximizing their use of the software. The Department recommends the Assessor continue working with the vendor for refinements to the software.

New Construction

We encourage the Assessor to continue to communicate to the county legislative authority the increased demand that is placed on her staff by the unprecedented growth both in the initial year of construction as well as in the ensuing years as the valuations are maintained.

Appeals

The Assessor should continue to refine the process for handling appeals and to maximize appropriate efficiencies.

Valuation Processes

The Assessor should evaluate process changes for efficient use of resources, in addition to the improvement of equity and uniformity of assessments. The Department recommends the Assessor continue to refine the processes and procedures, especially in the area of valuations, and to maximize appropriate efficiencies.

The Assessor must continue to make progress towards being able to run all values within the CAMA system.

Conversion to Annual Revaluation

The Assessor must continue to move from an individual appraisal approach to a mass appraisal process.

Continued on next page

Real Property Valuation, Continued

Action needed to meet requirement
(continued)

Compound Effects

The Department recommends the Assessor continue to work towards timely valuations and the efficient use of available resources.

The Department recommends the Assessor adhere to the Property Tax Calendar in administering the assessment process. The Property Tax Calendar is available online at dor.wa.gov/Docs/Pubs/Prop_Tax/2013PropCal.pdf.

Why it's important

When assessment and valuation processes are not completed in a timely manner, it can have significant impacts, including the work of other county officials such as the treasurer and the various taxing districts.

Completing work in alignment with the Property Tax Calendar promotes timely completion of the valuation, assessment, levy, and taxation processes.

Reporting to Officials

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, 84.40.320, 84.48.50, 84.48.080, 36.21.100, WAC 458-53-030, 458-53-070, 458-53-080, 458-53-140)**

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

The law mandates some reports and their due dates. 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 Due to the County's inability to complete their revaluation and new construction assessment in a timely manner, five required reports/certifications were not delivered timely, including:

- Assessor's Certificate of Assessment Rolls to the County Board of Equalization
- Assessor's Certificate of New Construction Value to the County Board of Equalization
- Real Property Sales Study (Ratio Study Valid and Invalid Sales Report)
- Real Property Stratification Report
- Abstract of Assessed Value

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

The Department received unsigned copies of the 2012 Certificate of Assessment Rolls to the Board of Equalization and the 2012 Certificate of New Construction to the Board of Equalization on December 27, 2012. The certificates weren't signed by either the Assessor or the Auditor until January 8, 2013, and were delivered to the Department on January 10, 2013. According to the Assessor, the Auditor was not available to sign the certificates until January 8, 2013.

Continued on next page

Reporting to Officials, Continued

What we found (continued)

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

- The assessment roll was not officially closed timely.
- The BOE was not officially notified of the roll closure and directed to proceed with hearing petitions.
- Levy calculations were made without certified values.
- The Department was required to estimate the County's 2012 real property ratio.

Note: Estimating a ratio (although legally permissible), can seriously affect the results of the County's ratio, which is used to calculate the state school levy and the equalization of utility assessments.

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

Assessment staff could not complete the Valid and Invalid Sales Report until the 2012 assessment roll was officially closed, and the values updated. Since the roll was not closed until December 27, 2012:

- The sales study documents were not received during the 2012 assessment year.
- The 2012 real property ratio could not be calculated utilizing actual real property sales data.

The Department received the 2012 Real Property Sales Study on January 2, 2013. Due to numerous problems with the initial sales study data, the County updated the reports and re-sent them on January 15, 2013. During our on-site visit, it was determined that the valid and invalid sales reports delivered to the Department on January 15, 2013 were inaccurate and that the assessed values for 2012 had not been appropriately updated prior to generation of the report.

Real Property Stratification Report

The Assessor did not send the Department the Real Property Stratification Reports until December 27, 2012. The delay in receiving the report resulted in:

- The 2012 real property ratio could not be calculated utilizing actual property assessed values.
- Delays in completing the ratio.

