

**WAC 456-10-530 Hearing—Notice of hearing—Time—Contents.** (1) Time. Notice of a hearing shall be mailed to all parties not less than twenty calendar days before the hearing date. The twenty-day notice provision may be waived by agreement of all parties.

(2) Contents. The notice shall contain:

(a) The names and mailing addresses of the parties and their representatives, if any;

(b) The docket number and name of the proceeding;

(c) The name, official title, mailing address, and telephone number of the presiding officer, if known;

(d) A statement of the time, place, date, and general nature of the proceeding (e.g., excise, property, etc.);

(e) A statement that the hearing is held pursuant to this chapter and chapter 82.03 RCW;

(f) A statement of the issues or matters asserted and the particular sections of the statutes or rules involved as stated in the notice of appeal and responsive pleading, if any;

(g) A statement that a party who fails to attend or participate at a hearing may be held in default in accordance with WAC 456-10-550; and

(h) A statement that, if a limited-English speaking or hearing-impaired party or witness needs an interpreter, a qualified interpreter will be appointed at no cost to the party or witness. The notice shall also state that persons with disabilities may request reasonable accommodations to allow their participation in the hearing. The notice shall include a form for a party to indicate if an interpreter is needed and identification of the primary language, or if a participant is hearing impaired; or to describe the reasonable accommodations requested.

[Statutory Authority: RCW 82.03.170. 95-05-032 (Order 95-02), § 456-10-530, filed 2/8/95, effective 3/11/95; 89-10-057 (Order 89-03), § 456-10-530, filed 5/2/89.]

**WAC 456-10-730 Exceptions to proposed decision.**

(1) Time for filing. Any party may make, by mail or otherwise, a written exception with the board within twenty calendar days from the date of mailing of the proposed decision or, upon timely application, within such further time as the board may allow. The statement of exceptions shall be filed with the board, and a copy shall be served on all other parties.

(2) Contents. Exceptions shall contain the specific factual and legal grounds upon which the exception is based. The party or parties making the exception shall be deemed to have waived all objections or irregularities not specifically set forth. The statement of exceptions may contain the exceptor's proposed findings of fact and/or conclusions of law addressing the factual and legal issues to which exceptions are being taken.

(3) Failure of a party to comply with the requirements for exceptions may result in the board issuing a decision adopting the proposed decision as the final decision of the board on the ground that no legally sufficient statement of exceptions had been made.

[Statutory Authority: RCW 82.03.170. 95-05-032 (Order 95-02), § 456-10-730, filed 2/8/95, effective 3/11/95. Statutory Authority: RCW 82.03.170, 82.03.140 and 82.03.150. 90-11-106, § 456-10-730, filed 5/22/90, effective 6/22/90. Statutory Authority: RCW 82.03.170. 89-10-057 (Order 89-03), § 456-10-730, filed 5/2/89.]

**WAC 456-10-755 Petition for reconsideration.**

After a final decision has been issued, any party may file a petition for reconsideration with the board. Such petition must be made, by mail or otherwise, within ten business days from the mailing of the final decision. The petition for reconsideration shall be filed with the board and served upon all parties and representatives of record. The board may require that a response be made and served in the same manner. The filing of a petition for reconsideration shall suspend the final decision until action by the board. The board may deny the petition, modify its decision, or reopen the hearing. A petition for reconsideration is not available where a proposed decision was first issued.

[Statutory Authority: RCW 82.03.170. 95-05-032 (Order 95-02), § 456-10-755, filed 2/8/95, effective 3/11/95. Statutory Authority: RCW 82.03.170, 82.03.140 and 82.03.150. 90-11-106, § 456-10-755, filed 5/22/90, effective 6/22/90. Statutory Authority: RCW 82.03.170. 89-10-057 (Order 89-03), § 456-10-755, filed 5/2/89.]

## Title 458 WAC REVENUE, DEPARTMENT OF

### Chapters

- 458-08** Uniform procedural rules for the conduct of contested cases.
- 458-14** County boards of equalization.
- 458-16** Property tax—Exemptions.
- 458-16A** Nonprofit homes for the aging.
- 458-18** Property tax—Abatements, credits, deferrals and refunds.
- 458-20** Excise tax rules.
- 458-30** Open Space Taxation Act rules.
- 458-40** Taxation of forest land and timber.

### Chapter 458-08 WAC

#### UNIFORM PROCEDURAL RULES FOR THE CONDUCT OF CONTESTED CASES

#### WAC

458-08-010 through 458-08-270 Repealed.

#### DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER

- 458-08-010 Application and scope of chapter 458-08 WAC. [Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-010, filed 11/18/85.] Repealed by 95-07-067, filed 3/14/95, effective 4/14/95. Statutory Authority: RCW 82.32.300.
- 458-08-020 Definitions. [Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-020, filed 11/18/85.] Repealed by 95-07-067, filed 3/14/95, effective 4/14/95. Statutory Authority: RCW 82.32.300.
- 458-08-030 Appearance and practice before agency—Who may appear. [Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-030, filed 11/18/85.] Repealed by 95-07-067, filed 3/14/95, effective 4/14/95. Statutory Authority: RCW 82.32.300.
- 458-08-040 Appearance and practice before agency—Standards of ethical conduct. [Statutory Authority: RCW 82.01.060(2)]

and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-040, filed 11/18/85.] Repealed by 95-07-067, filed 3/14/95, effective 4/14/95. Statutory Authority: RCW 82.32.300.

458-08-050 Appearance and practice before agency—Appearance by former employee of agency or former member of attorney general's staff. [Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-050, filed 11/18/85.] Repealed by 95-07-067, filed 3/14/95, effective 4/14/95. Statutory Authority: RCW 82.32.300.

458-08-060 Appearance and practice before agency—Former employee as expert witness. [Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-060, filed 11/18/85.] Repealed by 95-07-067, filed 3/14/95, effective 4/14/95. Statutory Authority: RCW 82.32.300.

458-08-070 Pleadings. [Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-070, filed 11/18/85.] Repealed by 95-07-067, filed 3/14/95, effective 4/14/95. Statutory Authority: RCW 82.32.300.

458-08-080 Discovery in contested cases—Scope. [Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-080, filed 11/18/85.] Repealed by 95-07-067, filed 3/14/95, effective 4/14/95. Statutory Authority: RCW 82.32.300.

458-08-090 Depositions and interrogatories in contested cases—Right to take. [Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-090, filed 11/18/85.] Repealed by 95-07-067, filed 3/14/95, effective 4/14/95. Statutory Authority: RCW 82.32.300.

458-08-100 Depositions and interrogatories in contested cases—Officer before whom taken. [Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-100, filed 11/18/85.] Repealed by 95-07-067, filed 3/14/95, effective 4/14/95. Statutory Authority: RCW 82.32.300.

458-08-110 Depositions and interrogatories in contested cases—Authorization. [Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-110, filed 11/18/85.] Repealed by 95-07-067, filed 3/14/95, effective 4/14/95. Statutory Authority: RCW 82.32.300.

458-08-120 Depositions and interrogatories in contested cases—Protection of parties and deponents. [Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-120, filed 11/18/85.] Repealed by 95-07-067, filed 3/14/95, effective 4/14/95. Statutory Authority: RCW 82.32.300.

458-08-130 Deposition and interrogatories in contested cases—Oral examination and cross-examination. [Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-130, filed 11/18/85.] Repealed by 95-07-067, filed 3/14/95, effective 4/14/95. Statutory Authority: RCW 82.32.300.

458-08-140 Depositions and interrogatories in contested cases—Recordation. [Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-140, filed 11/18/85.] Repealed by 95-07-067, filed 3/14/95, effective 4/14/95. Statutory Authority: RCW 82.32.300.

458-08-150 Depositions and interrogatories in contested cases—Signing attestation and return. [Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-150, filed 11/18/85.] Repealed by 95-07-067, filed 3/14/95, effective 4/14/95. Statutory Authority: RCW 82.32.300.

458-08-160 Depositions and interrogatories in contested cases—Use and effect. [Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-160, filed 11/18/85.] Repealed by 95-07-067, filed 3/14/95, effective 4/14/95. Statutory Authority: RCW 82.32.300.

458-08-170 Depositions and interrogatories in contested cases—Fees of officers and deponents. [Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-170, filed 11/18/85.] Repealed by 95-07-067, filed 3/14/95, effective 4/14/95. Statutory Authority: RCW 82.32.300.

458-08-180 Depositions upon interrogatories—Submission of interrogatories. [Statutory Authority: RCW 82.01.060(2) and

34.12.080. 85-23-049 (Order PR 85-1), § 458-08-180, filed 11/18/85.] Repealed by 95-07-067, filed 3/14/95, effective 4/14/95. Statutory Authority: RCW 82.32.300.

458-08-190 Depositions upon interrogatories—Interrogation. [Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-190, filed 11/18/85.] Repealed by 95-07-067, filed 3/14/95, effective 4/14/95. Statutory Authority: RCW 82.32.300.

458-08-200 Depositions upon interrogatories—Attestation and return. [Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-200, filed 11/18/85.] Repealed by 95-07-067, filed 3/14/95, effective 4/14/95. Statutory Authority: RCW 82.32.300.

458-08-210 Depositions upon interrogatories—Provisions of deposition rule. [Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-210, filed 11/18/85.] Repealed by 95-07-067, filed 3/14/95, effective 4/14/95. Statutory Authority: RCW 82.32.300.

458-08-220 Interrogatories to parties. [Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-220, filed 11/18/85.] Repealed by 95-07-067, filed 3/14/95, effective 4/14/95. Statutory Authority: RCW 82.32.300.

458-08-230 Requests for admission. [Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-230, filed 11/18/85.] Repealed by 95-07-067, filed 3/14/95, effective 4/14/95. Statutory Authority: RCW 82.32.300.

458-08-240 Subpoenas. [Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-240, filed 11/18/85.] Repealed by 95-07-067, filed 3/14/95, effective 4/14/95. Statutory Authority: RCW 82.32.300.

458-08-250 Settlement. [Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-250, filed 11/18/85.] Repealed by 95-07-067, filed 3/14/95, effective 4/14/95. Statutory Authority: RCW 82.32.300.

458-08-260 Decision procedure. [Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-260, filed 11/18/85.] Repealed by 95-07-067, filed 3/14/95, effective 4/14/95. Statutory Authority: RCW 82.32.300.

458-08-270 Review procedures. [Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-270, filed 11/18/85.] Repealed by 95-07-067, filed 3/14/95, effective 4/14/95. Statutory Authority: RCW 82.32.300.

**WAC 458-08-010 through 458-08-270 Repealed.**  
See Disposition Table at beginning of this chapter.

## Chapter 458-14 WAC

### COUNTY BOARDS OF EQUALIZATION

#### WAC

458-14-005 Definitions.

458-14-015 Jurisdiction of county boards of equalization.

458-14-056 Petitions—Time limits—Waiver of filing deadline for good cause.

458-14-066 Requests for valuation information—Duty to exchange information—Time limits.

458-14-116 Orders of the board—Notice of value adjustment—Effective date.

458-14-127 Reconvened boards—Authority.

458-14-146 Conflicts of interest.

458-14-160 Continuances—Ex parte contact.

458-14-170 Appeals to the state board of tax appeals.

458-14-171 Direct appeals to board of tax appeals.

**WAC 458-14-005 Definitions.** The following definitions shall apply to chapter 458-14 WAC:

(1) "Alternate member" means a board member appointed by the county legislative authority to serve in the temporary absence of a regular board member.

(2) "Arm's length transaction" means a transaction between parties under no duress, not motivated by special purposes, and unaffected by personal or economic relationships between themselves, both seeking to maximize their positions from the transaction.

(3) "Assessed value" means the value of real or personal property determined by an assessor.

(4) "Assessment roll" means the record which contains the assessed values of property in the county.

(5) "Assessment year" means the calendar year when the property is listed and valued by the assessor and precedes the calendar year when the tax is due and payable.

(6) "Assessor" means a county assessor or any person authorized to act on behalf of the assessor.

(7) "Board" means a county board of equalization.

(8) "County financial authority" means the county treasurer or any other person responsible for billing and collecting property taxes.

(9) "County legislative authority" means the board of county commissioners or the county legislative body as established under a home rule charter.

(10) "Department" means the department of revenue.

(11) "Documentary evidence" means comparable sales data, cost data, income data, or any other item of evidence, including maps or photographs, which supports value.

(12) "Equalize" means ensuring that comparable properties are comparably valued and refers to the process by which the county board of equalization reviews the valuation of real and personal property on the assessment roll as returned by the assessor, so that each tract or lot of real property and each article or class of personal property is entered on the assessment roll at one hundred percent of its true and fair value.

(13) "Interim member" means a board member appointed by the county legislative authority to fill a vacancy caused by the resignation or permanent incapacity of a regular board member. Such interim member shall serve for the balance of the regular board member's term.

(14) "Manifest error" means an error in listing or assessment, which does not involve a revaluation of property, including the following:

- (a) An error in the legal description;
- (b) A clerical or posting error;
- (c) Double assessments;
- (d) Misapplication of statistical data;
- (e) Incorrect characteristic data;
- (f) Incorrect placement of improvements;
- (g) Erroneous measurements;
- (h) The assessment of property exempted by law from taxation;

(i) The failure to deduct the exemption allowed by law to the head of a family; or

(j) Any other error which can be corrected by reference to the records and valuation methods applied to similarly situated properties, without exercising appraisal judgment.

(15) "Market value" means the amount of money a buyer of property willing but not obligated to buy would pay a seller of property willing but not obligated to sell, taking into consideration all uses to which the property is adapted

and might in reason be applied. True and fair value is the same as market value or fair market value.

(16) "May" as used in this chapter is expressly intended to be permissive.

(17) "Member" means a regular member of a board.

(18) "Reconvene" refers to the board's limited power to meet to equalize assessments in the current assessment year after the board's regularly convened session is adjourned, or to meet to hear matters concerning prior years.

(19) "Regularly convened session" means the statutorily mandated twenty-eight day period commencing annually on July 15, or the first business day following July 15 if it should fall on a Saturday, Sunday, or holiday.

(20) "Revaluation" means a change in value of property based upon an exercise of appraisal judgment.

(21) "Shall" as used in this chapter is expressly intended to be mandatory.

(22) "Taxpayer" means the person or entity whose name and address appears on the assessment rolls, or their duly authorized agent, personal representative, or guardian. "Taxpayer" also includes the person or entity whose name and address should appear on the assessment rolls as the owner of the property, but because of mistake, delay, or inadvertence does not so appear; for example, in an instance when the rolls have not yet been updated after a transfer of property. A property owner may contract with a lessee for the purpose of making the lessee responsible for the payment of the property tax and such lessee may be deemed to be a taxpayer solely for the purpose of pursuing property tax appeals in his or her own name. If such contract is made, the lessee shall be responsible for providing the county assessor with a proper and current mailing address.

(23) "Tax year" means the calendar year when property taxes are due and payable.

[Statutory Authority: RCW 84.48.200, 84.08.010 and 84.08.070. 95-17-099, § 458-14-005, filed 8/23/95, effective 9/23/95; 90-23-097, § 458-14-005, filed 11/21/90, effective 12/22/90.]

**WAC 458-14-015 Jurisdiction of county boards of equalization.** (1) Boards have jurisdiction to hear all appeals as may be authorized by statute, including the following types of appeals:

(a) Appeals of exemption denials arising under RCW 35.21.755 (public corporations).

(b) Appeals for a change in appraised value when the department establishes taxable rent under RCW 82.29A.020 (2)(b) (leasehold excise tax) based on an appraisal done by the county assessor at the request of the department.

(c) Appeals of decisions or disputes pursuant to RCW 84.26.130 (historic property).

(d) Forest land determinations pursuant to RCW 84.33.116, 84.33.118, 84.33.120, 84.33.130, and 84.33.140, including an appeal of an assessor's refusal to classify land as forest land under RCW 84.33.120.

(e) Current use determinations pursuant to RCW 84.34.108 and 84.34.035.

(f) Appeals pursuant to RCW 84.36.385 (senior citizen exemption denials).

(g) Appeals pursuant to RCW 84.36.812 (cessation of exempt use).

(h) Determinations pursuant to RCW 84.38.040 (property tax deferrals).

(i) Determinations pursuant to RCW 84.40.085 (omitted property or value).

(j) Valuation appeals of taxpayers pursuant to RCW 84.48.010.

(k) Appeal from a decision of the assessor relative to a claim for either real or personal property tax exemption, pursuant to RCW 84.48.010.

(1) Destroyed property appeals pursuant to RCW 84.70.010.

(2) Boards have jurisdiction to equalize property values on their own initiative pursuant to RCW 84.48.010, in accordance with WAC 458-14-046.

[Statutory Authority: RCW 84.48.200, 84.08.010 and 84.08.070. 95-17-099, § 458-14-015, filed 8/23/95, effective 9/23/95; 93-08-050, § 458-14-015, filed 4/2/93, effective 5/3/93; 90-23-097, § 458-14-015, filed 11/21/90, effective 12/22/90.]

**WAC 458-14-056 Petitions—Time limits—Waiver of filing deadline for good cause.** (1) The sole method for appealing an assessor's determination to the board, as to valuation of property, or as to any other types of assessor determinations shall be by means of a properly completed and timely filed taxpayer petition.

(2) A taxpayer's petition for review of the assessed valuation placed upon property by the assessor or for review of any of the types of appeals listed in WAC 458-14-015 shall be filed in duplicate with the board on or before July 1st of the assessment year or within thirty days after the date an assessment or value change notice or other determination notice is mailed to the taxpayer, whichever date is later (RCW 84.40.038).

(3) No late filing of a petition shall be allowed except as specifically provided in this subsection. The board may waive the filing deadline if the petition is filed within a reasonable time after the filing deadline and the petitioner shows good cause, as defined in this subsection, for the late filing. A petition that is filed after the deadline without a showing of good cause shall be dismissed unless, after the taxpayer is notified by the board that the petition will be dismissed because of the late filing, the taxpayer promptly shows good cause for the late filing. The board shall decide a taxpayer's claim of good cause without holding a public hearing on the claim and shall promptly notify the taxpayer of the decision, in writing. The board's decision regarding a waiver of the filing deadline is final and not appealable to the state board of tax appeals. Good cause may be shown by documentation of one or more of the following events or circumstances:

(a) The taxpayer was unable to file the petition by the filing deadline because of a death or serious illness of the taxpayer or of a member of the taxpayer's immediate family occurring at or shortly before the time for filing. For purposes of this subsection, the term "immediate family" includes, but is not limited to, a grandparent, parent, brother, sister, spouse, child, or grandchild.

(b) The taxpayer was unable to file the petition by the filing deadline because of the occurrence of all of the following:

(i) The taxpayer was absent from his or her home or from the address where the assessment notice or value change notice is normally received by the taxpayer. If the notice is normally mailed by the assessor to a mortgagee or other agent of the taxpayer, the taxpayer must show that the mortgagee or other agent was required, pursuant to written instructions from the taxpayer, to promptly transmit the notice and failed to do so; and

(ii) The taxpayer was absent (as described in (b)(i) of this subsection) for more than fifteen of the thirty days prior to the filing deadline; and

(iii) The filing deadline is after July 1 of the assessment year, that is, the notice from which the taxpayer appeals was mailed within the assessment year and after June 1st.

