Washington Department of Revenue
Property Tax Division

2020 Kittitas County
Levy Audit
A Summary Report

Department of
Revenue
Washington State

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Overview

Purpose
The primary purpose of this review by the Department of Revenue (Department) is to assist the Kittitas 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 2020 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: Kittitas, Roslyn, & South Cle Elum
- Fire Districts: Nos. 1, 3, & 4
- Hospital Districts: No. 1 Lower County Area
- Cemetery Districts: No. 1 Thorp
- School Districts: No. 7 Damman, No. 401 Ellensburg, No. 403 Kittitas

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 one requirement and one recommendation 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 add the certified refund levy amount to the levy's one percent growth limit and amount authorized over the prior year's levy.

Recommendations

1. The Department recommends the Assessor provide education to the county legislative authority regarding the certification of budgets or budget estimates for each taxing district within the county wishing to levy for property tax.

Requirement – City of Kittitas

Requirement
The Assessor is required to add the certified refund levy amount to the levy's one percent growth limit and amount authorized over the prior year's levy.

What the law says
Property tax refunds paid under chapter 84.68 RCW are in addition to the one percent growth limit in chapter 84.55 RCW (RCW 84.55.070).

When a levy error has occurred, the assessor is required to make the appropriate adjustments to the levy for the district in the succeeding year. The adjustment includes increasing or decreasing the levy by the amount of the over or underlevy. When calculating the levy limitation under chapter 84.55 RCW for a levy that had a levy error, or has a levy error correction, the assessor must apply a levy rate that does not include the levy error or levy error correction when increasing a taxing district's levy capacity due to new construction, increases in assessed value due to construction of wind turbine, solar, biomass, and geothermal facilities, improvements to property, and increase in the assessed value of state-assessed property (RCW 84.52.085).

What we found
The county legislative authority certified a levy refund request of $1,399.18 for the City of Kittitas, but the Assessor did not include the additional revenue in their levy calculations. This resulted in a $1,399.18 underlevy.

Action needed to meet requirement
The Assessor is required to take the following action(s):
- Include the certified refund levy request in the levy limit calculations.
- Notify the taxing district of the underlevy. If the correction of the error in the succeeding 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.
- Calculate the levy rate for the 2020 tax year as if the levy error correction had not occurred during the 2020 tax year and carry that levy rate forward to the 2021 tax year levy calculations when increasing the district's levy capacity due to new construction, etc. The Assessor may find completing the Department's levy limit worksheet, REV 64 0007, helpful to track the correction and correct levy rate to carry forward to the next tax year.

Why it's important
To ensure the taxing districts levies the correct amount of property tax.

Recommendation – Certification of Levy Amounts by County Legislative Authority

Recommendation
The Department recommends the Assessor provide education to the county legislative authority regarding the certification of levy amounts estimates for each taxing district within the county wishing to levy for property tax.

What we found
The county legislative authority certified the levy amounts to the Assessor on December 17, 2019 after the November 30 statutorily deadline.

Action recommended
The Department recommends the Assessor:
- Continue to educate the county legislative authority regarding the certification of levy amounts for each taxing district's to the Assessor on or before November 30.
- Provide the county legislative authority with RCW 84.52.070.

Why it's important
When the county legislative authority certifies the levy amounts to the assessor timely, this provides sufficient time for the assessor to timely complete the tax roll.

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 February 2021. 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: Kittitas											
Assmt Taxes Year 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.	☐ Annexed to Library? ☐ Annexed to Fire? ☐ Firemen's Pension? ☐ Lid Lift?
2019 2020	174,940.07	101.00000%	176,689.47	1,244,783	2,614.04	0	0.00	179,303.51	101,911,188	2.100000000000	

	Actual Levy:							Summary of Levy Limits:			
Assmt Taxes Year Due	Previous Year's Levy	Lesser of Resolution's $ or %	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	170,175.15	4.000%	176,982.16	2,614.04	0.00	179,596.20	1,399.18	181,399.18	214,013.49	180,702.69	180,995.38

Assmt Taxes Year Due	Current Year's Max Levy	Levy Correction	Total Levy w/ Correction	Actual Amount Levied	Actual Levy Rate	Correct Levy Rate	Over/Under Levy		New Highest Lawful Levy Since 1985	Levy Rate Without Levy Error or Levy Error Correction	
2018 2019					2.1						
2019 2020	180,702.69	0.00	180,702.69	179,303.46	1.759409477201	1.773138889323	(1,399.23)		179,303.51	1.773138889323	

	Excess Levy Calculation:										
Type & Yr	Budget	Refund	Total Levy	Real & Personal Taxable Value	TAV	Total Value	DOR Levy Rate	Total County AV x DOR Rate	County Levy Rate	County Levy	Over/Under Levy
0 0	0.00	0.00	0.00	0	0	0	#DIV/0!	#DIV/0!	0.000000000000	0.00	#DIV/0!