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# Washington Department of Revenue Property Tax Division

## 2016 Review of the Current Use Program in King County



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# Overview

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## Introduction

This report contains the results of the Department of Revenue's (Department) review of the Current Use Program in King County (County).

There are parts of the Current Use Program that are the responsibility of the King County Assessor (Assessor) and parts that are the responsibility of the county legislative authority. The Assessor and the county legislative authority may work closely together in administering the program or may administer their duties independently. Some administrative duties may be delegated to other units of county government (land use, planning, etc.).

## Purpose

The primary purpose of this review by the Department is to provide the Assessor and the county legislative authority the information needed to perform the duties associated with the Current Use Program successfully.

An effective review of the methods employed by the county in administering the Current Use Program 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 administering the program
- The county legislative authority's role in administering the program
- Administrative procedures for compliance with state statutes and regulations

We did not review the internal fiscal controls or the internal management of the Assessor or county legislative authority offices.

We did not examine all parcels enrolled in the program 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.

## **Overview**, continued

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### **Information Reviewed**

To complete our review, we gathered information about the administration of the Current Use Program via interviews, documents provided by the County, as well as through independent verification. The areas we reviewed included (but were not limited to):

- Information provided or available to the public about the Current Use Program (forms, publications, and/or education efforts).
- Administrative procedures for applications, removals, and continuances.
- Homesite classification and valuation.
- Technology utilized in the program administration.
- Audit processes used to ensure continued eligibility.
- Resolutions adopted by the county legislative authority pertaining to current use.
- Advisory committee processes, meeting notices, and meeting minutes.

### **Acknowledgement**

We commend the Assessor, the Assessor's staff, the county legislative authority, and the Department of Natural Resources and Parks (DNRP) staff for their willingness to look at opportunities to improve the uniformity and administration of the Current Use Program.

# Executive Summary

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## About this Review

In October, the Department conducted an on-site visit to King County. We interviewed the Assessor's staff and the DNRP staff (delegated by the county legislative authority to handle open space and timber land applications) about the processes and procedures used in administering the County's Current Use Program.

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 employed that could be considered "best practices," 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 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 seven recommendations directed toward improving the administration of the Current Use Program.

The items identified may be specific to the Assessor's duties, the county legislative authority's duties, or they may have shared components of responsibility. The Requirements and Recommendations are listed in the next part of the report.

## **Executive Summary**, continued

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### **Requirements:**

1. The county legislative authority is required to appoint a committee to serve in an advisory capacity to the Assessor. (RCW 84.34.145 and WAC 458-30-345)
2. The county legislative authority cannot place minimum acreage limits on timber land classification parcels that are more restrictive or provide greater latitude than the acreage limits provided by Washington statute. (RCW 84.34.020(3) and WAC 458-30-200(2)(tt))

### **Recommendations:**

1. The Department recommends the DNRP staff review all parcels approved into the Open Space program and rate all land classified with current version of the County's adopted PBRs. (RCW 84.34.037, 84.34.055(3), WAC 458-30-330(6))
2. The Department recommends the Assessor continue to determine market value of all open space land and apply the percentage reduction for current use value according to the most current version of the County's adopted PBRs. (RCW 84.34.055(3), 84.34.060, 84.40.045, and WAC 458-30-330(6))
3. The Department recommends the Assessor and DNRP verify Current Use and Designated Forest Land forms and publications provided to the public are current.
4. The Department recommends the Assessor add forms and information about the Current Use and Designated Forest Land Programs to their website.
5. The Department recommends the Assessor develop desk reference manuals for the Current Use and Designated Forest Land Programs.
6. The Department recommends the Assessor continue to improve their current audit plan for farm and agricultural parcels and develop an audit program for parcels in Designated Forest Land. (RCW 84.34.121)
7. The Department recommends the Assessor collect all data necessary to appraise classified farm and agricultural land accurately. (RCW 84.34.065 and WAC 458-30-260)

# Requirements

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For the items listed as *Requirements*, the Assessor and/or county legislative authority must make changes in procedure to comply with law.

This section contains the items we identified following our interview.