(c) The taxpayer was unable to file the petition by the filing deadline because the taxpayer reasonably relied upon incorrect, ambiguous, or misleading written advice as to the proper filing requirements by either a board member or board staff, the assessor or assessor's staff, or the property tax advisor designated under RCW 84.48.140, or his or her staff.

(d) The taxpayer was unable to file the petition by the filing deadline because of a natural disaster such as a flood or earthquake occurring at or shortly before the time for filing.

(e) The taxpayer was unable to file the petition by the filing deadline because of a delay or loss related to the delivery of the petition by the postal service. The taxpayer must be able to provide documentation from the postal service of such a delay or loss.

(4) If a petition is filed by mail it shall be postmarked no later than the filing deadline. If the filing deadline falls upon a Saturday, Sunday or holiday, the petition shall be filed on or postmarked no later than the next business day.

(5) A petition is properly completed when all relevant questions on the form provided or approved by the department have been answered and the answers contain sufficient information or statements to apprise the board and the assessor of the reasons for the appeal. A petition which merely states that the assessor's valuation is too high or that property taxes are excessive, or similar such statements, is not properly completed and shall not be considered by the board. If, at the time of filing the petition, the taxpayer does not have all the documentary evidence available which he or she intends to present at the hearing, the petition will be deemed to be properly completed for purposes of preserving the taxpayer's right of appeal, if it is otherwise fully and properly filled out. However, any comparable sales or other valuation evidence not submitted at the time the petition is filed must be provided by the taxpayer to the assessor and the board at least seven business days, excluding legal holidays, prior to the board hearing. A copy of such completed petition shall be provided to the assessor by the clerk of the board. Any petition not fully and properly completed shall not be considered by the board (RCW 84.40.038). See: WAC 458-14-066 Requests for valuation information—Duty to exchange information—Time limits, for an explanation of the availability, use and exchange of valuation information prior to the hearing before the board.

(6) Whenever the taxpayer has an appeal pending with the board, the state board of tax appeals or with a court of



law, and the assessor notifies the taxpayer of a change in property valuation, the taxpayer is required to file a timely petition with the board in order to preserve the right to appeal the change in valuation. For example, if a taxpayer has appealed a decision of the board to the board of tax appeals regarding an assessed value for the year 1989, and that appeal is pending when the assessor issues a value change notice for the 1990 assessment year, the taxpayer must still file a timely petition appealing the valuation for the 1990 assessment year in order to preserve his or her right to appeal from that 1990 assessed value.

(7) Petition forms shall be available from the clerk of the board and from the assessor's office.

[Statutory Authority: RCW 84.48.200, 84.08.010 and 84.08.070. 95-17-099, § 458-14-056, filed 8/23/95, effective 9/23/95; 90-23-097, § 458-14-056, filed 11/21/90, effective 12/22/90.]

**WAC 458-14-066 Requests for valuation information—Duty to exchange information—Time limits.** (1) Introduction. Timely access to valuation information should be provided to both parties prior to the hearing on a petition so that time-consuming and costly discovery procedures are unnecessary.

(2) Requests by a taxpayer for valuation information from the assessor may be made on the petition form filed with the board, or may be made at any reasonable time prior to the hearing. Upon request by the taxpayer, the assessor shall make available to the taxpayer the comparable sales used in establishing the taxpayer's property valuation. If valuation criteria other than comparable sales were used, the assessor shall provide the taxpayer with such information. All such valuation information, including comparable sales, shall be provided to the taxpayer and the board within sixty days of the request but at least fourteen business days, excluding legal holidays, prior to the taxpayer's appearance before the board of equalization.

(3) The valuation information provided by the assessor to the taxpayer shall not be subsequently changed by the assessor unless the assessor has found new evidence supporting the assessor's valuation, in which situation the assessor shall provide the additional evidence to the taxpayer and the board at least fourteen business days prior to the hearing at the board.

(4) A taxpayer who lists comparable sales on the petition, or who provides the board and the assessor with comparable sales or valuation evidence after filing the petition shall not thereafter change or add other comparable sales or valuation evidence without providing the assessor and the board with the additional information at least seven business days, excluding legal holidays, prior to the board hearing.

(5) If either the assessor or taxpayer does not comply with the requirements of this section, the board in its discretion may take any of the following actions:

(a) If there is no objection by either party, consider the new evidence provided by either party and proceed with the hearing;

(b) If there is an objection by either party to the failure of the other party to comply with the requirements of this section, the board may:

(i) Refuse to consider evidence that was not timely submitted; (ii) Postpone the hearing for a definite time period designated by the board, to provide the parties an opportunity to review all evidence; or

(iii) Proceed with the hearing but allow the parties to submit new evidence to the board and the other party, after the hearing is concluded, within definite time periods designated by the board, and provide each party with an adequate opportunity to rebut or comment on the new evidence prior to the board's decision.

[Statutory Authority: RCW 84.48.200, 84.08.010 and 84.08.070. 95-17-099, § 458-14-066, filed 8/23/95, effective 9/23/95; 90-23-097, § 458-14-066, filed 11/21/90, effective 12/22/90.]

**WAC 458-14-116 Orders of the board—Notice of value adjustment—Effective date.** (1) All orders issued by a board shall be on the form provided or approved by the department and shall state the facts and evidence upon which the decision is based and the reason(s) for the decision.

(2) All orders of the board shall be signed by the chairman of the board, provided, however, that the chairman may, by written designation, authorize other members or the board clerk to sign orders on behalf of the chairman.

(3) After a hearing, if a board adjusts or sustains the valuation of a parcel of real property or an item of personal property, the board shall serve or mail notice of the decision to the appellant and the assessor.

(a) If the valuation is reduced, the new valuation shall take effect immediately, subject to the parties' right to appeal the decision.

(b) If the valuation is increased, the increased valuation shall become effective thirty days after the date of service or mailing of the notice of the adjustment unless the taxpayer or assessor files a petition to the board of tax appeals in accordance with WAC 458-14-170, before the effective date. If such a petition is filed, the increase does not take effect until the board of tax appeals disposes of the matter.

(4) If the valuation is increased without a petition having been filed, the increased valuation shall become effective thirty days after the date of service or mailing of the notice of the adjustment to the taxpayer unless the taxpayer files a petition with the board on or before the effective date.

(5) In counties with a multiyear revaluation cycle, orders issued by the board shall have effect up to the end of the revaluation cycle used by the assessor and approved by the department. The board order may contain a specific statement notifying the parties of this effect. If there has been an intervening change in assessed value of the taxpayer's property between the time the petition was filed and the date the board's order is issued, the board's order shall have effect only up to the effective date of the change in assessed value. The same effect will also apply when a valuation adjustment is ordered upon appeal of a board order.

(6) In counties with a multiyear revaluation cycle, once the board has issued a decision with respect to a taxpayer's real property, and when there has been no intervening change in assessed value, any subsequent appeal to the board:

(a) By the same taxpayer relating to the same property shall be treated as a motion for reconsideration. The board

shall hold a hearing on the appeal/motion only if the taxpayer can show that there is newly discovered evidence that materially affects the basis for the board's decision and the taxpayer can show that the evidence could not with reasonable diligence have been discovered and produced at the original hearing;

(b) By a taxpayer who acquired the property from the taxpayer to whom the board decision was issued, and for a subsequent assessment year, shall be treated as an original appeal.

[Statutory Authority: RCW 84.48.200, 84.08.010 and 84.08.070. 95-17-099, § 458-14-116, filed 8/23/95, effective 9/23/95; 90-23-097, § 458-14-116, filed 11/21/90, effective 12/22/90.]

#### **WAC 458-14-127 Reconvened boards—Authority.**

(1) Boards of equalization may reconvene on their own authority to hear requests concerning the current assessment year when the request is filed with the board by April 30 of the tax year immediately following the board's regularly convened session and at least one of the following conditions is met:

(a) A taxpayer requests the board reconvene and submits to the board a sworn affidavit stating that notice of change of value for the assessment year was not received by the taxpayer at least fifteen calendar days prior to the deadline for filing the petition, and can show proof that the value was actually changed.

(b) An assessor submits an affidavit to the board stating that the assessor was unaware of facts which were discoverable at the time of appraisal and that such lack of facts caused the valuation of property to be materially affected. In the affidavit, the assessor shall state the facts which affected the value and also state both the incorrect value and the true and fair market value of the property and shall mail a copy of the affidavit to the taxpayer. If the board decides to reconvene to consider the valuation, it shall notify both the taxpayer and assessor of its decision in writing.

(c) In an arm's length transaction, a bona fide purchaser or contract buyer of record has acquired an interest in real property subsequent to the first day of July and on or before December 31 of the assessment year and the sale price was less than ninety percent of the assessed value.

(2) Upon request of either the taxpayer or the assessor, boards may reconvene on their own authority to hear appeals with respect to property or value that was omitted from the assessment rolls. No request shall be accepted for any period more than three years preceding the year in which the omission is discovered.

(3) Requests for reconvening boards concerning prior year's assessments or for an extension of the annual regularly convened session to enable the board to complete its annual equalization duties shall be submitted to the clerk of the board who shall submit such request to the department for determination.

(4) The department may require any board to reconvene at any time for the purpose of performing or completing any duty or taking any action the board might lawfully have performed or taken at any of its previous meetings, or for any other purpose allowed by law.

(5) The department shall reconvene a board upon request of a taxpayer when the taxpayer makes a prima facie

showing of actual or constructive fraud on the part of taxing officials. The department shall reconvene a board upon request of an assessor when the assessor makes a prima facie showing of actual or constructive fraud on the part of a taxpayer.

(6) All reconvening requests shall:

(a) Specify the assessment year(s) that is the subject of the request; and

(b) State the specific grounds upon which the request is based; and

(c) If the taxpayer is the party requesting the reconvening, state that he or she is the owner or duly authorized agent, personal representative or guardian, of the property or is a lessee responsible for the payment of the property taxes.

(7) No board shall reconvene later than three years after the adjournment of its regularly convened session.

[Statutory Authority: RCW 84.48.200, 84.08.010 and 84.08.070. 95-17-099, § 458-14-127, filed 8/23/95, effective 9/23/95; 93-08-050, § 458-14-127, filed 4/2/93, effective 5/3/93; 90-23-097, § 458-14-127, filed 11/21/90, effective 12/22/90.]

**WAC 458-14-146 Conflicts of interest.** (1) Board members shall disqualify themselves from hearing an appeal involving property owned in whole or in part by members or employees of the board or county legislative authority or any person related to a member or employee of the board or county legislative authority by blood or marriage. Board members do not need to disqualify themselves from hearing an appeal filed by other county officials, such as the county auditor, sheriff, treasurer, prosecutor, assessor, judges, or other county officials or their employees.

(2) Board members who are or who have been real estate agents, appraisers, or assessors shall disqualify themselves from hearing an appeal regarding property with which they have been involved, until the property has been revalued subsequent to their involvement in accordance with the assessor's revaluation cycle, as follows:

(a) Property that they have appraised; or

(b) Property with which they have been connected with the purchase or sale; or

(c) Property with which they have in any way exercised discretion.

(3) If a board cannot achieve a quorum due to the provisions of subsections (1) and (2) of this section, the board shall sustain the assessor's determination. The taxpayer shall be advised by the board of the right to appeal the board's action to the state board of tax appeals.

[Statutory Authority: RCW 84.48.200, 84.08.010 and 84.08.070. 95-17-099, § 458-14-146, filed 8/23/95, effective 9/23/95; 90-23-097, § 458-14-146, filed 11/21/90, effective 12/22/90.]

#### **WAC 458-14-160 Continuances—Ex parte contact.**

(1) Extensions of time, other than the time for filing petitions, continuances, and adjournments may be ordered by the board on its own motion or may be granted by it, in its discretion, on motion of any party showing good and sufficient cause therefor. For a waiver of the time limit in which to file the petition, see WAC 458-14-056(3).

(2) No one shall make or attempt to make any ex parte contact with board members except upon notice and opportunity for all parties to be present or to the extent required for

the disposition of ex parte matters as authorized by law, nor shall a board member make or attempt to make any ex parte contact with any person regarding any issue in the proceeding who has a direct or indirect interest in the outcome of the proceeding, without notice and opportunity for all parties to participate, unless necessary to procedural aspects of maintaining an orderly process.

[Statutory Authority: RCW 84.48.200, 84.08.010 and 84.08.070. 95-17-099, § 458-14-160, filed 8/23/95, effective 9/23/95; 90-23-097, § 458-14-160, filed 11/21/90, effective 12/22/90.]

**WAC 458-14-170 Appeals to the state board of tax appeals.** (1) Pursuant to RCW 84.08.130, any taxpayer, taxing unit, or assessor feeling aggrieved by the action of a board may appeal to the board of tax appeals by filing with the board of tax appeals a notice of appeal within thirty days after the board has served or mailed its decision. The appeal is deemed timely filed with the board of tax appeals if postmarked on or before the thirtieth day after the board of equalization has served or mailed its decision.

(2) The notice of appeal shall specify the actions of the board that the appellant is appealing, and shall be in such form as is required by the board of tax appeals (see WAC 456-10-310 and 456-09-310). The petitioner shall serve a copy of the notice of appeal on all named parties within the same thirty-day time period.

(3) The board appealed from shall file with the board of tax appeals a true and correct copy of its decision in such action and all evidence taken in connection therewith.

[Statutory Authority: RCW 84.48.200, 84.08.010 and 84.08.070. 95-17-099, § 458-14-170, filed 8/23/95, effective 9/23/95; 93-08-050, § 458-14-170, filed 4/2/93, effective 5/3/93; 90-23-097, § 458-14-170, filed 11/21/90, effective 12/22/90.]

**WAC 458-14-171 Direct appeals to board of tax appeals.** (1) In an appeal involving complex issues or requiring expertise beyond the board's proficiency, a taxpayer, prior to the hearing before the board, may file a request with the board for a direct appeal to the state board of tax appeals without first having been heard by the board. The taxpayer and assessor (or the assessor's authorized designee) must jointly sign this request. Without holding a public hearing on the request, the board, by simple majority vote, shall approve or deny the request within fifteen calendar days of its receipt.

(2) If the board denies the request, the board shall notify all parties to the appeal, in writing, of the denial, and process the taxpayer's appeal as though no request had been made. The board need not provide reasons for its denial. If the board fails to act timely on the request, the taxpayer may petition the board to schedule a hearing on the taxpayer's appeal. Within thirty days of receipt of the taxpayer's petition, the board will schedule a future date for the taxpayer's appeal to be heard.

(3) If the board approves the request, the board shall notify all parties to the appeal, in writing, of the approval, and shall forward the taxpayer's appeal to the state board of tax appeals together with the request for direct appeal and the signed approval of the board.

(4) If the state board of tax appeals rejects the request, it must do so within thirty calendar days of receipt of the request and shall at the same time notify all parties and the

board of the reason or reasons for the rejection. In such cases, the board shall process the taxpayer's appeal as though no request had been made.

[Statutory Authority: RCW 84.48.200, 84.08.010 and 84.08.070. 95-17-099, § 458-14-171, filed 8/23/95, effective 9/23/95; 93-08-050, § 458-14-171, filed 4/2/93, effective 5/3/93.]

## Chapter 458-16 WAC PROPERTY TAX—EXEMPTIONS

### WAC

458-16-265 Repealed.

### DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER

458-16-265 Nonprofit homes for the aging. [Statutory Authority: RCW 82.08.010, 84.36.865 and 84.36.041. 90-06-048, § 458-16-265, filed 3/2/90, effective 4/2/90.] Repealed by 95-06-042, filed 2/24/95, effective 3/27/95. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.36.041.

**WAC 458-16-265 Repealed.** See Disposition Table at beginning of this chapter.

## Chapter 458-16A WAC NONPROFIT HOMES FOR THE AGING

### WAC

458-16A-010 Nonprofit homes for the aging.  
458-16A-020 Nonprofit homes for the aging—Initial application and annual renewal.

### WAC 458-16A-010 Nonprofit homes for the aging.

(1) **Introduction.** Under RCW 84.36.041, a nonprofit home for the aging may be totally or partially exempt from property tax. This section explains the exemptions allowed and the criteria that must be met in order to receive an exemption under this statute. Throughout this section, all requirements will pertain to all types of homes for the aging including, but not limited to, adult care homes, assisted living facilities, continuing care retirement communities (CCRC), and independent housing, unless a particular type of home is separately identified.

(2) **Definitions.** For purposes of this section, the following definitions apply:

(a) "Acquisition" means that an existing home for the aging (or home) currently in operation is acquired by a nonprofit organization and the ownership of the facility will change as a result of a purchase, gift, foreclosure, or other method.

(b) "Assistance with activities of daily living" means the home provides, brokers, or contracts for the provision of auxiliary services to residents, such as meal and housekeeping service, transportation, ambulatory service, and attendant care including, but not limited to, bathing and other acts related to personal hygiene, dressing, shopping, food preparation, monitoring of medication, and laundry services.

(c) "Combined disposable income" means the disposable income of the person submitting the income verification form, plus the disposable income of his or her spouse, and the disposable income of each cotenant occupying the

dwelling unit for the preceding calendar year, less amounts paid by the person submitting the income verification form or his or her spouse or cotenant during the previous year for the treatment or care of either person received in the dwelling unit or in a nursing home.

(i) If the person submitting the income verification form was retired for two months or more of the preceding calendar year, the combined disposable income of the person will be calculated by multiplying the average monthly combined disposable income of the person during the months the person was retired by twelve.

(ii) If the income of the person submitting the income verification form is reduced for two or more months of the preceding calendar year by reason of the death of the person's spouse, the combined disposable income of the person will be calculated by multiplying the average monthly combined disposable income of the person after the death of the spouse by twelve.

(d) "Complete and separate dwelling units" means that the individual units of a home contain complete facilities for living, sleeping, cooking, and sanitation.

(e) "Construction" means the actual construction or building of all or a portion of a home that did not exist prior to the construction.

(f) "Continuing care retirement community" or "CCRC" means an entity that provides shelter and services under continuing care contracts with its residents or includes a health care facility or health service.

(g) "Continuing care contract" means a contract to provide a person, for the duration of that person's life or for a term in excess of one year, shelter along with nursing, medical, health-related or personal care services, that is conditioned upon the transfer of property, the payment of an entrance fee to the provider of the services, and/or the payment of periodic charges in consideration for the care and services provided. A continuing care contract is not excluded from this definition because the contract is mutually terminable or because shelter and services are not provided at the same location.

(h) "Cotenant" means a person who resides with an eligible resident and who shares personal financial resources with the eligible resident.

