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Washington Department of Revenue Property Tax Division

2022 Tax Year Wahkiakum County Levy Audit A Summary Report



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Overview

Purpose

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

Method of Calculation

The Department calculated the levy limitations and levy rate for several of the taxing districts for the 2022 tax year. To determine whether an error occurred, the Department compared the amount levied for the district with the lesser of the levy limit, the statutory rate limit, the amount authorized by each district's resolution, and the levy amount certified by the district.

Information Reviewed

The Department used the following information during the review:

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

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

Taxing Districts Selected

The Department reviewed the following taxing district levies:

- Wahkiakum County General, Road, and EMS
- Fire Districts: No. 1 and No. 4
- School District No. 155
- Port District No. 1

Executive Summary

Introduction

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

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

Categories of Results

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

- The first category, *Requirements*, is of the greatest urgency for effective administration by the assessor. A change is required to adhere to the law.
- The second category, *Recommendations*, requires the attention of the assessor. The Department believes the assessor could improve their performance and service to the public by making voluntary changes in procedures.

The Department bases requirements and recommendations in our reports on our review of the administrative procedures employed, existing state statutes and regulations, and areas we saw opportunities to improve processes, procedures, and communication.

Results

The Department identified four requirements and no recommendations directed toward improving the accuracy of the levy process.

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

Executive Summary, continued

Requirements

1. The Assessor is required to calculate the levy limitations based on the Wahkiakum County General levy, not the Wahkiakum County Current Expense fund.
The Assessor is required to use the levy amount certified by the Wahkiakum County Legislative Authority when determining the lesser of the levy limitations.
2. The Assessor is required to calculate the statutory maximum levy rate for an emergency medical service (EMS) levy using the rate approved by the voters.
3. The Assessor is required to certify both locally and state assessed values to the taxing districts once they have received and apportioned the state assessed utility values from the Department.
4. The Assessor is required to determine whether the total of all regular tax levies, with the exception of levies made by port and public utility districts, applied to real and personal property within the county exceeds one percent of the true and fair market value.

Requirement – Wahkiakum County General Levy

Requirement

The Assessor is required to calculate the levy limitations based on the Wahkiakum County General levy facts, not the Wahkiakum County Current Expense fund facts.

The Assessor is required to use the levy amount certified by the Wahkiakum County Legislative Authority when determining the lesser of the levy limitations.

What the law says

The county legislative authority must budget and levy a property tax for the county's expenditures. This levy is referred to as the county general levy. The county general levy has a maximum levy rate of \$1.80 per \$1,000. This rate may be exceeded up to \$2.475 per \$1,000 assessed value as long as the county road levy rate plus the county general levy rate when added together do not exceed \$4.05 per \$1,000 assessed value and no other levy is harmed by the increased rate. The county general levy is subject to the 1 percent growth limit. (RCW's 36.40.090, 84.52.043(1)(b), and 84.55.010)

Each county must maintain a current expense fund. Property taxes levied under the county general levy, not specifically earmarked to another purpose, must be deposited into this account. Property taxes earmarked for other purposes include, but are not limited to veterans' assistance, developmental disabilities or mental health. (RCW's 36.33.010, 73.08.080, and 71.20.110)

Taxing districts wishing to increase their regular levy compared to the prior year's levy must hold a public hearing to discuss their budget and adopt a resolution or ordinance authorizing the increase. The increase must be stated in the form of a percentage and dollar increase. (RCW 84.55.120)

The limit factor for a taxing district with a population less than 10,000 is 101 percent (RCW 84.55.005).

When levy limitation calculations contain a levy error or a levy error correction, the following year's levy limit calculations, (1 percent growth limit) are based on the correct levy information for the year or years being corrected as though the error had not occurred (RCW 84.52.085).

