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Washington Department of Revenue Property Tax Division

2022 Clark 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 Clark 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:

- City/Towns: LaCenter, Yacolt, and Woodland
- Fire Districts: No. 3, No. 5, No. 6, No. 11, and East County
- Cemetery Districts: No. 1, No. 4, and No. 6
- Fort Vancouver Inter-Co Library District
- School Districts: No. 93 Mt Pleasant, No. 102 Woodland, No. 103 Green Mountain, No. 119 Battleground, and No. 122 Ridgefield
- Port of Ridgefield

Executive Summary

Introduction

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

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

Categories of Results

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

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

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

Results

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

We have listed a summary of these items in the Requirements section.

Executive Summary, continued

Requirements

1. The Assessor is required to calculate the TAV to use in the calculation of excess levy rates. The calculation is based upon taxes levied, acreage, and assessed value of property in the Designated Forest Land Program (DFL) from the prior tax year, and the estimated public acreage value available for timber harvesting.
2. The Assessor is required to determine whether there are any wholly unimproved parcels within a fire district's boundaries and remove those parcels from the district's taxable value for their general fund levy limit calculations.
3. The Assessor is required to levy a uniform levy rate throughout a taxing district, including districts with boundaries that include more than one county.

Requirement – Timber Assessed Value (TAV)

Requirement

The Assessor is required to calculate the TAV to use in the calculation of excess levy rates. The calculation is based upon taxes levied, acreage, and assessed value of property in the Designated Forest Land Program (DFL) from the prior tax year, and the estimated public acreage value available for timber harvesting.

What the law says

Assessors must provide the Department with the composite property tax rate based on the prior year's acreage and assessed value of property in DFL. This information is used to determine each county's TAV. Once the county TAV has been determined, the Department notifies each county assessor. The assessor then uses this information to determine the TAV per taxing district. (chapter 84.33 RCW)

What we found

The Assessor calculated the average assessed value per acre of private designated forest land using an incorrect acreage amount for designated forest land, for the 2021 assessment year. The Assessor's calculation, of \$148.83, was based on an assessed value of \$11,765,508 and 79,051.40 acres of designated forest land. The correct assessed value per acre of private designated forest land is \$153.69, based on 76,552.67 acres.

The Assessor carried forward the incorrect per acre value to the distribution worksheets. This error resulted in a mathematical error when calculating the total county forest land assessed value, resulting in an incorrect TAV for each taxing district.

This error did not result in an incorrect amount of total tax levied for excess levies. It did result in individual taxpayers paying an incorrect amount of property tax based on an incorrect levy rate and an incorrect distribution of timber excise tax to the taxing districts.

Action needed to meet requirement

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

- Use the correct average assessed value per acre of private designated forest land to calculate the TAV for the taxing districts. The Assessor may wish to contact the Clark County Treasurer to determine whether corrections can be made for the remaining year's timber excise tax distributions to the taxing districts.

Why it's important

The total taxable value for excess levies, including TAV, must be calculated correctly to ensure the correct levy rate is levied. This ensures taxpayers are paying the correct amount of property tax and taxing districts are receiving the correct amount of timber excise tax when timber is harvested.

Requirement – Wholly Unimproved Parcels

Requirement

The Assessor is required to determine whether there are any wholly unimproved parcels within a fire district's boundaries and remove those parcels from the district's taxable value for their general fund levy limit calculations.

What the law says

Physical inspection of all property in the county shall be accomplished on a proportional basis in cycle. The Assessor must determine any changes in the physical characteristics that affect value, at least once within a six-year time period. (WAC 458-07-015)

When lands lie within both a fire protection district and a forest protection assessment area they shall be taxed and assessed as follows:

- If the lands are wholly unimproved, they are subject to forest protection assessments but not to fire protection district levies.
- If the lands are wholly improved, they are subject to fire protection district levies, but not forest protection assessments.
- If the lands are partly improved and partly unimproved, they are subject to both the fire protection district levies and the forest protection assessments. (RCW 52.16.170)

WAC 458-19-005(i) states, "Improvement" means 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.