(i) "Disposable income" means adjusted gross income as defined in the federal Internal Revenue Code, as amended prior to January 1, 1994, plus all of the following items to the extent they are not included in or have been deducted from adjusted gross income:

(i) Capital gains, other than nonrecognized gain on the sale of a principal residence under section 1034 of the federal Internal Revenue Code, or gain excluded from income under section 121 of the federal Internal Revenue Code to the extent it is reinvested in a new principal residence;

(ii) Amounts deducted for loss;

(iii) Amounts deducted for depreciation;

(iv) Pension and annuity receipts;

(v) Military pay and benefits other than attendant-care and medical-aid payments;

(vi) Veterans benefits other than attendant-care and medical-aid payments;

(vii) Federal Social Security Act and railroad retirement benefits;

(viii) Dividend receipts; and

(ix) Interest received on state and municipal bonds.

(j) "Eligible resident" means a person who:

(i) Occupied the dwelling unit as a principal place of residence as of January 1st of the year in which the claim for exemption is filed. The exemption will not be nullified if the eligible resident is confined to a hospital or nursing home and the dwelling unit is temporarily unoccupied or occupied by a spouse, a person financially dependent on the claimant for support, or both;

(ii) Is sixty-one years of age or older on December 31st of the year in which the claim for exemption is filed, or is, at the time of filing, retired from regular gainful employment by reason of physical disability. A surviving spouse of a person who was receiving an exemption at the time of the person's death will qualify for this exemption if the surviving spouse is fifty-seven years of age or older and otherwise meets the requirements of this subsection; and

(iii) Has a combined disposable income that is no more than the greater of twenty-two thousand dollars or eighty percent of the median income adjusted for family size as determined by the federal Department of Housing and Urban Development (HUD) for the county in which the person resides and in effect as of January 1 of the year the application for exemption is submitted.

(k) "Home for the aging" or "home" means a residential housing facility that:

(i) Provides a housing arrangement chosen voluntarily by the resident, the resident's guardian or conservator, or another responsible person;

(ii) Has only residents who are at least sixty-one years of age or who have needs for care generally compatible with persons who are at least sixty-one years of age; and

(iii) Provides varying levels of care and supervision, as agreed to at the time of admission or as determined necessary at subsequent times of reappraisal.

(l) "HUD" means the federal Department of Housing and Urban Development.

(m) "Local median income" means the median income adjusted for family size as most recently determined by HUD for the county in which the home is located and in effect on January 1st of the year the application for exemption is submitted.

(n) "Low income" means that the combined disposable income of a resident is eighty percent or less of the median income adjusted for family size as most recently determined by HUD for the county in which the home is located and in effect as of January 1st of the year the application for exemption is submitted.

(o) "Occupied dwelling unit" means a living unit that is occupied on January 1st of the year in which the claim for exemption is filed.

(p) "Property that is reasonably necessary" means all property that is:

(i) Operated and used by a home; and

(ii) The use of which is restricted to residents, guests, or employees of a home.

(q) "Refinancing" means the discharge of an existing debt with funds obtained through the creation of new debt.

For purposes of this section, even if the application for tax exempt bond financing to refinance existing debt is treated by the financing agent as something other than refinancing, an application for a property tax exemption because of refinancing by tax exempt bonds will be treated as refinancing and the set-asides specific to refinancing will be applied. "Refinancing" shall include tax exempt bond financing in excess of the amount of existing debt that is obtained to modify, improve, restore, extend, or enlarge a facility currently being operated as a home.

(r) "Rehabilitation" means that an existing building or structure, not currently used as a home, will be modified, improved, restored, extended, or enlarged so that it will be used as a home for elderly and disabled individuals. A project will be considered a rehabilitation if the costs of rehabilitation exceed five thousand dollars. If a home has acquired tax exempt bond financing and does not meet the definition of "rehabilitation" contained in this subsection, the home may be eligible for a total exemption under the "refinancing" definition and if it meets the "refinancing" set-aside requirements. If such a home is not eligible for a total exemption, the department will determine the home's eligibility for a partial exemption in accordance with the pertinent parts of RCW 84.36.041 and this section.

(s) "Set-aside(s)" means the percentage of dwelling units reserved for low-income residents when the construction, rehabilitation, acquisition, or refinancing of a home is financed under a financing program using tax exempt bonds.

(t) "Shared dwelling units" or "shared units" means individual dwelling units of a home that do not contain complete facilities for living, eating, cooking, and sanitation.

(u) "Taxable value" means the value of the home upon which the tax rate is applied in order to determine the amount of property taxes due.

(v) "Total amount financed" means the total amount of financing required by the home to fund construction, acquisition, rehabilitation, or refinancing. Seventy-five percent of this amount must be supplied by tax exempt bonds to receive the total exemption from property tax available under the tax exempt bond financing provision of RCW 84.36.041.

(3) **General requirements.** To be exempt under this section, a home for the aging must be:

(a) Exclusively used for the purposes for which exemption is granted, except as provided in RCW 84.36.805;

(b) Operated by an organization that is exempt from income tax under section 501(c) of the federal Internal Revenue Code; and

(c) The benefit of the exemption must inure to the home.

(4) **Total exemption.** There are three ways in which a home may be totally exempt from property tax. All real and personal property used by a nonprofit home that is reasonably necessary for the purposes of the home is exempt if it meets the general requirements listed in subsection (3) of this section and:

(a) At least fifty percent of the occupied dwelling units in the home are occupied by eligible residents;

(b) The home is subsidized under a HUD program; or

(c) The construction, rehabilitation, acquisition, or refinancing of a home is financed under a program using bonds exempt from federal income tax if at least seventy-

five percent of the total amount financed uses tax exempt bonds and the financing program requires the home to reserve or set-aside a percentage of all dwelling units so financed for low-income residents. See subsections (5), (6), and (7) of this section for tax exempt bond requirements and the percentage of units that must be set-aside for low-income residents in order for the home to be totally exempt.

(5) **Homes or CCRCs financed by tax exempt bonds—Generally.** All real and personal property used by a nonprofit home or CCRC may be totally exempt from property tax if at least seventy-five percent of the total amount financed for construction, rehabilitation, acquisition, or refinancing uses tax exempt bonds and the financing program requires the home or CCRC to reserve or set-aside a percentage of all dwelling units so financed for low-income residents.

(a) The percentage of set-aside units required will vary depending on whether the home is a CCRC, the purpose for which the tax exempt bond financing was obtained, the type of dwelling unit, and the receipt of Medicaid funds. The set-aside requirements for homes are set forth in subsection (6) of this section and for CCRCs are set forth in subsection (7) of this section.

(b) The exemption will be granted in direct correlation between the total amount financed by tax exempt bonds and the portion of the home or CCRC that is constructed, acquired, rehabilitated, or refinanced by tax exempt bonds.

(c) If tax exempt bonds are used for refinancing, the set-aside requirements set forth in subsections (6) and (7) of this section will be applied to the actual area or portion of the home or CCRC to which the bonds correspond.

(i) Example 1. A CCRC (that accepts Medicaid funds) is composed of a multistory building, six duplexes, and two independent homes and the CCRC has secured tax exempt bonds to satisfy an existing mortgage on the multistory building. Only the multistory building will be considered eligible for a total exemption from property tax because of tax exempt bond financing. To receive the exemption, at least twenty percent of the dwelling units of the multistory building must be set-aside for residents at or below fifty percent of the local median income or at least forty percent of the dwelling units must be set-aside for residents at or below sixty percent of the local median income.

(ii) Example 2. A home obtains tax exempt bonds to refinance a portion of the home and to fund construction. The department will separately consider the area of the home that corresponds to the purpose for which the tax exempt bonds were obtained. The set-aside requirements related to refinancing will be applied to the portion of the home that corresponds to the mortgage being refinanced and the set-aside requirements related to construction will be applied to the area of the home to be newly constructed. The department will determine the eligibility for partial exemption of the remainder of the home that is not being refinanced or constructed.

(d) If a total exemption is granted under the tax exempt bond financing provision, the total exemption will remain in effect as long as:

(i) The home or CCRC remains in compliance with the requirements under which it received the tax exempt bonds;

(ii) The tax exempt bonds are outstanding; and

(iii) The set-aside requirements are met.

(e) If a home or CCRC has obtained tax exempt bond financing to modify, improve, restore, extend, or enlarge its existing facility and the project does not meet the definition of rehabilitation contained in subsection (2) of this section, the project will not be considered a rehabilitation and the set-aside requirements related to refinancing or acquisition will be applied in determining eligibility for a total exemption.

(f) When a home or CCRC no longer meets the criteria for exemption under the tax exempt bond financing portion of the statute, eligibility for exemption under RCW 84.34.041 will be determined by the other provisions of the statute. In other words, a home may receive a total or partial exemption depending on the number of residents who are deemed to be "eligible residents" or who require "assistance with activities of daily living." For example, if a home that previously received a total exemption due to the receipt of tax exempt bond financing has one hundred dwelling units and sixty of those dwelling units are occupied by eligible residents, the home may receive a total exemption.

(6) **Set-aside requirements related to homes and tax exempt bond financing.** A specified number of dwelling units within a home must be set-aside for low income residents to obtain a total property tax exemption because of tax exempt bond financing. The set-aside requirements for homes will be determined according to the type of dwelling units contained in the home and the purpose for which the tax exempt bond financing was obtained. The provisions of this section do not apply to CCRCs. The specific set-aside requirements for CCRCs are described in subsection (7) of this section.

(a) Complete and separate dwelling units - construction or rehabilitation. If financing was obtained for the construction or rehabilitation of a home with any complete and separate units, the following set-asides will apply:

(i) Ten percent of the total dwelling units financed must be set-aside for residents with incomes at or below eighty percent of the local median income; and

(ii) Ten percent of the total dwelling units must be set-aside for residents at or below fifty percent of the local median income.

(b) Complete and separate dwelling units - acquisition or refinancing. If financing was obtained to acquire or refinance a home with any complete and separate units, the following set-asides will apply:

(i) Twenty percent of the total dwelling units financed must be set-aside for residents with incomes at or below fifty percent of the local median income; or

(ii) Forty percent of the total dwelling units must be set-aside for residents at or below sixty percent of the local median income.

(c) Shared dwelling units - construction, rehabilitation, acquisition, or refinancing. If financing was obtained for the construction, rehabilitation, acquisition, or refinancing of a home with only shared units, the following set-asides apply:

(i) Ten percent of the total dwelling units financed must be set-aside for residents with incomes at or below eighty percent of the local median income; and

(ii) Ten percent of the total dwelling units must be set-aside for residents at or below fifty percent of the local median income.

(7) **Set-aside requirements related to CCRCs and tax exempt bond financing.** A specified number of dwelling units of a CCRC must be set-aside for low income residents to obtain a total property tax exemption because of tax exempt bond financing. The set-aside requirements for CCRCs will be determined by whether the CCRC does or does not have Medicaid contracts for continuing care contract residents and the purpose for which the tax exempt bond financing was obtained. The provisions of this section do not apply to other homes. The specific set-aside requirements for other homes are described in subsection (6) of this section.

(a) The continuing care contract between the resident and the CCRC is a contract to provide shelter along with nursing, medical, health-related or personal care services to the resident for the duration of the resident's life or for a term in excess of one year. A resident's tenancy may not be terminated due to inability of the resident to fully pay the monthly service fee when the resident establishes facts to justify a waiver or reduction of these charges. This provision shall not apply if the resident, without the CCRC's consent, has impaired his and/or her ability to meet financial obligations required by the continuing care contract due to a transfer of assets, after signing the continuing care contract, other than to meet ordinary and customary living expenses, or by incurring unusual or unnecessary new financial obligations.

(b) A CCRC without Medicaid contracts for continuing care contract residents may not receive Medicaid funds from Washington state or the federal government during the term that the bonds are outstanding, except during the initial transition period as allowed by state law or if the regulatory agreement with the tax exempt bond financier exempts the CCRC from compliance with this requirement.

(c) CCRCs not receiving Medicaid funds (including CCRCs that are permitted to receive Medicaid funds during an initial transition period only) - construction or rehabilitation. If financing was obtained for the construction or rehabilitation of a CCRC without Medicaid contracts for continuing care contract residents, the following set-asides apply:

(i) Ten percent of the total dwelling units financed must be set-aside for residents with incomes at or below eighty percent of the local median income; and

(ii) Fifteen percent of the total dwelling units must be set-aside for residents at or below one hundred percent of the local median income.

(d) CCRCs not receiving Medicaid funds (including CCRCs that are permitted to receive Medicaid funds during an initial transition period only) - acquisition or refinancing. If financing was obtained to acquire a CCRC or to refinance a CCRC without Medicaid contracts for continuing care contract residents, the following set-asides apply:

(i) Twenty percent of the total dwelling units financed must be set-aside for residents with incomes at or below fifty percent of the local median income; or

(ii) Forty percent of the total dwelling units must be set-aside for residents at or below sixty percent of the local median income.

(e) CCRCs receiving Medicaid funds - construction or rehabilitation. If financing was obtained for the construction



or rehabilitation of a CCRC with Medicaid contracts for continuing care contract residents, the following set-asides apply:

(i) Ten percent of the total dwelling units financed must be set-aside for residents with incomes at or below eighty percent of the local median income; and

(ii) Ten percent of the total dwelling units must be set-aside for residents at or below fifty percent of the local median income.

(f) CCRCs receiving Medicaid funds - acquisition or refinancing. If financing was obtained to acquire a CCRC or to refinance a CCRC with Medicaid contracts for continuing care contract residents, the following set-asides apply:

(i) Twenty percent of the total dwelling units financed must be set-aside for residents with incomes at or below fifty percent of the local median income; or

(ii) Forty percent of the total dwelling units must be set-aside for residents at or below sixty percent of the local median income.

(8) **Partial exemption.** If a home does not qualify for a total exemption from property tax, the home may receive a partial exemption for its real property on a unit by unit basis and a total exemption for its personal property.

(a) Real property exemption. If the real property of a home is used in the following ways, the portion of the real property so used will be exempt and the home may receive a partial exemption for:

(i) Each dwelling unit occupied by a resident requiring significant assistance with activities of daily living;

(ii) Each dwelling unit occupied by an eligible resident; and

(iii) Common or shared areas of the home that are jointly used for two or more purposes that are exempt from property tax under chapter 84.36 RCW.

(b) Assistance with activities of daily living. A home may receive a partial exemption for each dwelling unit that is occupied by a resident who requires significant assistance with the activities of daily living and the home provides, brokers, facilitates, or contracts for the provision of this assistance. A resident requiring assistance with the activities of daily living must be a resident who requires significant assistance with at least three of the nonexclusive list of activities set forth below and who, unless he or she receives the assistance, would be at risk of being placed in a nursing home. Activities of daily living include, but are not limited to:

- (i) Shopping;
- (ii) Meal and/or food preparation;
- (iii) Housekeeping;
- (iv) Transportation;
- (v) Dressing;
- (vi) Bathing;
- (vii) General personal hygiene;
- (viii) Monitoring of medication;
- (ix) Ambulatory services;
- (x) Laundry services;
- (xi) Incontinence management; and
- (xii) Cuing for the cognitively impaired.

(c) Examples of assistance with the activities of daily living:

(i) If the resident of a home requires someone to assist him or her with daily dressing, bathing, and personal

hygiene, weekly housekeeping chores, and daily meal preparation, he or she is a resident requiring significant assistance with activities of daily living and the home may receive a partial exemption for the dwelling unit in which he or she resides.

(ii) If the resident of a CCRC only requires someone to clean his or her house weekly and to do the laundry weekly, the resident does not require significant assistance with activities of daily living and the CCRC may not receive a partial exemption for the dwelling unit.

(d) Common or shared areas. Areas of a home that are jointly used for two or more purposes exempt from property tax under chapter 84.36 RCW will be exempted under RCW 84.36.041.

(i) The joint use of the common or shared areas must be reasonably necessary for the purposes of the nonprofit organization, association, or corporation exempt from property tax under chapter 84.36 RCW. A kitchen, dining room, and laundry room are examples of the types of common or shared areas for which a partial property tax exemption may be granted.

(ii) Example. A nonprofit organization uses its facility as a home for the aging and a nursing home. The home and nursing home jointly use the kitchen and dining room. The home may receive a property tax exemption for the common or shared areas under RCW 84.36.041. The eligibility of the other areas of the facility will be determined by the appropriate statute. The home's eligibility will be determined by RCW 84.36.041 and the nursing home's eligibility will be determined by RCW 84.36.040.

(e) Amount of partial exemption. The amount of partial exemption will be calculated by multiplying the assessed value of the property reasonably necessary for the purposes of the home, minus/less the assessed value of any common or shared areas, by a fraction. The numerator of the fraction is the number of the dwelling units occupied on January 1st of the assessment year by eligible residents and by residents requiring assistance with activities of daily living. The denominator of the fraction is the total number of occupied dwelling units as of January 1st of the assessment year. Example:

Assessed value of home:	\$500,000
Less assessed value of common area:	- 80,000
Total	\$420,000

Number of units occupied on 1/1 by eligible residents and people requiring assistance with daily living activities =	6
Total of occupied units on 1/1	40 or .15

$\$420,000 \times .15 = \$63,000$  Amount of partial exemption  
 $\$420,000 - \$63,000 = \$357,000$  Taxable value of home

(f) Valuation of the home. The assessor will value a home that receives a partial exemption by considering only the current use of the property during the period in which the partial exemption is received and will not consider any potential use of the property.

(9) **Income verification required from some residents.** If a home seeks a total property tax exemption because at least fifty percent of the occupied dwelling units are occupied by eligible residents or seeks to receive a partial exemption based upon the number of units occupied by eligible residents, the residents must submit income verifica-

tion forms. The department may request income verification forms from residents of homes receiving a total exemption because of tax exempt bond financing.

(a) The income verification forms must be submitted to the assessor of the county in which the home is located by July 1st of the assessment year in which the application for exemption is made.

(b) The income verification form will be prescribed and furnished by the department of revenue.

(c) If an eligible resident filed an income verification form for a previous year, he or she is not required to submit a new form unless there is a change in status affecting the resident's eligibility, such as a significant increase or decrease in disposable income, or the assessor or the department requests a new income verification form to be submitted.

**(10) Three-year phase in for a home with increased taxable value.** If the taxable value of a home is increased because of the change in the method of calculating the amount of partial exemption, the increased taxable value shall be phased in over a period of three years.

(a) Eligibility requirements for phase in. If the home meets the following conditions the increased taxable value may be phased in:

(i) The home was exempt or partially exempt for taxes levied in 1993 for collection in 1994;

(ii) The home is partially exempt for taxes levied in 1994 for collection in 1995; and

(iii) The taxable value of the home increased for taxes levied in 1994 for collection in 1995 due to the change prescribed by chapter 151, Laws of 1993 with respect to the numerator of the fraction used to determine the amount of partial exemption.

(b) Method of phase in. The increase in taxable value shall be phased in as follows:

(i) For taxes levied in 1994 for collection in 1995, the home will pay taxes based on the taxable value in 1993 plus one-third of the increase in the taxable value from 1993 to the taxable value calculated under subsection (8)(e) of this section.

(ii) For taxes levied in 1995 for collection in 1996, the home will pay taxes based on the taxable value in 1994 plus one-half of the increase in the taxable value from 1994 to the taxable value calculated under subsection (8)(e) of this section.