The county legislative authority must certify the amounts to be levied for county purposes to the county assessor on or before December 15. When the facts have been properly certified to the county assessor the county assessor is bound to proceed under it. (RCW 84.52.070 and State v. Wiley, supra, at p. 647)

What we found

The Assessor continued to exclude the earmarked funds for veterans' assistance and developmental disability from the Wahkiakum County General levy limit calculations. This was verified by comparing the levy amounts, highest lawful levy for that year, and levy rates from the Assessor's levy limit worksheets labeled "Current Expense", "Veterans Relief" and "Development Disab." to the Assessor's Certification of Levies Report (tax roll)

for Wahkiakum County for tax years 2019 through 2022. The Certification of Levies Report lists the taxable value of the district, levy rate, and total taxes apportioned to the Current Expense Fund, Development Disability Fund, and Veterans Relief Fund.

The Department's April 2021 Levy Follow-up report provided the Assessor with the corrected highest lawful levy and corrected prior year's levy rate to use when calculating the 2022 tax year levy limit for the Wahkiakum County General levy:

- Wahkiakum County General levy highest lawful levy since 1985 - \$649,586.70
- Wahkiakum County General levy prior year's levy rate without a levy error or levy error correction - \$1.478540785250

Instead of using this data, the Assessor carried forward the amount of \$643,716.97 which represents the 2021 tax year Wahkiakum County Current Expense levy amount as the district's highest lawful levy since 1985. This incorrect levy amount was increased using a limit factor of 101.02704 percent. The limit factor should have been 101 percent. The additional revenue increases due to new construction and other allowable increases, was calculated using the prior year's certified levy rate for the Wahkiakum County Expense levy, \$1.4650748772, not the levy rate for the Wahkiakum County General levy, \$1.478540785250.

The Assessor calculated the statutory maximum levy rate based on a rate of \$2.475 per \$1,000 assessed value but did not reduce the Wahkiakum County Road statutory maximum rate. The rates of \$2.475 and \$2.25 (county road levy maximum rate) when added together exceed the maximum allowable rate of \$4.05 per \$1,000 for these two taxing districts.

In Resolution No. 164-21, the Wahkiakum County Legislative Authority approved a one percent or \$8,783.91 increase over the prior year's levy amount. The 2021 tax roll certification indicates the Wahkiakum County General levy was \$878,390.54. The Assessor calculated this levy limit using the full prior year's county general levy, but this levy limit increase was calculated using a percentage of 1.02704 percent and no dollar increase rather than the one percent and \$8,783.91 increase authorized by the taxing district.

In Resolution 165-21, the Wahkiakum County Legislative Authority timely certified the levy request amount for the County General levy on December 14, 2021. The district requested \$678,937.31 for the county general levy, plus an additional \$100,000 of revenue shifted from the county road levy. When calculating the levy limitations, the Assessor used a total levy request of \$751,458 rather than \$678,937.31 as the district's levy request amount.

An overlevy of \$9,355.47 has occurred. This represents a difference of \$10,000 between the 2022 tax year levy limit worksheets and the certified tax roll to the county treasurer and the accumulative reduced levy limit calculation by excluding the earmarked funds from the county general levy limit calculations.

Action needed to meet requirement

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

- Notify the taxing district of the overlevy. If the district determines the correction of the overlevy in the 2023 tax year will cause a hardship for either the taxing district or taxpayers, the district may request the correction be made on a proportional basis over a period of no more than three years. The correction process must start with the levy calculations for the 2023 tax year so that the error is not carried forward.
- When calculating the 2023 tax year levy limit calculations for the Wahkiakum County General levy, the following data facts must be used (see Appendix A for complete 2022 tax year levy calculations):

- Highest lawful levy since 1985 - \$667,581.84
- Prior year's levy rate - \$1.116514211100
- Prior year's levy amount - \$776,937.31
- Statutory maximum levy rate - \$1.80 per 1,000 assessed value
- Carry forward the levy rate that would have been used for the 2023 tax year to the 2024 tax year calculations as if the correction had not occurred. Complete this action until the levy calculations no longer contain a levy error correction.
- Calculate the statutory maximum levy rate limit using the rate of \$1.80 per \$1,000 assessed value. If this limit is less than the amount the 1 percent growth limit would allow, the \$1.80 rate may be exceeded as long as it does not exceed \$2.475 per \$1,000 assessed value and the combination of the county general levy rate and the levy rate for the road district does not exceed \$4.05 per \$1,000 assessed value and the increased county general levy does not harm the ability for another district to levy property taxes.
- Apply the district's approved percentage of increase and dollar increase to the district's prior year's levy. If the percentage of increase and dollar of increase do not balance with each other, the levy calculations must be made using the lesser of the two amounts.
- Use the certified levy request amount from the Wahkiakum County Legislative Authority when determining the lesser of the levy limitations for the Wahkiakum County General levy.
- Provide a copy of the Wahkiakum County General levy 2022 levy limit worksheet for the 2023 tax year to the Department for review prior to certifying the tax roll to the Wahkiakum County Treasurer.