## Appoint Advisory Committee

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### Requirement

The county legislative authority is required to appoint a committee to serve in an advisory capacity to the Assessor. (RCW 84.34.145 and WAC 458-30-345)

### What the law says

As a method of assisting the Assessor's office with valuable information about the farming community, the county legislative authority is required to appoint an advisory committee (commonly referred to as a farm advisory board or open space advisory committee). This five-member committee represents the active farming community and advises the Assessor in implementing assessment guidelines.

The advisory committee does not give advice regarding the valuation of specific parcels; however, it may supply the Assessor with advice on typical crops, land quality, leases, and expenses. This information will assist the Assessor in determining appropriate values.

### What we found

King County staff is unsure if the county has an advisory committee. The Department could find no evidence that the county legislative authority has appointed an advisory committee.

### Action needed to meet requirement

The Assessor can assist by contacting individuals who may be interested in serving, but the county legislative authority is responsible for the annual appointment of members to the advisory committee. The county legislative authority should attempt to locate and appoint members each year and document their efforts if they are unsuccessful in appointing the five-member committee.

### Why it's important

The committee ensures the Assessor has reliable information and advice about typical farming activity in the county.



## Restrictive Ordinance

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### Requirement

The county legislative authority cannot place minimum acreage limits on timber land classification parcels that are more restrictive or provide greater latitude than the acreage limits provided by Washington statute. (RCW 84.34.020(3) and WAC 458-30-200(2)(tt))

### What the law says

The timber land classification is available for any parcel that is five acres or more or multiple parcels of land that are contiguous and total five acres or more that are devoted primarily to the growth and harvest of timber for commercial purposes. Timber land includes land used for incidental uses that are compatible with the growing and harvesting of timber, but no more than ten percent of the land may be used for such incidental uses. It also includes the land on which appurtenances necessary for the production, preparation, or sale of the timber products exist in conjunction with land producing these products.

### What we found

The DNRP staff and the Assessor's staff indicated there is a twenty acre cap for timber land classification. King County Code Chapter 20.36 provides that land cannot qualify for timber land classification if it is over twenty acres. Owners with over twenty acres are restricted to applying for the Designated Forest Land Program.

King County Code 20.36.015 provides the following definition:

- "Timber land" means a property that contains *five to twenty acres* of land that is devoted primarily to the growth and harvest of timber for commercial purposes according to an approved forest stewardship plan and that meets the requirements of chapter 84.34 RCW and K.C.C. 20.36.110. (Ord. 17052 § 1, 2011; Ord. 15971 § 90, 2007; Ord. 15137 § 1, 2005).

King County Code 20.36.110 sets criteria for classification of timber land:

- Current use taxation of timber land. Classification of timber land for current use taxation under chapter 84.34 RCW shall be in accordance with the following criteria:
  - a) The property to be classified shall contain *not less than five and not more than twenty acres* of timber land;
  - b) The property must be within an established F (forest resource), A (agriculture) or RA (rural area) zone; and

These restrictions conflict with Washington statute.

## **Restrictive Ordinance,** continued

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

The county legislative authority should review RCW 84.34.020(3), WAC 458-30-200(2)(tt), and Property Tax Advisory (PTA) 16.1.2011 for additional guidance relating to timber land and restrictive ordinances.

The Department recommends the county legislative authority consult with the County's prosecuting attorney regarding the ordinances for timber land that conflict with Washington statute.

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

When adopting an ordinance, the county legislative authority must ensure provisions of the ordinance do not conflict with Washington statute. The ordinance cannot be more restrictive or provide greater latitude than Washington statute.

## Recommendations

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

This section contains the items we identified following our interview.

## Rating Parcels using Public Benefit Rating System

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### Recommendation

The Department recommends the DNRP staff review all parcels approved into the Open Space program and rate all land classified with current version of the County's adopted a Public Benefit Rating System (PBRs). (RCW 84.34.037, 84.34.055(3), WAC 458-30-330(6))

### What we found

King County adopted their PBRs in 1992. The County is currently working on another revision of the PBRs. The county legislative authority has delegated the rating process to DNRP staff.