(iii) For taxes levied in 1996 for collection in 1997 and for taxes levied thereafter, this subsection does not apply and the home will pay taxes on the taxable value without reference to this subsection.

(c) Example: Assume, for the purposes of this example, in 1993 the assessed value of a home was \$475,000, the value of the shared area was \$80,000, and twenty-six percent of the units were exempt. Therefore, the assessed value minus the value of the shared area or \$395,000 multiplied by .74 = a taxable value of \$292,300.

Column 1 Year	Column 2 Value after partial exemption	Column 3 Increase in Value (Col. 2 minus TV from Prior Year)	Column 4 Annual % of Increase to be Paid	Column 5 Amount of Increase to be Paid (Col. 3 x Col 4)	Column 6 Taxable Value ("TV") (Col. 5 + TV from Prior Year)
1993	\$292,300	—	—	—	\$292,300
1994	\$357,000*	\$64,700	33.00%	\$21,351	\$313,651
1995	\$336,000**	\$22,349	50.00%	\$11,175	\$324,826
1996	\$325,500	\$674	100.00%	\$674	\$325,500
1997	\$367,500	—	—	—	\$367,500

\* This value is a continuation of the example in subsection (8)(e) of this section.

\*\* For the purposes of this example, we are assuming that the home is located in a county on a four year revaluation cycle and that value of this home after the partial exemption will fluctuate each year because the number of eligible residents and residents who require assistance with the activities of daily living will change each year. In this example, the number of units exempt from property tax within the home used in the example in subsection (8)(e) are as follows: Eight in 1995, nine in 1996, and five in 1997.

**(11) Additional requirements.** Any nonprofit home for the aging that applies for a property tax exemption under this section must also comply with the provisions of WAC 458-16A-020 and 458-16-165. WAC 458-16A-020 contains information regarding the initial application and renewal procedures relating to the exemption discussed in this section. WAC 458-16-165 sets forth additional requirements that must be complied with to obtain a property tax exemption pursuant to RCW 84.36.041.

[Statutory Authority: RCW 84.08.010, 84.08.070 and 84.36.041. 95-06-041, § 458-16A-010, filed 2/24/95, effective 3/27/95.]

#### **WAC 458-16A-020 Nonprofit homes for the aging—Initial application and annual renewal. (1) Introduction.**

This section explains the initial application process that must be followed for a home for the aging wishes to obtain a property tax exemption under RCW 84.36.041. This section also describes the annual renewal requirements that a home must follow to retain its exempt status, as well as the role of the assessor's office and the department of revenue in administering this exemption. Throughout this section, all requirements will pertain to all types of homes for the aging including, but not limited to, adult care homes, assisted living facilities, continuing care retirement communities (CCRC), and independent housing.

**(2) Definitions.** For purposes of this section, the following definitions apply:

(a) "Assessor" means the county assessor or any agency or person who is duly authorized to act on behalf of the assessor.

(b) "Combined disposable income" means the disposable income of the person submitting the income verification form, plus the disposable income of his or her spouse, and the disposable income of each cotenant occupying the

dwelling unit for the preceding calendar year, less amounts paid by the person submitting the income verification form or his or her spouse or cotenant during the previous year for the treatment or care of either person received in the dwelling unit or in a nursing home.

(i) If the person submitting the income verification form was retired for two months or more of the preceding calendar year, the combined disposable income of the person will be calculated by multiplying the average monthly combined disposable income of the person during the months the person was retired by twelve.

(ii) If the income of the person submitting the income verification form is reduced for two or more months of the preceding calendar year by reason of the death of the person's spouse, the combined disposable income of the person will be calculated by multiplying the average monthly combined disposable income of the person after the death of the spouse by twelve.

(c) "Continuing care retirement community" or "CCRC" means an entity that provides shelter and services under continuing care contracts with its residents or includes a health care facility or health service.

(d) "Continuing care contract" means a contract to provide a person, for the duration of that person's life or for a term in excess of one year, shelter along with nursing, medical, health-related or personal care services, that is conditioned upon the transfer of property, the payment of an entrance fee to the provider of the services, and/or the payment of periodic charges in consideration for the care and services provided. A continuing care contract is not excluded from this definition because the contract is mutually terminable or because shelter and services are not provided at the same location.

(e) "Cotenant" means a person who resides with an eligible resident and who shares personal financial resources with the eligible resident.

(f) "Department" means the department of revenue.

(g) "Eligible resident" means a person who:

(i) Occupied the dwelling unit as his or her principal place of residence as of January 1st of the year in which the claim for exemption is filed. The exemption will continue if the eligible resident is confined to a hospital or nursing home and the dwelling unit is temporarily unoccupied or occupied by a spouse, a person financially dependent on the claimant for support, or both;

(ii) Is sixty-one years of age or older on December 31st of the year in which the claim for exemption is filed, or is, at the time of filing, retired from regular gainful employment by reason of physical disability. A surviving spouse of a person who was receiving an exemption at the time of the person's death will qualify for this exemption if the surviving spouse is fifty-seven years of age or older and otherwise meets the requirements of this subsection; and

(iii) Has a combined disposable income that is no more than the greater of twenty-two thousand dollars or eighty percent of the median income adjusted for family size as determined by federal Department of Housing and Urban Development (HUD) for the county in which the person resides.

(h) "Homes for the aging" or "home(s)" means a residential housing facility that:

(i) Provides a housing arrangement chosen voluntarily by the resident, the resident's guardian or conservator, or another responsible person;

(ii) Has only residents who are at least sixty-one years of age or who have needs for care generally compatible with persons who are at least sixty-one years of age; and

(iii) Provides varying levels of care and supervision, as agreed to at the time of admission or as determined necessary at subsequent times of reappraisal.

(i) "HUD" means the federal Department of Housing and Urban Development.

(j) "Occupied dwelling unit" means a living unit that is occupied on January 1st of the year in which the claim for exemption is filed.

(k) "Property that is reasonably necessary" means all property that is:

(i) Operated and used by a home; and

(ii) The use of which is restricted to residents, guests, or employees of a home.

(3) **Application for exemption.** The tax exemption authorized by RCW 84.36.041 is claimed by and benefits a nonprofit home for the aging, not the residents of a home. Therefore, the claim for this exemption is submitted by a home to the department.

(a) If a claim for exemption is filed on behalf of a home under RCW 84.36.041 and the exemption is granted, no resident of that home may receive a personal exemption under RCW 84.36.381.

(b) A listing of the varying levels of care and supervision provided or coordinated by the home must accompany all initial applications submitted for exemption. Examples of the varying levels of care and supervision include, but are not limited to, the following:

(i) Conducting routine room checks;

(ii) Arranging for or providing transportation;

(iii) Arranging for or providing meals;

(iv) On site medical personnel;

(v) Monitoring of medication; or

(vi) Housekeeping services.

(c) Homes having real property that is used for purposes other than as a home (for example, property used for a barber shop) must provide the department with a floor plan identifying the square footage devoted to each exempt and nonexempt use.

(d) At the time an application for exemption is submitted, the home must submit proof that it is recognized by the Internal Revenue Service as a 501(c) organization.

(e) Homes that apply for a total exemption because of tax exempt bond financing must submit a copy of the regulatory agreement between the home and the entity that issues the bonds. When only a portion of the home is financed by a program using tax exempt bonds, the home must submit a site plan of the home indicating the areas so financed.

(4) **Segregation.** A nonprofit organization that provides shelter and services to elderly and disabled individuals may use the facility for more than one purpose that is exempt from property tax under chapter 84.36 RCW. Property that is used for more than one exempt purpose and that qualifies for exemption under a statute other than RCW 84.36.041 will be segregated and exempted pursuant to the applicable statute.

(a) If a home includes a nursing home, the department will segregate the home and the part of the facility that is used as a nursing home. The department will separately determine the eligibility of the home under RCW 84.36.041 and the nursing home under RCW 84.36.040 for the property tax exemption available under each statute.

Exception: If the home does not receive Medicaid funds (including CCRCs that are permitted to receive Medicaid funds during an initial transition period only) and is seeking a total exemption because of tax exempt bond financing, the home and nursing home will be considered as a whole when the set-aside requirements are applied.

(b) Dwelling units that are occupied by residents who do not meet the age or disability requirements of RCW 84.36.041 will be segregated and taxed.

(c) Common or shared areas. Areas of a home that are jointly used for two or more purposes exempt from property tax under chapter 84.36 RCW will be exempted under RCW 84.36.041.

(i) The joint use of the common or shared areas must be reasonably necessary for the purposes of the nonprofit organization, association, or corporation exempt from property tax under chapter 84.36 RCW. A kitchen, dining room, and laundry room are examples of the types of common or shared areas for which a property tax exemption may be granted. (ii) Example. A nonprofit organization uses its facility as a home for the aging and a nursing home. The home and nursing home jointly use the kitchen and dining room. The home may receive a property tax exemption for the common or shared areas under RCW 84.36.041. The eligibility of the other areas of the facility will be determined by the appropriate statute. The home's eligibility will be determined by RCW 84.36.041 and the nursing home's eligibility will be determined by RCW 84.36.040.

(5) **Homes subsidized by HUD.** Homes subsidized by a HUD program must initially and each March 31st thereafter provide the department with a letter of certification from HUD of continued HUD subsidy and a list of the name, age, and/or disability of all residents.

(6) **Homes that are not subsidized by HUD.** If a home is not subsidized by HUD or does not meet the requirements to receive a total exemption because of tax exempt bond financing, it may receive a total or partial exemption from property tax. The extent of the exemption will be determined by the number of dwelling units occupied by eligible residents. If more than fifty percent of the dwelling units are occupied by eligible residents, the home may receive a total exemption. Alternatively, if less than fifty percent of the dwelling units are occupied by eligible residents, the home may receive partial exemption for its real property on a unit by unit basis and a total exemption for its personal property. An income verification form, Form REV 64-0043, will be used to determine if a resident of a home meets the criteria of "eligible resident."

(a) Between January 1st and July 1st of the year preceding the year in which the tax is due, residents must file Form REV 64-0043 with the assessor of the county in which the home is located.

(b) If two or more residents occupy one unit, only one cotenant is required to file verification of combined disposable income, as defined in subsection (2) of this section, with the assessor.

(c) Form REV 64-0043 will not be accepted by the assessor if it is submitted or postmarked after July 1st.

(d) At any time after the initial application for exemption is approved, assessors and/or the department may:

(i) Request residents to complete Form REV 64-0043, the verification of income form;

(ii) Conduct audits; and

(iii) Request other relevant information to ensure continued eligibility.

(e) If a home not subsidized by HUD wishes to retain its exempt property tax status, the home must by March 31st of each year file with the department a list of the total number of dwelling units in their complex, the number of occupied dwelling units in their complex as of January 1st, the number of previously qualified dwelling units in their complex that are no longer occupied by the same eligible residents, and a list of the name, age, and/or disability of all residents and the date upon which they moved into or occupied the home.

(7) **Homes financed by tax exempt bonds.** Homes that receive a total property tax exemption because of tax exempt bond financing must initially and each March 31st thereafter provide the department with a letter of certification from the agency or organization monitoring compliance with the bond requirements. The letter of certification must verify that the home is in full compliance with all requirements and set-asides of the underlying regulatory agreement.

(a) If the set-aside requirements contained in the regulatory agreement differ from the set-aside requirements established by the department and set forth in WAC 458-16A-010, the department may require the residents of the home to submit income verification forms (Form REV 64-0043) to the assessor of the county in which the home is located.

(b) The home must also annually submit a list of the name, age, and/or disability of all residents to the department.

(8) **Assessor's responsibilities.** Assessors will determine the age or disability and income eligibility of all residents who file Form REV 64-0043, the income verification form. By July 15th each year, the assessor will forward a copy of Form REV 64-0043 to the department for each resident who meets the eligibility requirements.

(9) **Department of revenue responsibilities.** The department will make its determination by August 31st, or within thirty days of the date all required information is submitted to the department, of the exempt status of a home that applies for this exemption.

(10) **Appeals.** An applicant who is determined not to be an "eligible resident" by the assessor and a home that is denied a property tax exemption by the department each have the right to appeal. Appeals must be filed within thirty days of the date the notice of ineligibility or denial was mailed by the assessor or the department.

(a) If the assessor determines that an applicant does not meet the criteria to be an "eligible resident" of a home, the resident may appeal this decision to the board of equalization of the county in which the home is located.

(b) If the department denies, in whole or in part, an application for exemption, the home may appeal this denial to the state board of tax appeals.

(11) **Additional requirements.** Any nonprofit home for the aging that applies for a property tax exemption under this section must also comply with the provisions of WAC 458-16A-010 and 458-16-165. WAC 458-16A-010 contains information regarding the basic eligibility requirements to receive a total or partial exemption under RCW 84.36.041. WAC 458-16-165 sets forth additional requirements that must be complied with to obtain a property tax exemption pursuant to RCW 84.36.041.

[Statutory Authority: RCW 84.08.010, 84.08.070 and 84.36.041. 95-06-042, § 458-16A-020, filed 2/24/95, effective 3/27/95.]

### Chapter 458-18 WAC

#### PROPERTY TAX—ABATEMENTS, CREDITS, DEFERRALS AND REFUNDS

##### WAC

458-18-220 Refunds—Rate of interest.

**WAC 458-18-220 Refunds—Rate of interest.** The following rates of interest shall apply on refunds of taxes made pursuant to RCW 84.69.010 through 84.69.090 in accordance with RCW 84.69.100. The following rates shall also apply to judgments entered in favor of the plaintiff pursuant to RCW 84.68.030. The interest rate is derived from the equivalent coupon issue yield of the average bill rate for twenty-six week treasury bills as determined at the first bill market auction conducted after June 30th of the calendar year preceding the date the taxes were paid or the claim for refund is filed, whichever is later. The rate thus determined shall be applied to the amount of the judgment or the amount of the refund, until paid:

Year tax paid (chapter 84.68 RCW); Year tax paid or claim filed (whichever is later) (chapter 84.69 RCW)	Auction Year	Rate
1985	1984	11.27%
1986	1985	7.36%
1987	1986	6.11%
1988	1987	5.95%
1989	1988	7.04%
1990	1989	8.05%
1991	1990	8.01%
1992	1991	5.98%
1993	1992	3.42%
1994	1993	3.19%
1995	1994	4.92%
1996	1995	5.71%

[Statutory Authority: RCW 84.69.100, 84.08.010 and 84.08.070. 96-01-093, § 458-18-220, filed 12/19/95, effective 1/1/96; 95-06-044, § 458-18-220, filed 2/24/95, effective 3/27/95; 94-05-063, § 458-18-220, filed 2/11/94, effective 3/14/94. Statutory Authority: RCW 84.08.010 and 84.69.100. 93-06-096, § 458-18-220, filed 3/3/93, effective 4/3/93; 92-17-027, § 458-18-220, filed 8/11/92, effective 9/11/92; 91-15-024, § 458-18-220, filed 7/11/91, effective 8/11/91. Statutory Authority: RCW 84.69.100 and 84.08.010(2). 89-10-067 (Order PT 89-6), § 458-18-220, filed 5/3/89; 88-07-003 (Order PT 88-3), § 458-18-220, filed 3/3/88. Statutory Authority: RCW 84.69.100 as amended by 1987 c 319 and 84.08.010(2). 87-19-141 (Order PT 87-7), § 458-18-220, filed 9/23/87.]

### Chapter 458-20 WAC EXCISE TAX RULES

##### WAC

- 458-20-10001 Adjudicative proceedings—Brief adjudicative proceedings—Wholesale and retail cigarette license revocation or suspension—Certificate of registration (tax registration endorsement) revocation.
- 458-20-10002 Adjudicative proceedings—Formal adjudicative proceedings—Log export enforcement actions pursuant to chapter 240-15 WAC—Orders to county officials issued to pursuant to RCW 84.08.120 and 84.41.120—Converted brief adjudicative proceedings.
- 458-20-101 Tax registration.
- 458-20-104 Small business tax relief based on volume of business.
- 458-20-114 Repealed.
- 458-20-183 Amusement, recreation, and physical fitness services.
- 458-20-18601 Wholesale and retail cigarette vendor licenses.
- 458-20-189 Sales to and by the state of Washington, counties, cities, towns, school districts, and fire districts.
- 458-20-207 Legal, arbitration, and mediation services.
- 458-20-238 Sales of watercraft to nonresidents.

#### DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER

- 458-20-114 Nonbusiness income—Bona fide initiation fees, dues, contributions, tuition fees and endowment funds. [Statutory Authority: RCW 82.32.300. 86-02-039 (Order ET 85-8), § 458-20-114, filed 12/31/85; 84-08-012 (Order 84-1), § 458-20-114, filed 3/27/84; Order ET 70-3, § 458-20-114 (Rule 114), filed 5/29/70, effective 7/1/70.] Repealed by 95-22-099, filed 11/1/95, effective 12/2/95. Statutory Authority: RCW 82.32.300.

**WAC 458-20-10001 Adjudicative proceedings—Brief adjudicative proceedings—Wholesale and retail cigarette license revocation or suspension—Certificate of registration (tax registration endorsement) revocation.** (1) **Introduction.** The department conducts adjudicative proceedings pursuant to chapter 34.05 RCW, the Administrative Procedure Act (APA). These adjudicative proceedings include, but are not limited to, wholesale and retail cigarette license revocation or suspension of RCW 82.24.550, certificate of registration (tax registration endorsement) revocation of RCW 82.32.215. The department adopts in this section the brief adjudicative procedures as provided in the APA for wholesale and retail cigarette license revocation or suspension of RCW 82.24.550, and certificate of registration (tax registration endorsement) revocation of RCW 82.32.215. This section explains the procedure and process pertaining to the adopted brief adjudicative proceedings. This section does not apply to log export enforcement actions pursuant to chapter 240-15 WAC, orders to county officials issued pursuant to RCW 84.08.120 and 84.41.120, brief adjudicative proceedings converted to formal adjudicative proceeding under subsection (5) of this section, and other formal adjudicative proceedings which are explained in WAC 458-20-10002. This section also does not apply to the nonadjudicative proceedings as provided in RCW 82.32.160, 82.32.170 and WAC 458-20-100.

(2) **Adoption of brief adjudicative proceedings.** As provided in RCW 34.05.482 (1)(c), this section adopts RCW 34.05.482 through 34.05.494 and the brief adjudicative procedure for APA adjudicative proceedings which the department of revenue conducts for wholesale and retail

cigarette license revocation or suspension of RCW 82.24.550, and certificate of registration (tax registration endorsement) revocation of RCW 82.32.215.

(3) **Brief adjudicative proceedings - procedure.** The following procedure shall apply to the department's brief adjudicative proceeding.

