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# Washington Department of Revenue Property Tax Division

## 2017 Review of Property Tax Administration in Whatcom 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 property tax administration processes in Whatcom County (County).

## Purpose

The primary purpose of this review by the Department is to assist the Whatcom 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 or accounts enrolled in the various programs or the assessed values of these accounts. The processes used to determine value are within the scope of this review and may be addressed in this report.

## 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

## **Overview**, continued

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### *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 is in compliance 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

### **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):

- Reporting to officials
- Revaluation

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

### **Acknowledgment**

We thank the Assessor and staff for their cooperation throughout our review. We commend the Assessor for his willingness to look at opportunities to improve the uniformity and administration of property tax.

# Executive Summary

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## About this Review

The Department conducted on-site visits to the Assessor's office. We interviewed the Assessor 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 doing well, 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. A change is required to adhere to the law.
- The second category, *Recommendations*; requires the attention of the Assessor. We believe improvements in these areas can improve services 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 two recommendations directed toward improving property tax administration in the County. A summary of these items follows.

## **Executive Summary**, continued

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### **Requirements**

1. The Assessor is required to submit accurate, complete, and timely reports/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)
2. The Assessor is required to demonstrate improvement in completion dates for listing and placing values on property, as measured by the date the assessor certifies assessed values to the county board of equalization (BOE) and Department of Revenue (Department). Earlier certification of assessed values will show progress completing work closer to the statutory deadline of May 31 for revaluation and August 31 for new construction. (RCW 84.40.040, RCW 36.21.080, RCW 84.40.320, *Niichel v Lancaster* (1982) 97 W2d 620, 647 P2d 1021)

### **Recommendations**

1. The Department recommends the Assessor continue developing and updating an appraisal procedure manual to ensure that property tax is administered uniformly. Providing guidelines in writing helps to achieve and maintain consistency and uniformity between staff members and provides a ready reference for use in the field.
2. The Department encourages the Assessor to consider an office structure that includes appraiser positions with specialized duties.

# Requirements

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For the items listed as *Requirements*, the Assessor must make changes in procedure to comply with law.

This section contains the items we identified following our interview.

## Assessor Must Complete Statutorily Required Reports by the Due Date

### Requirement

The Assessor is required to submit accurate, complete, and timely reports/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 requires information to be reported 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 provide meaningful information to state and local officials. Reporting is not optional, but a duty of the office.

### What we found

Due to the inability to complete revaluation and new construction assessments in a timely manner, five required reports and certifications were not delivered in a timely manner, including:

| <i>Required Reports &amp; Certifications</i>  | <i>Due Date</i>  | <i>Reported by Assessor</i> |
|---|--|-----------------------------|
| <b>Assessor's Certificate of Assessment Rolls to the County Board of Equalization</b>       | July 15, 2017  | November 22, 2017           |
| <b>Assessor's Certificate of New Construction Value to the County Board of Equalization</b> | September 15, 2017   | November 22, 2017           |
| <b>Real Property Sales Study (Ratio Study Valid and Invalid Sales Report)</b>               | As soon as possible after the real property roll is closed. The Department estimates the ratio if report(s) are not received by November 30. | November 22, 2017           |
| <b>Real Property Stratification Report</b>  | As soon as possible after rolls closed. Ratio will be estimated if report(s) are not received by November 30.                                | November 22, 2017           |
| <b>Abstract of Assessed Value</b>   | October 31, 2017   | December 2, 2017            |



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

- The assessment roll was not officially closed timely.
- The Board of Equalization (BOE) was not able to proceed with hearing petitions until officially notified of the roll closure.
- In addition, late certification of values to neighboring counties with joint taxing districts could affect their ability to certify their levy rates timely.

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

The Assessor's staff could not complete the Valid and Invalid Sales Report until the 2017 assessment roll was officially closed, and the values updated. The delay in receiving the report resulted in:

- Delays completing the ratio.

***Real Property Stratification Report***

The delay in receiving the report resulted in:

- Delays in completing the ratio.

***Abstract of Assessed Value***

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 must show improvement in timely completion of inspection and valuation work. When the Assessor is able to complete certification of values (including new construction) by October 1, we will consider the requirement complete and no longer follow up on this 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 roll. The Assessor is required to deliver the certificate to the BOE, with a copy to the Department by September 15 each year.

***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. The sales study consists of all sales occurring in the county between May 1 (preceding January of the current assessment year) and April 30 (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/ 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 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](http://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](http://dor.wa.gov/Docs/Pubs/Prop_Tax/AssessorRefManual.doc).