County Code 20.36.100 defines the current PBRs rating criteria. The County amended this section of the code by ordinance numerous times between 1992 and 2011. Some changes significantly affected the rating criteria; however, other changes were minor with no impact on the rating criteria.

County Code 20.36.160 explains the assessed valuation schedule that directs the percentage reduction of market value. The percentage reduction in assessed value based on rating points has remained the same since first established in 1992.

At the time of our on-site visit, only a portion of the open space land was rated under the most current version of the PBRs. DNRP staff has been rating the parcel(s) under the current PBRs when they have contact with a property owner in the program, during an audit, or when a parcel enters the program.

The Department did not review all parcels with the open space classification, so we did not verify the number of parcels still requiring rating under the current PBRs. While the DNRP staff understands the issue, they indicated that they are concerned with rerating all parcels in the program.

### Action recommended

DNRP staff should review and rate any open space parcels not currently rated under the most recently adopted PBRs. This process will take time to complete. As the first step, it may be helpful for DNRP to inventory each parcel and record which version of the PBRs was used to rate parcels. This could easily be maintained in the parcel record and useful for monitoring rating status of parcels.

If staff discover parcels not rated under the current PBRs, then staff should rate the parcel. The proposed ratings go before the granting authority for approval.

Staff should apply the amended PBRs criteria to *all* current parcels in the program, not just future applicants.

### Why it's important

Applying the current PBRs criteria to all land classified as open space provides uniformity of taxation and ensures other property owners are not paying a disproportionate amount of property tax.

## Valuing Open Space Land

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### Recommendation

The Department recommends the Assessor continue to determine market value of all open space land and apply the percentage reduction for current use value according to the most current version of the County's adopted PBRs. (RCW 84.34.055(3), 84.34.060, 84.40.045, and WAC 458-30-330(6))

### What we found

County staff reported that not all parcels are rated under the current PBRs rating criteria. As a result, open space parcels rated with the original PBRs may be valued differently than parcels rated with the most recent version.

The Assessor applies the percentage reduction for current use value based on the public benefit rating points determined by the DNRP and approved by the county legislative authority. The Assessor is unable to value the unrated parcels based on the current PBRs assessed valuation schedule until DNRP staff has completed rating the parcels and the legislative authority has approved the rating. The rating translates to a percentage of market value reduction.

The Department did not review all open space parcels, so we did not verify the number of parcels still requiring valuation under the current PBRs (as last amended).

### Action recommended

The Department encourages the Assessor to determine the new assessed value of the parcels once a new rating based on the current PBRs is approved by the legislative authority. The Assessor must notify the property owner(s) of their new assessed value under the PBRs (as last amended). (RCW 84.40.045)

### Why it's important

The Washington State Constitution requires all taxes be uniform upon the same class of property within the County. This ensures fair and equitable assessment of all property in the County and ensures other property owners are not paying a disproportionate amount of the property tax.

## Forms and Publications

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### Recommendation

The Department recommends the Assessor and DNRP verify Current Use and Designated Forest Land forms and publications provided to the public are current.

### What we found

The Assessor provides information about these programs through personal contact with property owners via phone and visitors to the Assessor’s office.

The Assessor’s office and DNRP use forms developed by the Department, including several that staff customized to include specific information for King County. At the time of our review, we found that several of the forms the County is providing taxpayers were not the current version of the form.

The following table shows what we found during our review:

Form Number	Date on DOR form being used	Date of current DOR form
62 0110	6/7/2012	5/27/2014
62 0021	6/11/2012	8/1/2016
62 0021 (Timber Land Application used by DNRP)	7/17/2009	8/1/2016
64 0060	10/13/2011	6/5/2014
64 0072 (Assessor staff modified DOR form)	6/3/2006	2/6/2012
64 0088 (Assessor staff modified DOR form)	7/17/2006	3/28/2013

### Action recommended

The Department encourages the Assessor and DNRP to check forms and publications regularly to ensure they are providing the most current information. The Department updates forms and publications to reflect legislative changes, or to improve clarity and usability. Each quarter the Department sends assessors an index of all forms and publications including the last revision. The index is also now available through the Property Tax Resource Center (PTRC).