(a) **Notice of hearing.** The department shall set the time and place of the hearing. The date of the hearing may not be not less than seven days after written notice is served upon the person(s) to whom the proceedings apply. With the concurrence of the presiding officer and all persons involved in the proceedings, the hearing may be conducted by telephone and the recorded conversation shall be made a part of the record of the hearing. The notice shall include:

(i) The names and addresses of each person to whom the proceedings apply and, if known, the names and addresses of their representative(s);

(ii) The mailing address and the telephone number of the person or office designated to represent the department in the proceeding;

(iii) The official file or other reference number and the name of the proceeding;

(iv) The name, official title, mailing address and telephone number of the presiding officer, if known;

(v) A statement of the time, place and nature of the proceeding;

(vi) A statement of the legal authority and jurisdiction under which the hearing is to be held;

(vii) A reference to the particular sections of the statutes and/or rules involved;

(viii) A short and plain statement of the matters asserted by the department; and

(ix) A statement that if a person to whom the proceedings apply fails to attend or participate in a hearing, the hearing may/will proceed and that adverse action may be taken against such person.

(x) When the department is notified or otherwise made aware that a limited-English-speaking person is a person to whom the proceedings apply, all notices, including the notice of hearing, continuance and dismissal, shall either be in the primary language of such person or shall include a notice in the primary language of the person which describes the significance of the notice and how the person may receive assistance in understanding and responding to the notice. In addition, the notice shall state that if a limited-English-speaking or hearing impaired party or witness needs an interpreter, a qualified interpreter will be appointed at no cost to the person to whom the proceedings apply or witness. The notice shall include a form to be returned to the department for a person to whom the proceedings apply to indicate whether such person, or a witness, needs an interpreter and to identify the primary language or hearing impaired status of the person.

(b) **Presiding officer.**

(i) When the proceeding is a certificate of registration (tax registration endorsement) revocation pursuant to RCW 82.32.215, the presiding officer shall be the assistant director of the department's compliance division or designee, or such other person as the director of the department of revenue may designate.

(ii) When the proceeding is a wholesale and retail cigarette license revocation or suspension pursuant to RCW 82.24.550, the presiding officer shall be the assistant director of the department's special program's division or designee, or such other person as the director of the department of revenue may designate.

(iii) The presiding officer conducts the hearing and before taking action, the presiding officer shall give each person to whom the proceedings apply an opportunity to be informed of the department's view of the matter, and to explain the person's view of the matter.

(iv) The presiding officer shall have the authority granted by chapter 34.05 RCW including but not limited to:

(A) Determine the order of the hearing including the presentation of evidence; administer oaths and affirmations; issue subpoenas;

(B) Rule on procedural matters, objections and motions; rule on offers of proof and receive relevant evidence;

(C) Ask questions of the person to whom the proceedings apply or the person representing the department, or of the witnesses called by either, in an impartial manner to develop any facts deemed necessary to fairly and adequately decide the matter;

(D) Call additional witnesses and request additional exhibits deemed necessary to complete the record and receive such evidence subject to full opportunity for cross-examination and rebuttal by both the person to whom the proceedings apply and the department;

(E) Take any appropriate action to maintain order during the hearing; permit or require oral argument, briefs, or discovery and determine the time limits for their submission;

(F) Take any other action necessary and authorized by applicable statute or rule;

(G) Waive any requirement of this section not specifically required by law unless either the person to whom the proceedings apply or the department shows that it would be prejudiced by such a waiver;

(H) Convert the proceedings, at any time in the proceeding, from a brief adjudicative proceeding to a formal proceeding pursuant to RCW 34.05.413 through 34.05.479 and WAC 458-20-10002.

(c) **Appearance and practice at a brief adjudicative proceeding.**

(i) The right to practice before the department in a brief adjudicative proceeding is limited to:

(A) Persons who are natural persons representing themselves;

(B) Attorneys at law duly qualified and entitled to practice in the courts of the state of Washington;

(C) Attorneys at law entitled to practice before the highest court of record of any other state, if attorneys licensed in Washington are permitted to appear before the courts of such other state in a representative capacity, and if not otherwise prohibited by state law;

(D) Public officials in their official capacity;

(E) Certified public accountants entitled to practice in the state of Washington;

(F) A duly authorized director, officer, or full-time employee of an individual firm, association, partnership, or corporation who appears for such firm, association, partnership or corporation;



(G) Partners, joint venturers or trustees representing their respective partnerships, joint ventures, or trusts; and

(H) Other persons designated by a person to whom the proceedings apply with the approval of the presiding officer.

(ii) In the event a proceeding is converted from a brief adjudicative proceeding to a formal proceeding, representation is limited to the provisions of law and RCW 34.05.428.

**(d) Rules of evidence - discovery - record of the proceeding - filing and service of papers.**

(i) All testimony of a person to whom the proceedings apply, the department and witnesses shall be made under oath or affirmation. Every interpreter shall, before beginning to interpret, take an oath that a true interpretation will be made to the person being examined of all the proceedings in a language or in a manner which the person understands, and that the interpreter will repeat the statements of the person being examined to the presiding officer in the English language, to the best of the interpreter's skill and judgment.

(ii) Evidence, including hearsay, is admissible if in the judgment of the presiding officer, it is the kind of evidence on which reasonably prudent persons are accustomed to rely in conduct of their affairs. The presiding officer shall exclude evidence that is excludable on constitutional or statutory grounds or on the basis of evidentiary privilege recognized in the courts of this state. Documentary evidence may be received in the form of copies or excerpts, or by incorporation by reference. The presiding officer may exclude evidence that is irrelevant, immaterial, or unduly repetitious and shall be guided in evidentiary rulings, where not inconsistent with this section, by RCW 34.05.452, WAC 10-08-140, and by the Washington Rules of Evidence.

(iii) Discovery (depositions, interrogatories, etc.) may be conducted only by order of the presiding officer and if ordered, RCW 34.05.446 applies to the proceeding.

(iv) All hearings shall be recorded by manual, electronic, or other type of recording device. The agency record shall consist of the documents regarding the matter that were considered or prepared by the presiding officer, or by the reviewing officer in any review, and the recording of the hearing. These records shall be maintained by the department as its official record.

(v) All notices and other pleadings or papers filed with the presiding officer or reviewing officer shall be served on each person to whom the proceeding apply, the department or their representatives/agents of record. Service shall be made personally; by first-class, registered or certified mail; by telegraph; or electronic telefacsimile (FAX) and same-day mailing of copies; or by commercial parcel delivery company. Service by mail shall be regarded as completed upon deposit in the United States mail properly stamped and addressed. Service by telegraph shall be regarded as completed when deposited with a telegraph company with the charges prepaid. Service by electronic telefacsimile (FAX) shall be regarded as completed upon the production by the telefacsimile device of confirmation of transmission. Service by commercial parcel delivery shall be regarded as being completed upon delivery to the parcel delivery company charges prepaid. Service to a person to whom the proceedings apply and/or representative/agent, and, the department and/or presiding officer shall be to the address shown on the notice of subsection (2)(a) of this section. Service to the reviewing officer shall be to interpretation and

appeals division at the address shown in subsection (4) of this section. Where proof of service is required, the proofs of service include:

(A) An acknowledgment of service;

(B) A certificate that the person signing the certificate did on the date of the certificate serve the papers upon all or one or more of the parties of record in the proceeding by delivering a copy in person to (names).

(C) A certificate that the person signing the certificate did on the date of the certificate serve the papers upon all or one or more of parties of record by a method of service as provided in this subsection (d)(v) of this section.

**(e) Impaired persons - interpreters.** When an impaired person is a person to whom the proceedings apply, or a witness, the presiding officer shall, in absence of a written waiver signed by the impaired person, appoint a qualified interpreter to assist the impaired person throughout the proceeding.

(i) An "impaired person" is any person involved in an adjudicative proceeding who is a hearing impaired person or a limited-English-speaking person.

(ii) A "hearing impaired person" is a person who, because of a hearing impairment or speech defects, cannot readily understand or communicate in spoken language; and includes persons who are deaf, deaf and blind, or hard of hearing.

(iii) A "limited-English-speaking person" is a person who because of a non-English-speaking cultural background cannot readily speak or understand the English language.

(iv) A "qualified interpreter" is one who is readily able to interpret spoken and translate written English to and for impaired persons into spoken English and who meets the requirements of (e)(ix) of this subsection: *Provided*, That for hearing impaired persons a qualified interpreter must be certified by the registry of interpreters for the deaf with a specialist certificate-legal, master's comprehensive skills certificate, or comprehensive skills certificate.

(v) An "intermediary interpreter" is one who is readily able to interpret spoken and translate written English and who meets the requirements of (e)(ix) of this subsection, and who is able to assist in providing an accurate interpretation between spoken and sign language or between variants of sign language by acting as an intermediary between a hearing impaired person and a qualified interpreter for the hearing impaired.

(vi) When an impaired person is a person to whom the proceedings apply, or a witness in such adjudicative proceeding, the presiding officer shall, in the absence of a written waiver signed by the impaired person, appoint a qualified interpreter to assist the impaired person throughout the proceedings. The right to a qualified interpreter may not be waived except when:

(A) The impaired person requests a waiver through the use of a qualified interpreter;

(B) The representative, if any, of the impaired person consents; and

(C) The presiding officer determines that the waiver has been made knowingly, voluntarily, and intelligently.

(vii) Waiver of a qualified interpreter shall not preclude the impaired person from claiming his or her right to a qualified interpreter at a later time during the proceeding.

(viii) Relatives of any participant in a proceeding and employees of the department shall not be appointed as interpreters in the proceeding without the consent of the presiding officer and the person(s) to whom the proceedings apply, in the case of an employee of the department, or the department in the case of a relative of the person(s) to whom the proceedings apply or of a witness for such person(s).

(ix) The presiding officer shall make a preliminary determination that an interpreter is able in the particular proceeding to interpret accurately all communication to and from the impaired person. This determination shall be based upon the testimony or stated needs of the impaired person, the interpreter's education, certifications, and experience, the interpreter's understanding of the basic vocabulary and procedure involved in the proceeding, and the interpreter's impartiality. A person to whom the proceedings apply or their representative(s), or the department may question the interpreter as to his or her qualifications or impartiality.

(x) If at any time during the proceeding, in the opinion of the impaired person, the presiding officer or a qualified observer, the interpreter does not provide accurate and effective communication with the impaired person, the presiding officer shall appoint another qualified interpreter.

(xi) If the communication mode or language or a hearing impaired person is not readily interpretable, the interpreter or hearing impaired person shall notify the presiding officer who shall appoint and pay an intermediary interpreter to assist the qualified interpreter.

(xii) Mode of interpretation.

(A) Interpreters for limited-English-speaking persons shall use simultaneous mode of interpretation where the presiding officer and interpreter agree that simultaneous interpretation will advance fairness and efficiency; otherwise, the consecutive mode of foreign language interpretation shall be used.

(B) Interpreters for hearing impaired persons shall use the simultaneous mode of interpretation unless an intermediary interpreter is needed. If an intermediary interpreter is needed, interpreters shall use the mode that the qualified interpreter considers to provide the most accurate and effective communication with the hearing impaired person.

(C) When an impaired person is the person to whom the proceedings apply, the interpreter shall translate all statements made by other hearing participants. The presiding officer shall ensure that sufficient extra time is provided to permit translation and the presiding officer shall ensure that the interpreter translates the entire proceeding to the person to whom the proceedings apply to the extent that the person has the same opportunity to understand all statements made during the proceedings as a nonimpaired party listening to uninterpreted statements would have.

(xiii) A qualified interpreter shall not, without the written consent of the parties to the communication, be examined as to any communication the interpreter interprets under circumstances where the communication is privileged by law. A qualified interpreter shall not, without the written consent of the parties to the communication, be examined as to any information the interpreter obtains while interpreting pertaining to any proceeding then pending.

(xiv) The presiding officer shall explain to the impaired party that a written decision or order will be issued in

English, and that the party may contact the interpreter for a translation of the decision at no cost to the party. The presiding officer shall orally inform the party during the hearing of the right and of the time limits to request review.

(xv) At the hearing, the interpreter for a limited-English-speaking party shall provide to the presiding officer the interpreter's telephone number written in the primary language of the impaired party. A copy of such telephone number shall be attached to the decision or order mailed to the impaired party. A copy of the decision or order shall also be mailed to the interpreter for use in translation.

(xvi) In any proceeding involving a hearing impaired person, the presiding officer may order that the testimony of the hearing impaired person and the interpretation of the proceeding by the qualified interpreter be visually recorded for use as the official transcript of the proceeding. Where simultaneous translation is used for interpreting statements of limited-English-speaking persons, the foreign language statements shall be recorded simultaneously with the English language statements by means of a separate tape recorder.

(xvii) A qualified interpreter appointed under this section is entitled to a reasonable fee for services, including waiting time and reimbursement for actual necessary travel expenses. The department shall pay such interpreter fee and expenses. The fee for services for interpreters for hearing impaired persons shall be in accordance with standards established by the department of social and health services, office of deaf services.

(xviii) This subsection (e) shall apply to a review of the decision under subsection (4) of this section.

**(f) Informal settlements.**

(i) The department encourages informal settlement of issues which have resulted in a proceeding being commenced. At any time in the proceeding the person(s) to whom the proceeding applies and the department are encouraged to reach agreement. Settlement of a proceeding shall be concluded by:

(A) Stipulation of the person(s) to whom the proceedings apply and the department signed by each or their representative(s), and/or recited into the record of the proceedings. In the event the stipulation provides for a payment agreement, the order of the presiding officer may be a continuance of these proceedings and dismissal when all payments have been made, but in no case, may the order provide for the reconvening of the proceedings if the payment agreement is breached unless seven days notice of the reconvening is provided. Except as provided in this section, the presiding officer shall enter an order in conformity with the terms of the stipulation; or

(B) Withdrawal by the department in which case the presiding officer shall enter an order dismissing the proceedings.

(ii) In the case of revocation of certificate of registration (tax registration endorsement) under RCW 82.32.215, the presiding officer, or the reviewing officer, shall not hear or rule upon (other than the entry of an order as provided in (f)(i)(A) and (B) of this subsection) arguments, or motions, etc., for the settlement of the matter. Settlement of the controversy is totally between the person(s) to whom the proceedings apply and the department through its representative at the proceeding. Nothing in this section shall prevent

a presiding officer or a reviewing officer from granting a continuance of a hearing, or such other motion as the presiding officer or reviewing officer deems appropriate for the purpose of settlement of the matter between the parties.

**(g) Entry of orders.**

(i) At the time any unfavorable action is taken, the presiding officer shall serve upon each person to whom the proceeding apply and the department a brief statement of the reasons for the decision. Within ten days of a decision, the presiding officer shall serve upon each person to whom the proceedings apply and the department a brief written statement of the reasons for the decision and the availability of the departmental review procedure as provided in this section.

(ii) The brief written statement provided the parties, which may include an order where a person to whom the proceedings apply fails to attend or participate in the hearing or other stage of the proceeding, is an initial order and if no review is requested as provided in subsection (4) of this section, the initial order shall become a final order.

**(4) Review of initial orders from brief adjudicative proceeding.** If a person to whom the proceedings apply wishes a review of the initial order, the brief written statement of the decision as provided in subsection (3)(g)(i) of this section, the person may request a review by the department by the filing of a petition for review, or the making of an oral request for review, with the department's interpretation and appeals division, within twenty-one days after the service of the initial order on the person to whom the proceedings apply. A request for review should state the reasons the review is sought. The address and telephone number of the interpretation and appeals division is:

Interpretation and Appeals Division  
Department of Revenue  
P.O. Box 47460  
Olympia, Washington 98504-7460  
Telephone Number - (360) 753-2310  
FAX - (360) 664-2729

(a) The interpretation and appeals division shall appoint a reviewing officer who shall make such determination as may appear to be just and lawful. The reviewing officer shall give each person to whom the proceedings apply and the department an opportunity to explain each person's view of the matter and shall make any inquiries necessary to ascertain whether the proceeding should be converted to a formal adjudicative proceeding. The review by the interpretation and appeals division shall be governed by the brief adjudicative procedures of chapter 34.05 RCW and this section; or subsection (5) of this section in the event a brief adjudicative hearing is converted to a formal adjudicative proceeding, and not by the processes and procedures of WAC 458-20-100.

(b) The agency record need not constitute the exclusive basis for the reviewing officer's decision. The reviewing officer shall have the authority of a presiding officer as provided in this section.

(c) The order of the reviewing officer shall be in writing and shall include a brief statement of the reasons for the decision and must be entered within twenty days of the initial order or the petition for review, whichever is later. The order shall include a description of any further adminis-

trative review available, or if none, a notice that judicial review may be available.

(d) Unless otherwise provided in the order of the reviewing officer, the order of the reviewing officer represents the final position of the department. A reconsideration of the order of a reviewing officer may be sought only if the right to a reconsideration is contained in the final order.

**(5) Conversion of a brief adjudicative proceeding to a formal proceeding.** The presiding officer, or reviewing officer, may at any time, on motion of a person to whom the proceedings apply, or the department, or his/her own motion, convert the brief adjudicative proceeding to a formal proceeding.

(a) The presiding/reviewing officer shall convert the proceeding when it is found that the use of the brief adjudicative proceeding violates any provision of law, when the protection of the public interest requires the agency to give notice to and an opportunity to participate to persons other than the parties, and when the issues and interests involved warrant the use of the procedures of RCW 34.05.413 through 34.05.479.

(b) When a proceeding is converted from a brief adjudication to a formal proceeding, the director of the department of revenue, upon notice to the person(s) to whom the proceedings apply and the department, may become the presiding officer, or may designate a replacement presiding officer to conduct the formal proceedings.

(c) In the conduct of the formal proceedings, WAC 458-20-10002 shall apply to the proceedings. The converted proceeding is itself the independent administrative review by the department of revenue as provided in RCW 82.32A.020(6).

**(6) Court appeal.** Court appeal from the final order of the department is available under Part V, chapter 34.05 RCW. However, court appeal may be available only if a review of the initial decision has been requested under subsection (4) of this section and all other administrative remedies have been exhausted. See RCW 34.05.534.

**(7) Posting of a final order of revoking a certificate of registration (tax registration endorsement) - revocation not a substitute for other collection methods or processes available to the department.** When an order revoking a certificate of registration (tax registration endorsement) is a final order of the department, the department shall post a copy of the order in a conspicuous place at the main entrance to the taxpayer's place of business and it shall remain posted until such time as the warrant amount has been paid.

(a) It is unlawful to engage in business after the revocation of a certificate of registration (tax registration endorsement). A person engaging in the business after a revocation may be subject to criminal sanctions as provided in RCW 82.32.290. RCW 82.32.290(2) provides that a person violating the prohibition against such engaging in business is guilty of a Class C felony in accordance with chapter 9A.20 RCW.

(b) Any certificate of registration (tax registration endorsement) revoked shall not be reinstated, nor a new certificate of registration issued until:

(i) The amount due on the warrant has been paid, or provisions for payment satisfactory to the department of revenue have been entered; and

(ii) The taxpayer has deposited with the department of revenue as security for taxes, increases and penalties due or which may become due under such terms and conditions as the department of revenue may require, but the amount of the security may not be greater than one-half the estimated average annual liability of the taxpayer.

(c) The revocation of a certificate of registration (tax registration endorsement), including any time during the revocation process, shall not be a substitute for, or in any way curtail, other collection methods or processes available to the department.