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Reporting to Officials, Continued

What we found
(continued)

Abstract of Assessed Value

The Department received a limited Abstract of Assessed Values on December 11, 2012. The complete Abstract of Assessed Values was received on January 4, 2013. Submitting the abstract late results in:

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

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 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.

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

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

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

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

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Reporting to Officials, Continued

Action needed to meet requirement
(continued)

Real Property Sales Study (Ratio Study Valid and Invalid Sales Report – prior year’s correction)

The Assessor has until August 31, 2013 to provide the Department with the *corrected 2012 Real Property Sales Study*, which is necessary due to the inaccuracy of the reports provided on January 15, 2013.

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

The Assessor is required to submit a sales study to the Department each year (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. Prior to running the report, all assessed values must be updated to reflect the current year’s values.

Real Property Stratification Report / Personal Property Stratification Report

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

Abstract of Assessed Value

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

Reliance on Assessor to report timely

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

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Reporting to Officials, Continued

Action needed to meet requirement
(continued)

Reliance on Assessor to report timely (continued) ...

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.

The Department recommends the Assessor develop policies, procedures, and training to ensure the accurate and timely reporting to the Department. At least one staff member or contract person should be trained and responsible for completing the assessment roll reports. Staff must receive training to properly query the database and produce required reports.

The Assessor must ensure that timelines are met and the reports are run and delivered timely to the Department.

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.

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

This chapter contains the following topics:

Topic	See Page
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Continue Developing and Updating Desk Reference Manuals

Recommendation **The Department recommends the Assessor continue developing and updating desk reference manuals to minimize the loss of institutional knowledge and ensure that property tax is administered uniformly.**

To ensure consistency and continuity, the duties of the Assessor and their staff should be documented in a desk reference manual. The effect of a loss of institutional knowledge during staff transitions can be minimized by a more transparent approach to office administration. Desk reference manuals are useful not only for training and for succession purposes, but to ensure that all property owners are treated uniformly and assessment processes are timely managed.

What we found The Assessor's staff does utilize some manuals in the administration of the various property tax programs. There are three copies of the existing procedure manual: one copy in the Appraisal Division, one copy in the front office for the Administrative staff, and one copy in the Assessor's office. Some of the information is outdated due to law and office policy changes.

The Assessor has a full staff meeting the last Thursday of each month to review policies and procedures, to ensure that staff knows what information is available and where to find it.

Recommended action The Department recommends the Assessor document (in writing) the procedures for each office function and the duties of each staff member. 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 reference manuals, with assistance from the Assessor. Manuals should include:

- Definitions of terms
- Step-by-step instructions for tasks performed, procedures, or processes
- Time requirements/deadlines for task
- Department updates on specific programs (law changes, depreciation schedule updates, etc.)
- When and where to get help, reference, and resource information.

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Continue Developing and Updating Desk Reference Manuals, Continued

**Recommended
action**
(continued)

Staff can begin this process immediately by documenting step by step procedures for specific functions where there is currently no written guidance, such as:

- How a computer system query is performed
- How to complete an *Assessor's Certificate of Assessment Rolls to the County Board of Equalization*
- How to complete a *Certificate of New Construction Value* report
- How to prepare and review the Valid and Invalid Sales reports for the real property ratio study
- How to prepare a personal property stratification report
- How to prepare a real property stratification

Clear written office policies, detailed instructions, and procedures are imperative to accuracy and uniformity. The individual written instructions are the core of the manual and will over time, develop into a comprehensive manual.

Desk reference manuals are useful in:

- Training staff
- Ensuring consistent application of property tax laws and rules
- Ensuring consistent application of policies and procedures
- Promoting uniformity throughout the county

**Why it's
important**

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 duties.

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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 is committed to the success of the Assessor by ensuring they comply with state statutes and regulations. The Department will follow up in six months to review the changes implemented. This will give the Assessor an opportunity to provide information to the Department about any issues they encountered during the implementation process.

Questions

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

General Report Questions	Judy Wells	(360) 534-1360
Revaluation	Cindy Boswell	(509) 885-9842
Reporting to Officials	Deb Mandeville	(360) 534-1406

For Additional Information Contact

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