### Why it’s important

Utilizing updated forms and publications by linking to the Department’s website ensures the use of materials that reflect recent changes in statute, regulation and/or procedure.

## Advertising Program on Website

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### **Recommendation**

The Department recommends the Assessor add forms and information about the Current Use and Designated Forest Land Programs to their website.

### **What we found**

The County does not provide forms and publications about the Current Use and Designated Forest Land Programs on the Assessor's website. Forms and information about three current use classifications and designated forest land are available through the DNRP section of the website.

### **Action recommended**

The Assessor should provide information about the Current Use and Designated Forest Land Programs and links to forms and publications on their website. An alternative for the Assessor's page is to provide a description for the various programs and provide links to the information and forms provided elsewhere on the County website.

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

Taxpayers should be able to easily find information and forms used to administer the Current Use and Designated Forest Land Programs.

## Desk Reference Manual

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### **Recommendation**

The Department recommends the Assessor develop desk reference manuals for the Current Use and Designated Forest Land Programs.

### **What we found**

The Assessor's staff stated they did not have a manual comprised of individual procedures and policies. There is a notebook of useful information about administering the programs compiled by previous current use administrators, which the current administrator uses.

### **Action recommended**

To ensure consistency and continuity, the Department recommends that the Assessor's staff develop desk reference manuals for the program duties. Desk reference manuals can include policy information and specific step-by-step procedures on how to administer the Current Use and Designated Forest Land Programs.

A detailed desk reference manual can serve as a backup for the employee and assist their coworkers, in the event of a short-term (or long-term) staff absence.

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

Desk reference manuals are useful for training staff and a good tool in preventing the loss of institutional knowledge.



## Develop Audit Program for Designated Forest Land

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### Recommendation

The Department recommends the Assessor continue to improve their current audit plan for farm and agricultural parcels and develop an audit program for parcels in Designated Forest Land. (RCW 84.34.121)

### What we found

According to the Assessor's staff, they audit parcels during sale or as a result of taxpayer contact. They are in the process of developing a routine audit process for all parcels in the Current Use Program. A copy of the letter and questionnaire used for audits was provided.

Staff indicated they do not conduct audits on parcels in the Designated Forest Land Program.

### Action recommended

Continue the development of the audit program for parcels in the Current Use Program.

#### *Designated forest land*

The Department of Natural Resources provides Forest Practice Permits (cutting permits) for timber land and designated forest land. The Assessor should consider using the permits to monitor commercial timber harvesting as a way of auditing parcels.

### Why it's important

Monitoring all parcels in the Current Use and Designated Forest Land Programs on a periodic basis adds integrity to the assessment process and ensures other property owners are not shouldering a disproportionate amount of property tax.

## Data Collection

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### Recommendation

The Department recommends the Assessor collect all data necessary to appraise classified farm and agricultural land accurately. (RCW 84.34.065 and WAC 458-30-260)

### What we found

In determining the current use value of land in the farm and agriculture classification, an assessor is to determine the net cash rental and divide that amount by the capitalization rate provided by the Department.

The Assessor staff collects leases (both written and verbal) during the audit process or during other contact with owners. However, the staff indicated the lease information is limited.

The Assessor staff collects expense and yield data when owners first apply for the program or during an audit.

The Assessor uses the proper capitalization rate and makes the calculation each year, but it is unclear to the Department what data the Assessor uses to determine the net cash rental or productive and earning capacity of the land.

### Action recommended

The Assessor should continue efforts to gather additional lease information. The Assessor's audit program is a good method for routinely gathering information from farmers. Additionally, the Assessor should gather earning or productive capacity information that may include data related to crop income, expenses, and production information (see Appendix A – Data Sources). Gathering current data ensures that the farm and agricultural land valuation is accurate.

### Why it's important

Gathering relevant data each year and using the data to update farm and agricultural land values ensures a more accurate valuation. It also ensures other taxpayers are not paying a disproportionate amount of property taxes

## Next Steps

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### **Prioritizing Requirements and Recommendations**

Once the Assessor and the county legislative authority receive a final copy of this review, the Department will (if requested) consult with them to help prioritize the work they must complete.