(8) **Computation of time.** In computing any period of time prescribed by this regulation or by the presiding officer, the day of the act or event after which the designated period is to run is not to be included. The last day of the period is to be included, unless it is a Saturday, Sunday or a legal holiday, in which event the period runs until the next day which is not a Saturday, Sunday or legal holiday. When the period of time prescribed is less than seven days, intermediate Saturdays, Sundays and holidays shall be excluded in the computation.

[Statutory Authority: RCW 82.32.300 and 34.05.410. 95-07-070, § 458-20-10001, filed 3/14/95, effective 4/14/95.]

**WAC 458-20-10002 Adjudicative proceedings—Formal adjudicative proceedings—Log export enforcement actions pursuant to chapter 240-15 WAC—Orders to county officials issued pursuant to RCW 84.08.120 and 84.41.120—Converted brief adjudicative proceedings.**

(1) **Introduction.** The department conducts adjudicative proceedings pursuant to chapter 34.05 RCW, the Administrative Procedure Act (APA). This section explains the procedure and process for formal adjudicative proceedings conducted by the department. These formal proceedings include, but are not limited to, log export enforcement actions pursuant to chapter 240-15 WAC, orders to county officials issued pursuant to RCW 84.08.120 and 84.41.120, and converted brief adjudicative proceedings. This section does not apply to wholesale and retail cigarette license revocation/suspension of RCW 82.24.550, certificate of registration (tax registration endorsement) revocation of RCW 82.32.215, or other proceedings which are brief adjudicative proceedings and are explained in WAC 458-20-10001. This section also does not apply to the nonadjudicative proceedings as provided in RCW 82.32.160, 82.32.170 and WAC 458-20-100.

(2) **Formal adjudicative proceedings - procedure and process.** RCW 34.05.413 through 34.05.479 and chapter 10-08 WAC shall apply to formal adjudicative proceedings conducted by the department of revenue.

(a) **Presiding officer - final order - review.** The presiding officer of a formal adjudicative proceeding shall be the director, department of revenue, or such person as the director shall designate. The presiding officer, whether the director of the department of revenue, or such person as the director shall have designated, shall make the final decision and shall enter a final order as provided in RCW 34.05.461 (1)(b). No further administrative review is available from a decision of the presiding officer.

(b) **Petitions for reconsideration.** RCW 34.05.470 provides that petitions for reconsideration shall be filed

within ten days of the final order. A petition for reconsideration shall be filed with the presiding officer at the address of the presiding officer provided in the notice of the proceedings, or at such other address as may be provided in the final order, and shall be in the form of other pleadings in the matter. As with all other pleadings, a copy of the petition shall be served upon all other parties to the proceeding.

[Statutory Authority: RCW 82.32.300 and 34.05.410. 95-07-069, § 458-20-10002, filed 3/14/95, effective 4/14/95.]

**WAC 458-20-101 Tax registration. (1) Introduction.** This section explains tax registration requirements for the Washington state department of revenue. It discusses who is required to be registered, changes in ownership requiring a new registration, the administrative closure of taxpayer accounts, and the revocation and reinstatement of a tax registration.

(2) **Persons required to obtain tax registration endorsements.** Except as provided in (a) of this subsection, every person who is engaged in any business activity for which the department of revenue is responsible for administering and/or collecting a tax, shall apply for and obtain a tax registration endorsement with the department of revenue. (See RCW 82.32.030.) This endorsement shall be reflected on the face of the business person's registrations and licenses document. The tax registration endorsement is nontransferable, and valid for as long as that person continues in business.

(a) Registration under this section is not required if the following conditions are met:

(i) A person's value of products, gross proceeds of sales, or gross income of the business, from all business activities, is less than twelve thousand dollars per year;

(ii) The person is not required to collect or pay to the department of revenue any other tax which the department is authorized to collect; and

(iii) The person is not otherwise required to obtain a license or registration subject to the master application procedure provided in chapter 19.02 RCW. For the purposes of this section, the term "license or registration" means any agency permit, license, certificate, approval, registration, charter, or any form or permission required by law, including agency rule, to engage in any activity.

(b) Persons subject to the public utility tax (chapter 82.16 RCW) may be required to obtain a tax registration endorsement even if their gross income from business activities is less than twelve thousand dollars per year. RCW 82.16.040 provides a minimum tax reporting threshold of six thousand dollars per year for the public utility tax. (See also WAC 458-20-104 on minimum tax reporting thresholds.) Persons receiving taxable income in excess of this minimum threshold must pay public utility tax to the department. They do not satisfy (a)(ii) of this subsection, and therefore must obtain a tax registration endorsement.

(c) The term "tax registration endorsement," as used in this section, has the same meaning as the term "tax registration" or "certificate of registration" used in Title 82 RCW and other sections of chapter 458-20 WAC.

(d) **Examples.** The following examples identify a number of facts and then state a conclusion. These examples should be used only as a general guide. The status of

each situation must be determined after a review of all of the facts and circumstances.

(i) Bob Brown is starting a bookkeeping service. The gross income of the business is expected to be less than twelve thousand dollars per year. Due to the nature of the business activities, Bob is not required to pay or collect any other tax which the department is authorized to collect.

Bob Brown is not required to apply for and obtain a tax registration endorsement with the department of revenue. The conditions under which a business person may engage in business activities without obtaining the tax registration endorsement have been met. However, if Bob Brown in some future period has gross income which exceeds twelve thousand dollars per year, he will be required to obtain a tax registration endorsement and remit the appropriate taxes.

(ii) Cindy Smith is opening a business to sell books written for children to local customers at retail. The gross proceeds of sales are expected to be less than twelve thousand dollars per year.

Cindy Smith must apply for and obtain a tax registration endorsement with the department of revenue. While gross income is expected to be less than twelve thousand dollars per year, Cindy Smith is required to collect and remit retail sales tax.

(iii) Jane Doe is starting a management consulting business. The gross income of the business is expected to exceed twelve thousand dollars per year. However, Jane is starting her business effective October 1, and expects to earn only ten thousand dollars prior to January 1 of the following year. Jane is not required to pay or collect any other tax which the department is authorized to collect.

Jane Doe must apply for and obtain a tax registration endorsement with the department of revenue. Jane Doe expects to earn more than twelve thousand dollars per year. Jane may not delay obtaining a tax registration endorsement merely because she does not anticipate earning more than twelve thousand dollars for the balance (October through December) of the calendar year.

**(3) Out-of-state businesses.** Out-of-state persons not satisfying the conditions expressed in subsection (2)(a) of this section must obtain a tax registration endorsement with this department if any of the following circumstances prevail:

(a) The person maintains a place of business in this state.

(b) The person has established sufficient nexus in Washington to incur a business and occupation or retail sales tax liability in this state. (Refer to WAC 458-20-193 and 458-20-194.)

(c) The seller has established sufficient nexus in Washington to be required to collect the use tax on sales made into this state. (See also WAC 458-20-193 and 458-20-221.)

(d) The out-of-state seller, while not statutorily required to do so, elects to collect the use tax from its retail customers in this state.

**(4) Registration procedure.** The state of Washington initiated the unified business identifier (UBI) program to simplify the registration and licensing requirements imposed on the state's business community. Completion of the master business application enables the business person to register or license with several state agencies, including the

department of revenue, using a single form. The business person will be assigned one business identification number, which will be used for all state agencies participating in the UBI program.

(a) Business persons completing the master business application will be issued a registrations and licenses document. The face of this document will list the registrations and licenses (endorsements) which have been obtained.

(b) The department of revenue does not charge a registration fee for issuing a tax registration endorsement. Persons required to complete a master business application may, however, be subject to other fees.

(c) While the UBI program is administered by the department of licensing, master business applications are available at any participating UBI agency office. The following agencies of the state of Washington participate in the UBI program:

- (i) The office of the secretary of state;
- (ii) The department of licensing;
- (iii) The department of employment security;
- (iv) The department of labor and industries;
- (v) The department of revenue.

**(5) Temporary revenue registration certificate.** A temporary revenue registration certificate may be issued to any person who operates a business of a temporary nature.

(a) Temporary businesses, for the purposes of registration, are those with:

(i) Definite, predetermined dates of operation for no more than two events each year with each event lasting no longer than one month; or

(ii) Seasonal dates of operation lasting no longer than three months. However, persons engaging in business activities on a seasonal basis every year should refer to subsection (6) of this section.

(b) Each temporary registration certificate is valid for a single event.

(c) Temporary revenue registration certificates may be obtained by making application at any participating UBI agency office, or by completing a seasonal registration form.

**(6) Seasonal revenue registration accounts.** Persons engaging in seasonal business activities which do not exceed two quarterly reporting periods each calendar year may be eligible for a seasonal revenue registration account. This is a permanent account until closed by the taxpayer. The taxpayer must specify in which quarterly reporting periods he or she will be engaging in taxable business activities. The quarterly reporting periods in which the taxpayer is engaging in taxable business activities may or may not be consecutive, but the same quarterly period or periods must apply each year. The taxpayer is not required to be engaging in taxable business activities during the entire period.

The department will provide and the taxpayer will be required to file tax returns only for the quarterly reporting periods specified by the taxpayer. Examples of persons which may be eligible for the seasonal revenue registration account include persons operating Christmas tree and/or fireworks stands. Persons engaging in taxable business activities in more than two quarterly reporting periods in a calendar year will not qualify for a seasonal revenue registration account.

**(7) Display of registrations and licenses document.** The taxpayer is required to display the registrations and

licenses document in a conspicuous place at the business location for which it is issued.

(8) **Multiple locations.** A registrations and licenses document is required for each place of business at which a taxpayer engages in business activities for which the department of revenue is responsible for administering and/or collecting a tax, and any main office or principal place of business from which excise tax returns are to be filed. This requirement applies to locations both within and without the state of Washington.

(a) For the purposes of this section, the term "place of business" means:

(i) Any separate establishment, office, stand, cigarette vending machine, or other fixed location; or

(ii) Any vessel, train, or the like, at any of which the taxpayer solicits or makes sales of tangible personal property, or contracts for or renders services in this state or otherwise transacts business with customers.

(b) A taxpayer wishing to report all tax liability on a single excise tax return may request a separate registrations and licenses document for each location. The original registrations and licenses document shall be retained for the main office or principal place of business from which the returns are to be filed, with additional documents obtained for all branch locations. All registrations and licenses documents will reflect the same registration number.

(c) A taxpayer desiring to file a separate excise tax return covering a branch location, or a specific construction contract, may apply for and receive a separate revenue registration number. A registrations and licenses document will be issued for each registration number and will represent a separate account.

(d) A master business application must be completed to obtain a separate registrations and licenses document, or revenue registration number, for a new location.

(9) **Change in ownership.** When a change in ownership of a business occurs, the new owner must apply for and obtain a new registrations and licenses document. The original document must be destroyed, and any further use of the registration number for tax purposes is prohibited.

(a) A "change in ownership," for purposes of registration, occurs upon:

(i) The sale of a business by one individual, firm or corporation to another individual, firm or corporation;

(ii) The dissolution of a partnership;

(iii) The withdrawal, substitution, or addition of one or more partners where the partnership continues as a business organization and the change in the number of partners is equal to or greater than fifty percent;

(iv) Incorporation of a business previously operated as a partnership or sole proprietorship; or

(v) Changing from a corporation to a partnership or sole proprietorship.

(b) For the purposes of registration, a "change in ownership" does not occur upon:

(i) The sale of all or part of the common stock of a corporation;

(ii) The transfer of assets to an assignee for the benefit of creditors or upon the appointment of a receiver or trustee in bankruptcy;

(iii) The death of a sole proprietor where there will be a continuous operation of the business by the executor, administrator, or trustee of the estate or, where the business was owned by a marital community, by the surviving spouse of the deceased owner;

(iv) The withdrawal, substitution, or addition of one or more partners where the partnership continues as a business organization and the change in the number of partners is less than fifty percent; or

(v) A change in the trade name under which the business is conducted.

(c) While changes in a business entity may not result in a "change in ownership," the completion of a master business application may be required to reflect the changes in the registered account.

(10) **Change in location.** Whenever the place of business is moved to a new location, the taxpayer must notify the department of the change. A new registrations and licenses document will be issued to reflect the change in location.

(11) **Lost registrations and licenses documents.** If any registrations and licenses document is lost, destroyed or defaced as a result of accident or of natural wear and tear, a new document will be issued upon request.

(12) **Administrative closure of taxpayer accounts.** The department may, upon written notification to the taxpayer, close the taxpayer's account and rescind its tax registration endorsement whenever the taxpayer has reported no gross income, and there is no indication of taxable activity for two consecutive years.

The taxpayer may request, within thirty days of notification of closure, that the account remain open. This request must be in writing and state the reasons why the account should remain active. The request shall be reviewed by the department and if found to be warranted, the department will immediately reopen the account. The following are acceptable reasons for continuing as an active account:

(a) The taxpayer is engaging in business activities in Washington which may result in tax liability.

(b) The taxpayer is required to collect or pay to the department of revenue a tax which the department is authorized to collect.

(c) The taxpayer has in fact been liable for excise taxes during the previous two years.

(13) **Reopening of taxpayer accounts.** A business person choosing to resume business activities for which the department of revenue is responsible for administering and/or collecting a tax, may request a previously closed account be reopened. The business person must complete a new master business application. When an account is reopened a new registrations and licenses document, reflecting a current tax registration endorsement, shall be issued. Persons requesting the reopening of an account which had previously been closed due to a revocation action should refer to subsection (14) of this section.

(14) **Revocation and reinstatement of tax registration endorsements.** Actions to revoke tax registration endorsements must be conducted by the department pursuant to the provisions of chapter 34.05 RCW, the Administrative Procedure Act, and the taxpayers bill of rights of chapter 82.32A RCW. Persons should refer to WAC 458-20-10001,



Adjudicative proceedings—Brief adjudicative proceedings—Wholesale and retail cigarette license revocation/suspension—Certificate of registration (tax registration endorsement) revocation, for an explanation of the procedures and processes pertaining to the revocation of tax registration endorsements.

(a) The department of revenue may, by order, revoke a tax registration endorsement if any tax warrant issued under the provisions of RCW 82.32.210 is not paid within thirty days after it has been filed with the clerk of the superior court, or for any other reason expressly provided by law.

(b) The revocation order will be posted in a conspicuous place at the main entrance to the taxpayer's place of business and must remain posted until the tax registration endorsement has been reinstated. A revoked endorsement will not be reinstated until:

(i) The amount due on the warrant has been paid, or satisfactory arrangements for payment have been approved by the department; and

(ii) The taxpayer has posted with the department a bond or other security in an amount not exceeding one-half the estimated average annual liability of the taxpayer.

(c) It is unlawful for any taxpayer to engage in business after its tax registration endorsement has been revoked.

(15) **Penalties for noncompliance.** The law provides that any person engaging in any business activity, for which registration with the department of revenue is required, shall obtain a tax registration endorsement.

(a) The failure to obtain a tax registration endorsement prior to engaging in any taxable business activity constitutes a gross misdemeanor.

(b) Engaging in business after a tax registration endorsement has been revoked by the department constitutes a Class C felony.

(c) Any tax found to have been due, but delinquent, and any tax unreported as a result of fraud or misrepresentation, may be subject to penalty as provided in WAC 458-20-228 and 458-20-230.

[Statutory Authority: RCW 82.32.300, 95-07-089, § 458-20-101, filed 3/17/95, effective 4/17/95; 93-13-126, § 458-20-101, filed 6/22/93, effective 7/23/93; 86-12-015 (Order ET 86-11), § 458-20-101, filed 5/27/86; 83-07-032 (Order ET 83-15), § 458-20-101, filed 3/15/83; Order ET 73-1, § 458-20-101, filed 11/2/73; Order ET 71-1, § 458-20-101, filed 7/22/71; Order ET 70-3, § 458-20-101 (Rule 101), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-104 Small business tax relief based on volume of business.** (1) **Introduction.** The law provides a business and occupation (B&O) tax credit for small businesses under certain conditions. Chapter 2, Laws of 1994, sp. sess., changed the method for computing the volume of business exemption for B&O taxes from a minimum tax reporting threshold exemption to a B&O tax credit system. This change became effective July 1, 1994. This section explains the tax credit system for B&O tax, and the minimum tax reporting threshold exemption for the public utility tax. All persons required to obtain, or having obtained, a tax registration endorsement with the department of revenue must complete and file an excise tax return with the department to claim either a B&O small business tax credit, or a public utility income exemption. (See also WAC 458-20-101 on tax registration.)

(2) **Business and occupation tax.** Persons subject to the B&O tax may be eligible to claim a small business tax credit against the amount of B&O tax otherwise due. The B&O tax credit operates completely independent of the volume exemption which applies to the public utility tax. This tax credit should be computed after claiming any other B&O tax credits available under chapter 82.04 RCW, but prior to any credits provided under other chapters of Title 82 RCW. The maximum amount of small business tax credit available to a person is thirty-five dollars multiplied by the number of months in the reporting period assigned by the department of revenue under the provisions of RCW 82.32.045. The small business tax credit applies to the entire reporting period, even though the business may not have been operating during the entire period.

If the amount of B&O tax due from all activities engaged in by the taxpayer is equal to or less than the maximum credit, a small business tax credit equal to the amount of the B&O tax liability will be allowed. If the amount of B&O tax due from all activities is greater than the maximum credit, a reduced credit may be available. This reduced credit will be equal to twice the maximum credit minus the B&O tax otherwise due. RCW 82.04.4451.

(3) **Retail sales tax.** Persons making retail sales must collect and remit all applicable retail sales taxes. There is no retail sales tax exemption or tax credit system based upon the volume of sales.

(4) **Public utility tax.** Persons subject to the public utility tax are exempt from the payment of this tax for any reporting period in which the taxable amount reported under the combined total of all public utility tax classifications does not equal or exceed the minimum tax reporting threshold for the assigned reporting period. RCW 82.16.040. The minimum tax reporting thresholds for the public utility tax are:

Monthly reporting basis . . . . .	\$500 per month
Quarterly reporting basis . . . . .	\$1,500 per quarter
Annual reporting basis . . . . .	\$6,000 per annum

If the taxable amount for a reporting period equals or exceeds the minimum tax reporting threshold, tax must be remitted on the full taxable amount. The public utility tax reporting thresholds apply to the entire reporting period, even though the business may not have operated during the entire period.

(5) **Tax reporting frequencies.** Persons interested in knowing the thresholds used by the department when assigning tax reporting frequencies should refer to WAC 458-20-22801 (Tax reporting frequency—forms).

(6) **Examples.** The following examples illustrate how the small business B&O tax credit and public utility income exemption systems apply to typical situations. These examples should be used only as a general guide. The tax status of other situations must be determined after a review of all of the facts and circumstances.

(a) JD Inc. has been assigned a quarterly reporting period by the department of revenue. JD Inc.'s B&O tax liability from all business activities for the third quarter is ninety dollars. This B&O tax liability is less than the one hundred five-dollar maximum small business B&O tax credit available for a quarterly reporting period (three times the monthly credit amount of thirty-five dollars). JD Inc. may

claim a small business B&O tax credit for the entire ninety-dollar B&O tax liability.