Why it's important

To ensure a taxing district is not levying more or less than statutes allow and the taxpayers pay the correct amount of property tax.

Requirement – Emergency medical service levy

Requirement

The Assessor is required to calculate the statutory maximum levy rate for an emergency medical service (EMS) levy using the rate approved by the voters.

What the law says

Voters may approve a six-year, 10-year, or permanent EMS levy. The ballot proposition must state the number of the years the levy will be imposed and maximum levy rate that will be imposed (RCWs 84.52.069 and 29A.36.210).

What we found

The voters of Wahkiakum County approved a six-year EMS levy starting with the 2021 tax year with maximum levy rate of \$0.40 per \$1,000 assessed value.

When calculating the statutory maximum rate limit for the 2022 tax year, the Assessor used a levy rate of \$0.50 per \$1,000 assessed value instead of \$0.40 per \$1,000 assessed value.

The lesser limitation for the 2022 tax year was the 1 percent growth limit, thus the use of an incorrect statutory maximum rate did not cause an overlevy.

Action needed to meet requirement

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

- When calculating the 2023 through 2026 tax year's statutory maximum rate limit use the levy rate of \$0.40 per \$1,000 assessed value.

Why it's important

To ensure the taxing district does not levy more revenue than allowed by law.

Requirement – Certification of assessed values to taxing districts

Requirement

The Assessor is required to certify both locally and state assessed values to the taxing districts once they have received and apportioned the state assessed utility values from the Department.

What the law says

County assessors must certify the total assessed value, including locally and state assessed values, to the taxing district within their county once they have received the state assessed values from the Department and apportioned the assessment to the individual taxing districts. The taxing districts will use this information to help them estimate the amount of property taxes they can levy. (RCW 84.48.130)

When county assessors complete this certification on or before 12 business days before November 30, and the certified levy requests amounts have not been made timely to the county assessors, the county assessor is limited to levying no more than the prior year's certify levy request amount. The certification deadlines are as follows:

- November 30 for the City of Seattle or any taxing district authorized to certify their request directly to the county assessor,
- First Monday in December for the county legislative authority to certify the levy request amounts that must certify their budgets to them, other than for county purposes, and
- December 15 for taxes levied for county purposes. (RCW 84.52.070)

What we found

This requirement was also included in the 2018 tax year audit and had not been implemented in the most recently completed follow-up in April 2021.

The Assessor stated he did not certify the assessments to the taxing district once he received the state assessed utility values from the Department since he did not certify the locally assessed values to the Wahkiakum County Board of Equalization until October 29, 2021, and did not received the utility values from the Department until November 5, 2021.

The assessed value certification deadline based on 12 working days before November 30 for the 2021 calendar year was November 9, 2021.

Action needed to meet requirement

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

- Certify the taxable values of the taxing districts, once the state assessed utility values have been apportioned to the individual taxing districts. This can be accomplished by using the Certification of Value Letter from the Assessor's software program. This report can be found in the reports/levy section

of the software program. This certification represents the taxable value as of one date in time and may not be the actual taxable value used to calculate the district's levy limitations.

Why it's important

Statutory actions are mandatory and must be completed even after the deadline has passed. Timely certification of assessed values to the taxing districts will enable the assessor and all entities involved to meet the yearly deadlines as required by state law. It will also enhance the transparency in the governmental process of levying property tax.

Requirement – 1 Percent constitutional limit

Requirement

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

What the law says

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

What we found

The Assessor did not include Part 2 of the State School levy in the 1 percent constitutional limit verification, for the 2022 tax year. The exclusion of Part 2 did not result in any tax code area exceeding the 1 percent constitutional limit.