**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.

## Dates of Completion for Inspection and Valuation of Real Property

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### Requirement

The Assessor should work toward completing assessment and valuation work in a more timely manner. This is measured by the date the assessor certifies assessed values to the county board of equalization (BOE) and Department of Revenue (Department). Earlier certification of assessed values will show progress completing work closer to the statutory deadline of May 31 for revaluation and August 31 for new construction. (RCW 84.40.040, RCW 36.21.080, RCW 84.40.320, *Niichel v Lancaster* (1982) 97 W2d 620, 647 P2d 1021)

### What the law says

The Assessor must complete duties of listing and placing values on property by May 31 of each year and August 31 for new construction and mobile homes. In *Niichel v. Lancaster* addressing the May 31 date in RCW 84.40.040, the Washington Supreme Court determined “the word “shall” as used in the provision specifying the times at which assessment procedures are to take place, was intended to be directory rather than mandatory.” The Legislature included the May 31 date in statute as one of the crucial dates in the property tax process that helps ensure assessors complete work in enough time so as not to interfere with other statutorily mandated work or cause harm to taxpayers or taxing districts. The Assessor must notify the taxpayer of the change in value within 30 days of the appraisal. The Assessor must certify the assessed values to the county board of equalization by July 15, with certification to the Department of new construction values by September 15.

Following statutorily prescribed dates for completing inspections and valuation work, leads to timely completion of subsequent steps in the assessment process. The Department’s *Property Tax Calendar* publication outlines important dates and functions in the assessment and property tax process. Late completion of property inspections and valuation work may delay:

- Scheduling of county board of equalization (BOE) hearings.
- Completion of the Department’s Ratio Study.
- Distribution of centrally assessed values to counties by the Department.
- Preparation of taxing district budgets.
- Completion of the levy process.
- Completion of county reports required by the Department for calculating the state school levy.

Additionally, late completion of assessment work in one year usually results in a late start beginning work for the next year. The assessment and taxation process is dependent on following sequential steps and the process is most effective if each step is timely completed.

### What we found

At the time of our visit in October of 2017, the Assessor had not yet completed his revaluation work and certified values for new construction or real property to the county BOE. Certification of values was completed

on November 22. The Assessor has certified real property values and new construction values in October and November for the past ten years.

The following table illustrates a four-year history of key dates:

| Description                 | Required Date | Actual Completion Date |            |            |            |
|-----------------------------|---------------|------------------------|------------|------------|------------|
|                             |               | 2014                   | 2015       | 2016       | 2017       |
| Real Property Inspection    | 5/31          | 10/20/2014             | 11/13/2015 | 10/28/2016 | 11/10/2017 |
| Certification of RP Values  | 7/15          | 11/21/2014             | 11/23/2015 | 11/25/2016 | 11/22/2017 |
| New Construction Inspection | 8/31          | 10/31/2014             | 11/20/2015 | 11/18/2016 | 11/22/2017 |
| Certification of NC Values  | 9/15          | 11/21/2014             | 11/23/2015 | 11/25/2016 | 11/22/2017 |

Source: Whatcom County’s Revaluation Progress Reports and certifications annually submitted to DOR

### Action needed to meet requirement

The Assessor must show improvement in timely completion of inspection and valuation work as demonstrated by the dates when assessed values are certified. During our follow up with the Assessor, we will look for improvement in dates for completing work and certifying values, including new construction. Once we see evidence of improvement, we will consider the requirement complete and will no longer follow up on this requirement. If certification delays the performance of other statutorily required duties and reports, our continued follow up may be necessary.

- Refer to the Department’s publication, [Property Tax Calendar](#). As closely as possible, realign completion of valuation and new construction work with required dates.
- Create target dates for completing 2018 work and monitor the office’s progress completing work. Track production on a regular basis to measure actual production against target dates. The significant delay completing work in 2017 reduced the amount of time available for the Assessor and his staff to complete work scheduled for 2018.
- Develop a contingency plan for completing work during periods of vacancies. The office had seven vacancies this past year, but has filled all but two of them as of the date of the review. An appraiser and clerical position were still vacant at that time.
- Continue pursuing the establishment of specialized appraisal functions. Encourage staff to develop their strengths by working in a specialization they have an aptitude for, and provide staff training in specialized appraisal work related to mass appraisal techniques.
- Continue to review and refine work assignments within the office to increase efficiencies and provide cross training for back-up personnel.
- Continue to provide mass appraisal training to the office staff as time allows.