Maximum Credit available for quarterly filers (3 x \$35)	\$105
B&O Tax due	\$ 90
Credit Available	\$ 90

(b) HM Corporation has been assigned a quarterly reporting period by the department of revenue. HM's B&O tax liability from all business activities for the fourth quarter is one hundred twenty dollars. This tax liability exceeds the one hundred five-dollar maximum small business B&O tax credit available for a quarterly period (three times the monthly credit amount of thirty-five dollars). However, a reduced small business tax credit is available. This credit is computed by subtracting HM's B&O tax liability of one hundred twenty dollars from the figure of two hundred ten dollars (twice the maximum credit available for a quarterly reporting period). HM Corporation may claim a small business tax credit of ninety dollars.

Twice the Maximum Credit available for quarterly filers (2 x \$105)	\$210
Less: B&O Tax due	\$120
Credit Available	\$ 90

(c) XY Inc. has been assigned a quarterly reporting period by the department of revenue. XY's B&O tax liability for the first quarter is two hundred fifty dollars. As XY's B&O tax liability exceeds the two hundred ten-dollar figure used to determine any reduced B&O tax credit (twice the maximum credit available for a quarterly reporting period), XY Inc. is not eligible for the small business B&O tax credit.

Twice the Maximum Credit available for quarterly filers (2 x \$105)	\$210
Less: B&O Tax due	\$250
Credit Available	\$ 0

(d) BG Manufacturing has been assigned a quarterly reporting period. BG has incurred a ninety-dollar tax liability under the wholesaling B&O tax classification, and a seventy-dollar tax liability under the manufacturing B&O tax classification, for a total B&O tax liability of one hundred sixty dollars during the first quarter. As BG manufactures much of what it sells at wholesale, BG qualifies for an internal multiple activities tax credit (MATC) of sixty dollars. (See WAC 458-20-19301 on multiple activities tax credits.) BG Manufacturing would claim its MATC prior to computing its small business B&O tax credit. BG's B&O tax liability net of the MATC is one hundred dollars, which is less than the one hundred five-dollar maximum credit available for the reporting period. BG may claim a one hundred-dollar small business B&O tax credit.

Wholesaling B&O Tax due	\$ 90
Add: Manufacturing B&O Tax due	\$ 70
Subtotal of B&O Tax due	\$160

Less: MATC	\$ 60
Total B&O Tax Liability	\$100
Maximum Credit available for quarterly filers (3 x \$35)	\$105
B&O Tax due	\$100
Credit Available	\$100

(e) BB Corporation has been assigned a quarterly reporting period by the department of revenue. BB's total taxable public utility income for the third quarter is one thousand three hundred dollars. BB Corporation is exempt for the payment of public utility tax because BB's taxable public income does not exceed the one thousand five hundred-dollar minimum taxable amount for this reporting period.

[Statutory Authority: RCW 82.32.300. 95-07-088, § 458-20-104, filed 3/17/95, effective 4/17/95; 83-07-034 (Order ET 83-17), § 458-20-104, filed 3/15/83; Order ET 70-3, § 458-20-104 (Rule 104), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-114 Repealed.** See Disposition Table at beginning of this chapter.

**WAC 458-20-183 Amusement, recreation, and physical fitness services.** (1) **Introduction.** This section provides tax reporting instructions for persons who provide amusement, recreation, and physical fitness services, including persons who receive their income in the form of dues and initiation fees. Section 301, chapter 25, Laws of 1993 sp. sess., amended RCW 82.04.050 to include as a retail sale "physical fitness services." This change became effective July 1, 1993. Physical fitness services were previously taxed under the service and other business activities classification. Amusement and recreation services were retail sales prior to the 1993 law amendment and the tax classification remains unchanged for these activities.

(a) Local governmental agencies that provide amusement, recreation, and physical fitness services should also refer to WAC 458-20-189 (Sales to and by the state of Washington, counties, cities, school districts, and other municipal subdivisions).

(b) Persons engaged in operating coin operated amusement devices should refer to WAC 458-20-187 (Coin operated vending machines, amusement devices and service machines).

(c) Persons engaged in providing camping and outdoor living facilities should refer to WAC 458-20-118 (Sale or rental of real estate, license to use real estate) and WAC 458-20-166 (Hotels, motels, boarding houses, rooming houses, resorts, summer camps, trailer camps, etc.).

(2) **Definitions.** The following definitions apply throughout this section:

(a) "Amounts derived" means gross income from whatever source and however designated. It includes "gross proceeds of sales" and "gross income of the business" as those terms are defined by RCW 82.04.070 and 82.04.080, respectively. It shall also include income attributable to bona fide "initiation fees" and bona fide "dues."

(b) "Amusement and recreation services" include, but are not limited to: Golf, pool, billiards, skating, bowling, swimming, bungee jumping, ski lifts and tows, basketball, racquet ball, handball, squash, tennis, and all batting cages. "Amusement and recreation services" also include the provision of related facilities such as basketball courts, tennis courts, handball courts, swimming pools, and charges made for providing the opportunity to dance. The term "amusement and recreation services" does not include instructional lessons to learn a particular activity such as tennis lessons, swimming lessons, or archery lessons.

(c) "Any additional charge" means a price or payment other than bona fide initiation fees or dues, paid by persons for particular goods and services received. The additional charge must be reasonable and any business and/or sales taxes must be paid upon such charges in order to qualify other income denominated as "bona fide dues" or "fees" to be deductible. The reasonableness of any additional charge will be based on one of the following two criteria:

(i) It must cover all costs reasonably related to furnishing the goods or services; or

(ii) It must be comparable with charges made for similar goods or services by other comparable businesses.

(d) "Direct overhead costs" include all items of expense immediately associated with the specific goods or services for which the costs of production method is used. For example, the salary of a swimming pool lifeguard or the salary of a golf club's greenskeeper are both direct overhead costs in providing swimming and golfing respectively.

(e) "Dues" are those amounts periodically paid by members solely for the purpose of entitling those persons to continued membership in the club or similar organization. It shall not include any amounts paid for goods or services rendered to the member by the club or similar organization.

(f) "Entry fees" means those amounts paid solely to allow a person the privilege of entering a tournament or other type of competition. The term does not include any amounts charged for the underlying activity.

(g) "Goods or services rendered" shall include those amusement, recreation, and physical fitness services defined to be retail sales in (m) of this subsection. Also see, WAC 458-20-166 (Hotels, motels, boarding houses, rooming houses, resorts, summer camps, trailer camps, etc.) and WAC 458-20-244 (Food products). The term shall include the totality or aggregate of goods or services available to members. It is not determinative that some members actually receive more goods or actually enjoy more services than others so long as the totality of the goods or services offered are made available to members in general.

(h) "Indirect overhead costs" means overhead costs incurred by the service provider that are not immediately associated with the specific goods and services. These costs include a pro rata share of total operating costs, including all executive salaries and employee salaries that are not "direct overhead costs" as that term is defined in (d) of this subsection, as well as a pro rata share of administrative expenses and the cost of depreciable capital assets.

(i) "Initiation fees" means those amounts paid solely to initially admit a person as a member to a club or organization. "Bona fide initiation fees" within the context of this rule shall include only those one-time amounts paid which genuinely represent the value of membership in a club or

similar organization. It shall not include any amount paid for or attributable to the privilege of receiving any goods or services other than mere nominal membership.

(j) "League fees" means those amounts paid solely for the privilege of allowing a person or a person's team to join an association of sports teams or clubs that compete chiefly amongst themselves. The term does not include any amounts charged for the underlying activity.

(k) "Nonprofit youth organization" means a nonprofit organization engaged in character building of youth which is exempt from property tax under RCW 84.36.030.

(l) "Physical fitness services" include, but are not limited to: All exercise classes, whether aerobic, dance, water, jazzercise, etc., providing running tracks, weight lifting, weight training, use of exercise equipment, such as treadmills, bicycles, stair-masters and rowing machines, and providing personal trainers (i.e., a person who assesses an individual's workout needs and tailors a physical fitness workout program to meet those individual needs). "Physical fitness services" do not include instructional lessons such as those for self-defense, martial arts, yoga, and stress-management. Nor do these services include instructional lessons for activities such as tennis, golf, swimming, etc. "Instructional lessons" can be distinguished from "exercise classes" in that instruction in the activity is the primary focus in the former and exercise is the primary focus in the latter.

(m) "Sale at retail" or "retail sale" include the sale or charge made by persons engaged in providing "amusement and recreation services" and "physical fitness services" as those terms are defined in (b) and (l) of this subsection. The term "sale at retail" or "retail sale" does not include: The sale of or charge made for providing facilities where a person is merely a spectator, such as movies, concerts, sporting events, and the like; the sale of or charge made for instructional lessons, or league fees and/or entry fees; charges made for carnival rides where the customer purchases tickets at a central ticket distribution point and then the customer is subsequently able to use the purchased tickets to gain admission to an assortment of rides or attractions; or, the charge made for entry to an amusement park or theme park where the predominant activities in the area are similar to those found at carnivals.

(n) "Significant amount" relates to the quantity or degree of goods or services rendered and made available to members by the organization. "Significant" is defined as having great value or the state of being important.

(o) "Value of such goods or services" means the market value of similar goods or services or computed value based on costs of production.

### (3) Business and occupation tax.

(a) **Retailing classification.** Gross receipts from the kind of amusement, recreation, and physical fitness services defined to be retail sales in subsection (2)(m) of this section are taxable under the retailing classification. Persons engaged in providing these activities are also taxable under the retailing classification upon gross receipts from sales of meals, drinks, articles of clothing, or other property sold by them.

(b) **Service and other activities classification.** Gross receipts from activities not defined to be retail sales, such as tennis lessons, golf lessons, and other types of instructional lessons, are taxable under the service and other activities

classification. Persons providing licenses to use real estate, such as separately itemized billings for locker rentals, are also taxable under this classification. See WAC 458-20-118 (Sale or rental of real estate, license to use real estate).

**(4) Receiving income in the form of dues and/or initiation fees.**

**(a) General principles.** For the purposes of the business and occupation tax, all amounts derived from initiation fees and dues must be reported as gross income which then must be apportioned between taxable and deductible income. The following general principles apply to providing amusement, recreation, and physical fitness services when income is received in the form of dues and/or initiation fees:

(i) RCW 82.04.4282 provides for a business and occupation tax deduction for amounts derived from activities and charges of essentially a nonbusiness nature. The scope of this statutory deduction is limited to situations where no business or proprietary activity (including the rendering of goods or services) is engaged in which directly generates the income claimed for deduction. Many for-profit or nonprofit entities may receive "amounts derived," as defined in this section, which consist of a mixture of tax deductible amounts (bona fide initiation fees and dues) and taxable amounts (payment for significant goods and services rendered). To distinguish between these kinds of income, the law requires that tax exemption provisions be strictly construed against the person claiming exemption. Also, RCW 82.32.070 requires the maintenance of suitable records as may be necessary to determine the amount of any tax due. The result of these statutory requirements is that all persons must keep adequate records sufficient to establish their entitlement to any claimed tax exemption or deduction.

(ii) The law does not contemplate that the deduction provided for by RCW 82.04.4282 should be granted merely because the payments required to be made by members or customers are designated as "initiation fees" or "dues." The statutory deduction is not available for outright sales of tangible personal property or for providing facilities or services for a specific charge. Neither is it available if dues are in exchange for any significant amounts of goods or services rendered by the recipient thereof to members without any additional charge to the member, or if the dues are graduated upon the amount of goods or services rendered. Thus, it is only those initiation fees and dues which are paid solely and exclusively for the express privilege of belonging as a member of a club, organization, or society, which are deductible.

(iii) In applying RCW 82.04.4282, no distinction is made between the kinds of clubs, organizations, associations, or other entities which may be eligible for this deduction. They may be operated for profit or nonprofit. They may be owned by the members, incorporated, or operating as a partnership, limited liability company, joint venture, sole proprietorship, or cooperative group. They may be of a charitable, fraternal, social, political, benevolent, commercial, or other nature. The availability of the deduction is determined solely by the nature of the activity or charge which generates the "amounts derived" as that term is defined in subsection (2)(a) of this section.

(iv) Nonprofit youth organizations, as defined in subsection (2)(k) of this section, may deduct fees or dues received from members even though the members are entitled to use the organization's facilities, including camping and recreational facilities, in return for such payments. (See RCW 82.04.4271.)

**(b) Allocation of income.** Persons who derive income from initiation fees and dues may find that they have incurred business and occupation tax liability under both the retailing and service and other activities classifications. For example, an organization may furnish exercise equipment as well as provide lessons in martial arts to its members in return for payment of dues. The former is a retailing taxable activity while the latter is taxable under the service business tax. These taxes are at different rates. Once the income has been allocated between taxable and deductible amounts, the parts of taxable income attributable to either retailing activities or service activities must be reported on the combined excise tax return under the appropriate classification and under the prevailing tax rates. In addition, state and local retail sales taxes measured by the retailing portions must be separately collected from dues paying members, reported, and remitted with the same excise tax return.

**(c) Alternative methods of reporting.** Persons who receive any "amounts derived" from initiations fees and/or dues may report their tax liabilities and determine the amount of tax reportable under different classifications (retailing or service) by use of two alternative allocation methods. The taxpayer may only change its selected allocation method annually and all changes are prospective only. These mutually exclusive methods are:

**(i) Actual records of facilities usage.**

(A) Persons may allocate their income based upon such actual records of facilities usage as are maintained. This method is accomplished by either: The allocation of a reasonable charge for the specific goods or services rendered; or, the average comparable charges for such goods or services made by other comparable businesses. In no case shall any charges under either method be calculated to be less than the actual cost of providing the respective good or service. When using the average comparable charges method the term "comparable businesses" shall not include subsidized public facilities when used by a private facility.

(B) The actual records of facilities usage method must reflect the nature of the goods or services and the frequency of use by the membership, either from an actual tally of times used or a periodic study of the average membership use of facilities. Actual usage reporting may also be based upon a graduated or sliding fees and dues structure. For example, an organization may charge different initiation fees or dues rates for a social membership than for a playing membership. The difference between such rates is attributable to the value of the goods or services rendered. It constitutes the taxable portion of the "amounts derived" allocable to that particular activity. Because of the broad diversification of methods by which "amounts derived" may be assessed or charged to members, the actual records of usage method of reporting may vary from organization to organization.

(C) Organizations which provide more than one kind of "goods or services" as defined in subsection (2)(g) of this

section, may provide such actual records for each separate kind of goods or services rendered. Based upon this method, the total of apportioned "taxable" income may be subtracted from total gross income to derive the amount of gross income which is entitled to deduction as "bona fide initiation fees and dues" under RCW 82.04.4282; or

(ii) **Cost of production method.**

(A) The cost of production allocation method is based upon the cost of production of goods or services rendered. Persons using this method are advised to seek the department's review of the cost accounting methods applied, in order to avoid possible tax deficiency assessment if records are audited. In such cases, the cost of production shall include all items of expense attributable to the particular facility (goods or services) made available to members, including direct and indirect overhead costs.

(B) No portion of assets which have been fully depreciated will be included in computing overhead costs, nor will there be included any costs attributable to membership recruitment and advertising, or providing members with the indicia of membership (membership cards, certificates, contracts of rights, etc.).

(C) The cost of production method is performed by multiplying gross income (all "amounts derived") by a fraction, the numerator of which is the direct and indirect costs associated with providing any specific goods or service, and the denominator of which is the organization's total operating costs. The result is the portion of "amounts derived" that is allocable to the taxable facility (goods or services rendered). If more than one kind of facility (goods or services) is made available to members, this formula must be applied for each facility in order to determine the total of taxable and deductible amounts and to determine the amount of taxable income to report as either retailing taxable or service taxable. The balance of gross amounts derived is deductible as bona fide initiation fees or dues.

(D) Under very unique circumstances and only upon advance written request and approval, the department will consider variations of the foregoing accounting methods as well as unique factors.

(E) Unless income accounting and reporting are accomplished by one or a combination of methods outlined in this section, or under a unique reporting method authorized in advance by the department, it will be presumed that all "amounts derived" by any person who provides "goods or services" as defined herein, constitute taxable, nondeductible amounts.

(5) **Retail sales tax.**

(a) The retail sales tax must be collected upon charges for admissions, the use of facilities, equipment, and exercise classes by all persons engaged in the amusement, recreation, and physical fitness services that are defined to be retail sales in subsection (2)(m) of this section. The retail sales tax must also be collected upon sales of food, drinks and other merchandise by persons engaging in such businesses. See WAC 458-20-244 (Food products). In the case of persons who receive their income in the form of dues and/or initiation fees, the amount of gross receipts determined to be taxable under the retailing business and occupation classification shall be used to determine the person's retail sales tax liability under this subsection.

(b) When the charge for merchandise is included within a charge for admission which is not a "sale at retail" as defined herein, the retail sales tax applies to the charge made for both merchandise and admission, unless a proper segregation of such charge is made in the billing to the customer and upon the books of account of the seller.

(c) The retail sales tax applies upon the purchase or rental of all equipment and supplies by persons providing amusement, recreation, and physical fitness services, other than merchandise that is actually resold by them. For example, the retail sales tax applies to purchases of such things as soap or shampoo provided at no additional charge to members of a health club.

(6) **Transitory provisions for nonprofit youth organizations.** The 1993 amendment of RCW 82.04.050 resulted in "physical fitness services" provided by nonprofit youth organizations being classified as retail sales. However, section 1, chapter 85, Laws of 1994, amended RCW 82.08.0291 and thereby exempted from the definition of retail sale, the sale of such services by a nonprofit youth organization to members of the organization. This change became effective July 1, 1994. Therefore, nonprofit youth organizations are only liable for retail sales tax on the sale or charge made for "physical fitness services" from July 1, 1993, to June 30, 1994. Nonprofit youth organizations were previously exempt from the collection of retail sales tax on "amusement and recreation services" (RCW 82.08.0291) and were previously not subject to retailing business and occupation tax on both the provision of "physical fitness services" and "amusement and recreation services" (RCW 82.04.4271). Nonprofit youth organizations, however, may have tax liabilities for other types of activities, such as retail sales of food, retail sales of tangible personal property, or the license to use real estate, as discussed above.

[Statutory Authority: RCW 82.32.300, 95-22-100, § 458-20-183, filed 11/1/95, effective 12/2/95; 84-12-046 (Order ET 84-2), § 458-20-183, filed 6/1/84. Statutory Authority: RCW 82.01.060(2) and 82.32.300, 78-07-045 (Order ET 78-4), § 458-20-183, filed 6/27/78; Order ET 70-3, § 458-20-183 (Rule 183), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-18601 Wholesale and retail cigarette vendor licenses.** (1) Definitions. For purposes of this section, the following terms mean:

(a) "Wholesaler" is any person who purchases, sells, or distributes cigarettes to retailers for the purpose of resale only.

(b) "Retailer" is any person, other than a wholesaler, who purchases, sells, offers for sale or distributes cigarettes at retail and all persons operating under a retailer's registration certificate.