Action needed to meet requirement

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

- Include Part 1 and Part 2 of the State School levy in the 1 percent constitutional levy limit verification.

Why it's important

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

Next Steps

Follow-up

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

The Department will conduct a follow-up review in 2023. This will give the Assessor an opportunity to implement the required changes, recommended changes, and to provide information to the Department about any issues they encountered during the implementation process.

Questions

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

For questions about specific requirements or recommendations in our report, please contact the Property Tax Division at (360) 534-1400.

For additional information contact:

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

Appendix A

The following worksheets contain regular levy calculations for the districts with errors in this audit.

Levy Limit Calculation for District: County General												
Assmt Year	Taxes Due	Highest Lawful Levy Since 1985*	Limit Factor	Highest Lawful plus Increase	State Assd New Const	Tax Added for State Assd New Const	Annexed Value	Tax Added for Annex.	Levy Limit	Assd Value	Stat Rate Max.	<input type="checkbox"/> Annexed to Library? <input type="checkbox"/> Annexed to Fire? <input type="checkbox"/> Firemen's Pension? <input type="checkbox"/> Lid Lift?
2018	2019	575,197.27	1.00%	580,949.24	8,490,380	18,393.98	0	0.00	599,343.22	485,271,657	1.800000000000	
Actual Levy:								Summary of Levy Limits:				
Assmt Year	Taxes Due	Previous Year's Levy	Lesser of Resolution's \$ or % Increase	Previous Yr's Levy plus Increase	Tax Added for State Assd New Const	Tax Added for Annex.	Authorized Levy by Res.	Refund	Certified Budget	Limit Per Stat. Rate Maximum	Levy Limit Plus Refund	Authorized Levy By Res. Plus Refund
2018	2019	1,000,614.00	\$10,006.14	1,010,620.14	18,393.98	0.00	1,029,014.12	0.00	584,110.09	873,488.98	599,343.22	1,029,014.12
Summary of Levy Rates Checks and Balances												
Assmt Year	Taxes Due	Current Year's Max Levy	Pre Shift Levy Rate	Shift Amount	Levy Amount After Shift	Actual Amount Levied	Actual Levy Rate	Correct Levy Rate Post Shift	Post Shift Road & County General Rate Limit Check	Over/Under Levy		
2017	2018						2.166450145200					
2018	2019	584,110.09	1.203676500700	424,503.91	1,008,614.00	1,008,614.00	2.078452317300	2.078452373000		0.00		

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Levy Limit Calculation for District: County General												
Assmt Year	Taxes Due	Highest Lawful Levy Since 1985*	Limit Factor	Highest Lawful plus Increase	State Assd New Const	Tax Added for State Assd New Const	Annexed Value	Tax Added for Annex.	Levy Limit	Assd Value	Stat Rate	<input type="checkbox"/> Annexed to Library? <input type="checkbox"/> Annexed to Fire? <input type="checkbox"/> Firemen's Pension? <input type="checkbox"/> Lid Lift?
2019	2020	599,343.23	1.00%	605,336.66	8,868,700	18,433.17	0	0.00	623,769.83	544,409,697	1.800000000000	
Actual Levy:								Summary of Levy Limits:				
Assmt Year	Taxes Due	Previous Year's Levy	Lesser of Resolution's \$ or % Increase	Previous Yr's Levy plus Increase	Tax Added for State Assd New Const	Tax Added for Annex.	Authorized Levy by Res.	Refund	Certified Budget	Limit Per Stat. Rate Maximum	Levy Limit Plus Refund	Authorized Levy By Res. Plus Refund
2019	2020	584,110.09	\$5,841.10	589,951.19	18,433.17	0.00	608,384.36	0.00	608,158.15	979,937.45	623,769.83	608,384.36
Summary of Levy Rates Checks and Balances												
Assmt Year	Taxes Due	Current Year's Max Levy	Pre Shift Levy Rate	Shift Amount	Levy Amount After Shift	Actual Amount Levied	Actual Levy Rate	Correct Levy Rate Post Shift	Post Shift Road & County General Rate Limit Check	Over/Under Levy		
2018	2019						2.078452317300					
2019	2020	608,158.15	1.117096468600	225,000.00	833,158.15	833,158.15	1.520388151800	1.520388151800		0.00		