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

Completing work in alignment with the Property Tax Calendar promotes timely completion of each step in the valuation, assessment, levy, and taxation process. If assessment and valuation processes are not completed in a timely manner, those delays have significant impacts on the entire assessment process, including the work of other county officials such as the treasurer, county board of equalization, and the various local taxing districts.

## Recommendations

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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.

This section contains the items we identified following our interview.

## Appraisal Procedures Manual

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### Recommendation

The Department recommends the Assessor continue developing and updating an appraisal procedure manual to ensure that property tax is administered uniformly. Providing guidelines in writing helps to achieve and maintain consistency and uniformity between staff members and provides a ready reference for use in the field.

### What we found

The Assessor expects the appraisers to follow standard procedures, but some of the procedures are not in a written format readily available to all appraisers. The office has had seven vacancies in the past year. Some vacant appraiser positions have been filled by promoting employees that have taken IAAO 101 course. The promotion of staff created vacancies in positions that conduct other office functions.

The Assessor is evaluating the office structure and considering “specialization” of appraisal positions. As this transition occurs, developing procedure manuals for each specialized position will be essential in making sure all appraisal functions are covered.

### Action recommended

We recommend developing a comprehensive appraisal procedure manual that contains information useful to appraisers in performing their duties. Recommended items might include the following:

- Assessment data definitions, including photographic examples from Whatcom County, standard guidelines related to building quality, condition, detached structures, attached structures, land characteristics, etc. Examples are available from the Department.
- Instructions for data entry.
- Required forms to be used for such things as: new construction, additions to improvements, destroyed property, sales verification, etc.
- Helpful information or links to available information on the Department’s websites, which may be helpful to both staff and taxpayers.
- Appeal procedures.
- Inspection guidelines for classified current use land.
- Inspection guidelines for exemption and deferral eligible property.
- Property Tax Calendar.
- A schedule for at least annual reviews to update, refine, and improve the written procedures.

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

A written appraisal procedure manual helps achieve consistency among appraisal staff and greater uniformity for taxpayers by providing the following benefits:

- An excellent training tool for new appraisers or those transitioning to utilization of mass appraisal techniques.
- Readily used in the field as a reference tool for appraisers.
- Easily updated or amended as necessary.
- Ensures consistent application of property tax laws and rules.
- Ensures consistent application of policies and procedures.
- Promotes use of uniform appraisal practices throughout the county.



## Appraisal Positions with Specialized Duties

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### Recommendation

The Department encourages the Assessor to consider an office structure that includes appraiser positions with specialized duties.

### What we found

The Assessor is considering a restructuring of positions to specialize appraiser duties. In 2010, as the office transitioned to annual valuation, they continued the current office structure whereby appraisers perform all of the duties for their assigned areas, including inspections, valuations, and appeal responses. The Assessor has observed other assessors' offices, of similar size, that have appraiser positions defined with specialized duties. Because this type of structure can increase efficiencies within the office, the Assessor is in the process of introducing the concept to staff.

### Action recommended

Appraiser positions with specialized duties can help the office gain efficiencies when duties are coordinated and appraisers have the tools necessary to perform their jobs efficiently. Suggestions include the following:

- Communicate with each appraiser to help identify their interests, strengths, and aptitude for specific appraisal duties.
- Establish a timeline for each duty and ensure that appraisers have adequate time to perform their duties. Conversely, do not have periods-of-time when there is little or no work to do. For example, in some offices working on appeal responses is a full time duty for appraisers because there are many appeals that require a full time position to accomplish the work. In other offices, appeal responses do not require a full time position so other duties are assigned to that employee. Please see the [Assessor's Timeline](#) for a listing of tasks in the assessor's office.
- Encourage employees to streamline their work processes. As employees work in their position for a period of time and gain knowledge and experience in it, they will see how the workflow and processes are working. Allow them to institute process changes that will help them perform their job more efficiently, if necessary.
- Make sure that appraisers receive the appropriate training to perform their duties. Staff may require training in order to gain the knowledge needed to accomplish their tasks efficiently. Please refer to the Department's schedule of annual classes located [here](#) for available training opportunities. The Department is also available to provide individualized training as needed.
- Require the appraisal team to develop an operations manual for each specialized position and covering essential functions. This will ensure that the job can be performed consistently and by others in the office, if needed.

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

It is important for assessors to be constantly looking for ways to improve their office in order to perform their required duties better and more efficiently. Specializing the duties of the appraisal staff can be an effective way to improve performance measures without additional staffing.

## Next Steps

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### **Prioritizing Requirements and Recommendations**

The Department is committed to assisting the County in the implementation of the requirements and 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 nine 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 Property Tax Division at (360) 534-1400.

#### ***For additional information contact:***

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