### **Follow-up**

The Department is committed to the success of the Assessor and county legislative authority by ensuring they comply with state statutes and regulations.

The Department will continue to provide guidance and may contact county staff to review the progress implementing changes.

### **Questions**

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 – Data Sources

The data sources below are examples of the many sources available to county assessors. Other data sources are available and the Department encourages assessors to locate, document, and use any reliable data sources available to them.

The websites and instructions provided below are current as of December 2016. The Department encourages assessors to become familiar with navigating the data sources and share any new sources they locate.

### USDA National Agricultural Statistics Service - [www.nass.usda.gov](http://www.nass.usda.gov)

*To locate county/region data for cash rents, production, expenses, etc.*

Step	Locate...	Then...
1.	<i>Data &amp; Statistics</i>	Click on <i>By State</i>
2.	Select <i>Washington</i>	
3.	<i>Washington Statistics / Quick Stats</i>	
4.	Available data options (may open to a new window based on your browser settings)	Filter data by selecting appropriate options for available categories (see Note 1)
5.		Select <i>Get Data</i>
6.	Displayed results	Save results, print results, or export results to a spreadsheet
<b>Example of data filtering for specific results</b>		
	Production data: <ul style="list-style-type: none"> <li><input type="checkbox"/> Select <i>Crops</i>, then <i>County</i></li> <li><input type="checkbox"/> Select specific Crop in listing (winter wheat/spring wheat/etc; see Note 2)</li> <li><input type="checkbox"/> Select <i>Get Data</i></li> <li><input type="checkbox"/> Locate bushels per acre on list of results</li> </ul>	Cash rent data: <ul style="list-style-type: none"> <li><input type="checkbox"/> Select <i>Economics</i>, then <i>Rent</i></li> <li><input type="checkbox"/> Select <i>County or Region</i></li> <li><input type="checkbox"/> Select <i>Years</i> (if applicable)</li> <li><input type="checkbox"/> Select <i>Get Data</i></li> <li><input type="checkbox"/> Locate rent data on list of results</li> </ul>

\*Notes:

1. If data selections are too few, too much data is returned; if data selections are too many, necessary data may be excluded. It's a balance. You will find what you need through experience using the search tools.

## Appendix A, continued

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2. Of the dry land small grain crops, winter wheat is the most useful. Spring wheat (a rotation crop) generally produces 50 to 70 percent of the bushels per acre of winter wheat. Combining the two crops will negatively affect the validity of your data.

### Department of Natural Resources data requests - [www.dnr.wa.gov](http://www.dnr.wa.gov)

DNR will provide cropland rents, if requested, by phone, email, or formal letter. Land rents are available by county or by region. There are five DNR regions and contact information is available on the website. When requesting rents include specific detail about what information you want included and excluded, and the format you would like to receive it.

#### Example of information request

Please provide the crop rents for DNR land in King County (or multiple counties).

*Excluding* rents from leases for:

- Conservation
- Habitat
- CRP
- Public access
- Homesites

For each lease, please provide:

- Location of each property including county, section, township, range, and parcel number
- Type of land such as irrigated cropland, non-irrigated cropland, or grazing land
- Size of the parcel and the number of crop acres in the parcel
- Detail of parcel improvements such as trees, vines, an outbuilding or irrigation equipment
- If the rents include or exclude the Leasehold Excise Tax
- Start date and end date of each rental agreement and parcel
- Total rent per year
- Tenant's name

### Washington State University

<http://ext.wsu.edu>

### Enterprise Budgets - [http://extecon.wsu.edu/pages/Enterprise\\_Budgets](http://extecon.wsu.edu/pages/Enterprise_Budgets)

Enterprise Budgets are authoritative studies of the cost, yield, and income from a particular crop in a particular part of the state (for example cherries in central Washington; or spearmint using rill or center systems). A team of local farmers or orchardists and a WSU agricultural economist conduct the studies. The studies are especially helpful when they include land rents, which can be used for data comparison of farm and agricultural land value calculations.