Levy Limit Calculation for District: County General												
Assmt Year	Taxes Due	Highest Lawful Levy Since 1985*	Limit Factor	Highest Lawful plus Increase	State Assd New Const	Tax Added for State Assd New Const	Annexed Value	Tax Added for Annex.	Levy Limit	Assd Value	Stat Rate	<input type="checkbox"/> Annexed to Library? <input type="checkbox"/> Annexed to Fire? <input type="checkbox"/> Firemen's Pension? <input type="checkbox"/> Lid Lift?
2020	2021	623,769.83	1.00%	630,007.53	9,388,976	14,368.78	0	0.00	644,376.31	594,092,871	1.800000000000	
Actual Levy:								Summary of Levy Limits:				
Assmt Year	Taxes Due	Previous Year's Levy	Lesser of Resolution's \$ or % Increase	Previous Yr's Levy plus Increase	Tax Added for State Assd New Const	Tax Added for Annex.	Authorized Levy by Res.	Refund	Certified Budget	Limit Per Stat. Rate Maximum	Levy Limit Plus Refund	Authorized Levy By Res. Plus Refund
2020	2021	608,158.15	\$6,081.58	614,239.73	14,368.78	0.00	628,608.51	0.00	628,390.54	1,069,367.17	644,376.31	628,608.51
Summary of Levy Rates Checks and Balances												
Assmt Year	Taxes Due	Current Year's Max Levy	Pre Shift Levy Rate	Shift Amount	Levy Amount After Shift	Actual Amount Levied	Actual Levy Rate	Correct Levy Rate Post Shift	Post Shift Road & County General Rate Limit Check	Over/Under Levy		
2019	2020						1.530388151775					
2020	2021	628,390.54	1.057731157300	250,000.00	878,390.54	878,390.54	1.478547853000	1.478547853000		0.00		

2022 Tax Year Wahkiakum County Levy Audit

Levy Limit Calculation for District: County General												
Assmt Year	Taxes Due	Highest Lawful Levy Since 1985*	Limit Factor	Highest Lawful plus Increase	State Assd New Const	Tax Added for State Assd New Const	Annexed Value	Tax Added for Annex.	Levy Limit	Assd Value	Stat Rate Max.	<input type="checkbox"/> Annexed to Library? <input type="checkbox"/> Annexed to Fire? <input type="checkbox"/> Firemen's Pension? <input type="checkbox"/> Lid Lift?
2021	2022	644,376.31	1.00%	650,820.07	11,336,700	16,761.77	0	0.00	667,581.84	687,480,588	1.800000000000	
Actual Levy:								Summary of Levy Limits:				
Assmt Year	Taxes Due	Previous Year's Levy	Lesser of Resolution's \$ or % Increase	Previous Yr's Levy plus Increase	Tax Added for State Assd New Const	Tax Added for Annex.	Authorized Levy by Res.	Refund	Certified Budget	Limit Per Stat. Rate Maximum	Levy Limit Plus Refund	Authorized Levy By Res. Plus Refund
2021	2022	878,390.56	1.000%	887,174.47	16,761.77	0.00	903,936.24	0.00	678,937.31	1,237,465.06	667,581.84	903,936.24
Summary of Levy Rates Checks and Balances												
Assmt Year	Taxes Due	Current Year's Max Levy	Pre Shift Levy Rate	Shift Amount	Levy Amount After Shift	Actual Amount Levied	Actual Levy Rate	Correct Levy Rate Post Shift	Post Shift Road & County General Rate Limit Check	Over/Under Levy	New Highest Lawfull Levy since 1985 for the 2023 TY	Levy Rate w/o Levy Error For The 2023 TY
2020	2021						1.478540785250					
2021	2022	667,581.84	0.971055549200	100,000.00	767,581.84	776,937.31	1.133031715500	1.116514211100		9,355.47	667,581.84	1.116514211100