RCW 76.04.005(23) defines unimproved lands as follows: "Unimproved lands" means those lands that will support grass, brush and tree growth, or other flammable material when such lands are not cleared or cultivated and, in the opinion of the department, are a fire menace to life and property.

What we found

As previously reported in the 2019 tax year levy audit, Fire District No. 6 (FD6) and East County Fire District (ECFD) continue to have the same taxable value base for their general and emergency medical services (EMS) levies. Typically, a fire district's general levies and EMS levy does not share the same taxable value base since the general levy base does not include wholly unimproved parcels while all taxable parcels are subject to all EMS levies.

The Assessor did not implement the requirement in the 2019 tax year report and 2021 tax year follow-up report, to stop assessing the fire district's general levy when the parcel is wholly unimproved. The Assessor expressed hesitation to implement this requirement until the Department of Natural Resources (DNR) provides him with an updated listing of wholly unimproved parcels that are subject to their forest protection assessment (FPA).

Requirement – Wholly Unimproved Parcels, continued

Prior to completing our 2021 tax year Clark County levy audit follow-up, we reviewed our legal analysis of the applicable statutes and found that DNR is required to share its reports regarding the classification of land as unimproved and unprotected, thus subject to their FPA, with the county assessor in which the unimproved land is located. Our analysis did not result in the discovery of any statutes requiring DNR to provide county assessors with a listing of wholly unimproved parcels.

It is the county assessor's responsibility to determine if any improvements have been made to an individual parcel. If the Assessor's records do not indicate any improvements have been made to a parcel *and* that parcel is subject to DNR's FPA, that parcel cannot be included in the fire district's taxable value base for their general levies. This additional analysis was shared with the Assessor in a letter, dated June 9, 2021.

Following the 2021 tax year levy audit follow-up, the Assessor started reviewing their parcel database to identify wholly unimproved parcels. They have provided the Department with a map labeling parcels as:

- Wholly unimproved property within fire district
- Wholly unimproved property outside fire district
- Improved property

The inclusion of wholly unimproved parcels artificially increases a fire district's general levy tax base. This results in taxpayers paying an incorrect amount of taxes and taxing districts may levy an incorrect amount of property tax. The Department continues to require the Assessor to review the property characteristics of parcels located in fire districts and remove any wholly unimproved parcels from the general levy base.

Action needed to meet requirement

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

- Remove the taxable value of the parcels he has identified as "wholly unimproved property within the fire district" for the fire district's general levy tax base for the 2022 assessment year/2023 tax year.
- Provide the Department with preliminary 2022 assessment year assessed values for the fire districts and EMS levies, prior to his certification of values to the taxing districts as required in RCW 84.48.130. This certification is typically completed in early November.
- If an incorrect taxable value base was used to determine a fire district's maximum levy amount for a prior year, a levy error correction must be completed as authorized in RCW 84.52.085. Levy error corrections are limited to the year the error was discovered and the three prior tax years. If the error is discovered during the 2022 calendar year that means a levy error correction would include the 2022 tax year and the 2021, 2020, and 2019 tax years.
- Continue to review the property characteristics of individual parcels and remove those parcels from the taxable value base of fire districts when they do not include any improvements and that parcel is subject to DNR's FPA.

Requirement – Wholly Unimproved Parcels, continued

Why it's important

All taxpayers within a taxing district will pay an incorrect tax amount if the taxable assessed value is not accurate.

Requirement - City of Woodland

Requirement

The Assessor is required to levy a uniform levy rate throughout a taxing district, including districts with boundaries that include more than one county.

What the law says

All taxes shall be uniform upon the same class of property within the taxing district levying the tax (Washington State Constitution Article VII Section 1).

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

What we found

The boundaries of the City of Woodland (CW) include Clark and Cowlitz Counties. Cowlitz County calculated and certified a CW levy rate of \$.8519094221 to the Assessor, for the 2022 tax year. The Assessor levied a rate of \$.8519096064. This resulted in a non-uniform rate within the district but did not result in an overlevy error.

Action needed to meet requirement

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

- Levy the rate certified to him by the county responsible for calculating the levy rate, for joint taxing districts.

Why it's important

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

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:

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