(c) "Place of business" is any location where business is transacted with, or sales are made to, customers. The term also includes any vehicle, truck, vessel, or the like at which sales are made.

(d) "Department" is the department of revenue.

(2) Wholesale license. Prior to the sale or distribution of cigarettes at wholesale, each wholesaler must first be issued a wholesale cigarette license from the department of licensing.

(a) Applications for license or renewal of license shall be made on forms supplied by the department of licensing and shall be accompanied by the annual license fee of \$650.

A wholesale cigarette license shall be valid for one year from the date of issuance.

(b) If the wholesaler sells, or intends to sell, cigarettes at more than one place of business, whether temporary or established, a separate license with a license fee of \$115 shall be required for each additional place of business. Each license shall be exhibited in the place of business for which it is issued.

(c) Each licensed wholesaler shall file a bond with the department in an amount determined by the department, which amount shall not be less than \$5,000. The bond shall be executed by the wholesaler as principal, and by a corporation approved by the department of licensing and authorized to engage in business as a surety company in this state, as surety. The bond shall run concurrently with the wholesaler's license.

(3) Retail license. Prior to the retail sale or distribution of cigarettes, each retailer must first be issued a retail cigarette license from the department of licensing.

(a) Applications for license or renewal of license shall be made on forms supplied by the department of licensing and shall be accompanied by the annual license fee of \$10. A retail cigarette license shall be valid for one year from the date of issuance.

(b) Retailers operating cigarette vending machines are required to pay an additional fee of \$1 for each such vending machine.

(4) Persons acting as wholesalers and retailers. Persons may sell cigarettes both as retailers and wholesalers only if appropriate licenses are first secured for sales in both capacities. The sale of cigarettes by any person who does not possess a valid license authorizing such sale shall be considered a violation of this section.

(5) Revocation or suspension of license. The department shall revoke or suspend the license of any wholesale or retail cigarette dealer found to have violated the provisions of chapter 82.24 RCW, WAC 458-20-186, or this section. Upon a finding by the department of a failure to comply with the provisions of chapter 82.24 RCW, WAC 458-20-186, or this section, it shall:

(a) For the first offense, suspend the license or licenses of the offender for a period of not less than thirty consecutive business days;

(b) In the case of a second or multiple offense, suspend the license or licenses of the offender for not less than ninety consecutive business days nor more than twelve months;

(c) In the case of a finding that the offender is guilty of wilful and persistent violations, revoke the offender's license or licenses.

(6) Revocation or suspension hearing.

(a) If the department determines that a license holder has violated the provisions of chapter 82.24 RCW, WAC 458-20-186, or this section, a hearing will be scheduled to consider the license revocation or suspension of such license holder.

(b) The provisions of WAC 458-20-10001, Adjudicative proceedings—Brief adjudicative proceedings—Wholesale and retail cigarette license revocation or suspension—Certificate of registration (tax registration endorsement) revocation, applies to a revocation or suspension hearing.

(7) Reinstatement of license.

(a) Any person whose license or licenses have been revoked may apply to the department at the expiration of one year for a reinstatement of the license or licenses. The license or licenses may be reinstated by the department if it appears to the satisfaction of the department that the license holder will comply with the provisions of chapter 82.24 RCW, WAC 458-20-186, and this section.

(b) Application for reinstatement is to be made to the special programs division of the department. Upon receipt of an application for reinstatement of license, the department shall schedule a hearing for consideration of the application. Such hearing shall be held pursuant to WAC 458-20-10001.

[Statutory Authority: RCW 82.32.300, 95-07-068, § 458-20-18601, filed 3/14/95, effective 4/14/95; 92-06-081, § 458-20-18601, filed 3/4/92, effective 4/4/92.]

**WAC 458-20-189 Sales to and by the state of Washington, counties, cities, towns, school districts, and fire districts. (1) Introduction.** This section discusses the business and occupation (B&O), retail sales, use, and public utility tax applications to sales made to and by the state of Washington, counties, cities, towns, school districts, and fire districts. Hospitals or similar institutions operated by the state of Washington, or a municipal corporation thereof, should refer to WAC 458-20-168. School districts should also refer to WAC 458-20-167. Persons providing physical fitness activities and amusement and recreation activities should also refer to WAC 458-20-183.

Persons providing public utility services may also want to refer to the following sections of chapter 458-20 WAC:

(a) WAC 458-20-179 (Public utility tax);

(b) WAC 458-20-180 (Motor transportation, urban transportation);

(c) WAC 458-20-250 (Refuse-solid waste collection business—Core deposits and credits, battery core charges, and tires); and

(d) WAC 458-20-251 (Sewerage collection business).

(2) **Definitions.** For the purposes of this section, the following definitions apply:

(a) "Municipal corporations" means counties, cities, towns, school districts, and fire districts of the state of Washington.

(b) "Public service business" means any business subject to control by the state, or having the powers of eminent domain, or any business declared by the legislature to be of a public service nature, irrespective of whether the business has the powers of eminent domain or the state exercises its control over the business. It includes, among others and without limiting the scope hereof, water distribution, light and power, public transportation, and sewer collection.

(c) "Subject to control by the state," as used in (b) of this subsection, means control by the utilities and transportation commission or any other state department required by law to exercise control of a business of a public service nature as to rates charged or services rendered.

(d) "Enterprise activity" means an activity financed and operated in a manner similar to a private business enterprise. The term includes those activities which are generally in competition with private business enterprises and which are over fifty percent funded by user fees. The term does not include activities which are exclusively governmental.



**(3) Persons taxable under the business and occupation tax.**

(a) Sellers are subject to the B&O tax upon sales to the state of Washington, its departments and institutions, or to municipal corporations of the state.

(b) The state of Washington, its departments and institutions, as distinct from its corporate agencies or instrumentalities, are not subject to the provisions of the B&O tax. RCW 82.04.030.

(c) Municipal corporations are not subject to the B&O tax upon amounts derived from activities which are exclusively governmental. RCW 82.04.419. Thus, the B&O tax does not apply to license and permit fees, inspection fees, fees for copies of public records, reports, and studies, pet adoption and license fees, processing fees involving fingerprinting and environmental impact statements, and taxes, fines, or penalties, and interest thereon. Also exempt are fees for on-street metered parking and on-street parking permits.

Municipal corporations are also exempt from the B&O tax on grants received from the state of Washington, or the United States government. RCW 82.04.418.

(d) Municipal corporations deriving income, however designated, from any enterprise or public service business activity for which a specific charge is made are subject to the provisions of the B&O or public utility tax. Charges between departments of a particular municipal corporation are interdepartmental charges and not subject to tax. (See also WAC 458-20-201 on interdepartmental charges.)

(i) When determining whether an activity is an enterprise activity, user fees derived from the activity must be measured against total costs attributable to providing the activity, including direct and indirect overhead. This review should be performed on the fiscal or calendar year basis used by the entity in maintaining its books of account.

For example, a city operating an athletic and recreational facility determines that the facility generated two hundred fifty thousand dollars in user fees for the fiscal year. The total costs for operating the facility were four hundred thousand dollars. This figure includes direct operating costs and direct and indirect overhead, including asset depreciation and interest payments for the retirement of bonds issued to fund the facility's construction. The principal payments for the retirement of the bonds are not included because these costs are a part of the asset depreciation costs. The facility's operation is an enterprise activity because it is more than fifty percent funded by user fees.

(ii) An enterprise activity which is operated as a part of a governmental or nonenterprise activity is subject to the B&O tax. For example, City operates Community Center, a large athletic and recreational facility, and three smaller neighborhood centers. Community Center operates with its own budget, and the three neighborhood centers are lumped together and operated under a single separate budget. Community Center and the neighborhood centers are operated as a part of an overall parks and recreation system, which is not more than fifty percent funded by user fees.

Each budget must be independently reviewed to determine whether these facilities are operated as enterprise activities. The operation of Community Center would be an enterprise activity only if the user fees account for more than fifty percent of Community Center's operating budget. The

total user fees generated by the three neighborhood centers would be compared to the total costs of operating the three centers to determine whether they, as a whole, were operated as enterprise activity. Had each neighborhood center operated under an individual budget, the user fees generated by each neighborhood center would have been compared to the costs of operating that center.

**(4) Business and occupation tax.**

(a) Municipal corporations engaging in public service business activities should refer to the sections of chapter 458-20 WAC mentioned in subsection (1)(a) through (d) of this section to determine their B&O tax liability. Municipal corporations engaging in enterprise activities are subject to the B&O tax as follows:

(i) **Service and other business activities tax.** Amounts derived from, but not limited to, special event admission fees for concerts and exhibits, user fees for lockers and checkrooms, charges for moorage (less than thirty days), and the granting of a license to use real property are subject to the service and other business activities tax if these activities are considered enterprise activities. (See also WAC 458-20-118 on the sale or rental of real estate.) The service tax applies to fees charged for instruction in amusement and recreation activities, such as tennis or swimming lessons.

Prior to July 1, 1993, fees charged for physical fitness activities and saunas were subject to the service tax. These activities are a retail sale beginning July 1, 1993. Physical fitness activities include weight lifting, exercise facilities, aerobic classes, etc. (See also WAC 458-20-183 on amusement and recreation activities, etc.)

(ii) **Extracting tax.** The extracting of natural products for sale or for commercial use is subject to the extracting B&O tax. The measure of tax is the value of products. (See WAC 458-20-135 on extracting.) Counties and cities are not, however, subject to the extracting tax upon the cost of labor and services performed in the mining, sorting, crushing, screening, washing, hauling, and stockpiling of sand, gravel, or rock taken from a pit or quarry owned by or leased to the county or city when these products are either stockpiled for placement or are placed on a street, road, place, or highway of the county or city by the county or city itself. Nor does the extracting tax apply to the cost of or charges for such labor and services if the sand, gravel, or rock is sold by the county or city to another county or city at actual cost for placement on a publicly owned street, road, place, or highway. RCW 82.04.415.

(iii) **Manufacturing tax.** The manufacturing of products for sale or for commercial use is subject to the manufacturing B&O tax. The measure of tax is the value of products. (See WAC 458-20-136 on manufacturing.) The manufacturing tax does not apply to the value of materials printed by counties, cities, towns, or school districts solely for their own use. RCW 82.04.397.

(iv) **Wholesaling tax.** The wholesaling tax applies to the gross proceeds derived from sales or rentals of tangible personal property to persons who resell the same without intervening use. The wholesaling tax does not, however, apply to casual sales. (See WAC 458-20-106 on casual sales.) Sellers must obtain resale certificates from their customers to support the wholesale nature of any transaction. (Refer to WAC 458-20-102 on resale certificates.)

(v) **Retailing tax.** User fees for off-street parking and garages, and charges for the sale or rental of tangible personal property to consumers are taxable under the retailing B&O tax. The retailing tax does not, however, apply to casual sales. (See WAC 458-20-106.) Fees for amusement and recreation activities, such as golf, swimming, racquetball, and tennis, are retail sales and subject to the retailing tax if the activities are considered enterprise activities. Charges for instruction in amusement and recreation activities are subject to the service tax. (See also WAC 458-20-183 and (a)(i) of this subsection.)

On and after July 1, 1993, charges for physical fitness and sauna services are classified as retail sales and subject to the retailing tax. (See chapter 25, Laws of 1993 sp. sess.) While a retail sales tax exemption for physical fitness classes provided by local governments is available on and after July 1, 1994, (see subsection (6)(h) of this section), the retailing B&O tax continues to apply.

(b) Persons selling products which they have extracted or manufactured must report, unless exempt by law, under both the "production" (extracting and/or manufacturing) and "selling" (wholesaling or retailing) classifications of the B&O tax, and claim a tax credit under the multiple activities tax credit system. (See WAC 458-20-19301 on multiple activities tax credits.)

**(5) Retail sales tax.**

(a) The retail sales tax generally applies to all retail sales made to the state of Washington, its departments and institutions, and to municipal corporations of the state.

(b) The state of Washington, its departments and institutions, and all municipal corporations are required to collect retail sales tax on all retail sales of tangible personal property or services classified as retail services unless specific exemptions apply. Retail sales tax must be collected and remitted even though the sale may be exempt from the retailing B&O tax. For example, a city police department must collect retail sales tax on casual sales of unclaimed property to consumers, even though this activity is not subject to the B&O tax because these sales are considered casual sales. (See also WAC 458-20-106.)

(c) Sales between a department or institution of the state and a municipal corporation, or between municipal corporations are retail sales. For example, State Agency sells office supplies to County. State Agency is making a retail sale. State Agency must collect and remit retail sales tax upon the amount charged, even though the B&O tax does not apply to this sale. The amount of retail sales tax must be separately itemized on the sales invoice. RCW 82.08.050. State Agency may claim a tax paid at source deduction for any retail sales or use tax previously paid on the acquisition of the office supplies. (See WAC 458-20-102 on purchases for dual purposes.)

(d) Departments or institutions of the state of Washington are not considered sellers when making sales to other departments or institutions of the state because the state is considered to be a single entity. RCW 82.08.010(2). Therefore, the "selling" department or institution is not required by statute to collect the retail sales tax on these sales.

All departments or institutions of the state of Washington are, however, considered "consumers." RCW

82.08.010(3). A department or institution of the state purchasing tangible personal property from another department or institution is required to remit to the department of revenue the retail sales or use tax upon that purchase, unless it can document that the "selling" institution previously paid the appropriate retail sales or use tax on that item.

(6) **Retail sales tax exemptions.** The retail sales tax does not apply to the following:

(a) Sales to city or county housing authorities which were created under the provisions of the Washington housing authorities law, chapter 35.82 RCW. However, prime contractors and subcontractors for city or county housing authorities should refer to WAC 458-20-17001 (Government contracting—Construction, installations, or improvements to government real property) to determine their tax liability.

(b) Charges to municipal corporations and the state of Washington for that portion of the selling price of contracts for watershed protection or flood control which is reimbursed by the United States government according to the provisions of the Watershed Protection and Flood Prevention Act, Public Law 566, as amended. RCW 82.08.0271.

(c) Sales of the entire operating property of a publicly or privately owned public utility, or of a complete operating integral section thereof, to the state or a municipal corporation thereof for use in conducting any public service business except a tugboat business. RCW 82.08.0256.

(d) Sales of or charges made for labor and services in the mining, sorting, crushing, screening, washing, hauling, and stockpiling of sand, gravel, or rock taken from a pit or quarry owned or leased to a county or city, when the materials are either stockpiled in the pit or quarry, placed on the public road by the county or city itself, or sold at cost to another county or city for use on public roads. RCW 82.08.0275.

(e) Sales to one municipal corporation by another municipal corporation directly or indirectly arising out of, or resulting from, the annexation or incorporation of any part of the territory of one municipal corporation by another. RCW 82.08.0278.

(f) Sales to the state of Washington, or a municipal corporation in the state, of ferry vessels and component parts thereof, and charges for labor and services in respect to construction or improvement of such vessels. RCW 82.08.0285.

(g) Sales to the United States. However, sales to federal employees are subject to the retail sales tax, even if the federal employee will be reimbursed for the cost by the federal government. (See WAC 458-20-190 on sales to the United States.)

(h) On and after July 1, 1994, charges for physical fitness classes, such as aerobics classes, provided by local governments. RCW 82.08.0291. (See also chapter 85, Laws of 1994.) Local governments must collect retail sales tax on charges for other physical fitness activities such as weight lifting, exercise equipment, and running tracks.

This exemption does not apply if a person other than a local government provides the physical fitness class, even if the class is conducted at a local government facility.

**(7) Deferred sales or use tax.**

(a) If the seller fails to collect the appropriate retail sales tax, the state of Washington, its departments and

institutions, and all municipal corporations are required to pay the deferred sales or use tax directly to the department.

(b) Purchases of cigarette stamps, vehicle license plates, license plate tabs, disability decals, or other items to evidence payment of a license, tax, or fee are purchases for consumption by the state or municipal corporation, and subject to the retail sales or use tax.

(c) Where tangible personal property or taxable services are purchased by the state of Washington, its departments and institutions, for the purpose of resale to any other department or institution of the state of Washington, or for the purpose of consuming the property purchased in manufacturing or producing for use or for resale to any other department or institution of the state of Washington a new article of which such property is an ingredient or component part, the transaction is deemed a purchase at retail and the retail sales tax applies.

(d) Persons producing or manufacturing products for commercial or industrial use are required to remit use tax upon the value of those products, unless a specific use tax exemption applies. RCW 82.12.020. This value must correspond as nearly as possible to the gross proceeds from retail sales of similar products. (See WAC 458-20-112 and 458-20-134 on value of products and commercial or industrial use, respectively.)

For example, a municipal corporation operating a print shop and producing forms or other documents for its own use must remit use tax upon the value of those products, even though a B&O tax exemption is provided by RCW 82.04.397. The municipal corporation may claim a credit for retail sales tax previously paid on materials, such as paper or ink, which are incorporated into the manufactured product. The process of putting an internal communication, such as a memorandum to employees, on a blank form or document is not considered a manufacturing activity, even when multiple copies of the resulting internal communication are reproduced for wide distribution to employees.

(i) Counties and cities are not subject to use tax upon the cost of labor and services in the mining, sorting, crushing, screening, washing, hauling, and stockpiling of sand, gravel, and rock taken from a pit or quarry owned or leased to a county or city when the materials are for use on public roads. RCW 82.12.0269.

(ii) If a department or institution of the state of Washington manufactures or produces tangible personal property for use or resale to any other department or institution of the state, use tax must be remitted upon the value of that article even though the state is not subject to the B&O tax.

For example, State Agency manufactures office furniture for resale to other departments or institutions of the state of Washington. State Agency will also on occasion use office furniture it has manufactured for its own offices. Use tax is due on the office furniture sold to the other departments or institutions of this state, and on the office furniture State Agency puts to its own use. The taxable value of the office furniture sold to the other departments or institutions of this state is the selling price. The taxable value for the office furniture State Agency puts to its own use is the selling price at which State Agency sells comparable furniture to other departments or institutions of the state. When computing and remitting use tax upon the value of manufactured furniture, State Agency may claim a credit for retail sales or

use taxes previously remitted on materials incorporated into that furniture. A department or institution of this state purchasing office furniture from State Agency must remit use tax upon the value of that furniture, unless it can document that State Agency paid use tax upon the appropriate value of the furniture. (See also subsection (5)(d) of this section.)

(e) A donee is generally subject to use tax upon the use of any donated item of tangible personal property, if the appropriate retail sales or use tax was not paid by the donor. Effective May 1, 1995, a use tax exemption is available to state or local governmental entities using tangible personal property donated to them. (See chapter 201, Laws of 1995.) The donor, however, remains liable for the retail sales or use tax on the donated property, even though the state or local governmental entity's use of the property is exempt of tax.

#### **(8) Persons subject to the public utility tax.**

(a) Persons deriving income subject to the provisions of the public utility tax may not claim a deduction for amounts received as compensation for services rendered to the state of Washington, its departments and institutions, or to municipal corporations thereof.

(b) The public utility tax does not apply to income received by the state of Washington, or its departments and institutions from providing public utility services.

(c) Municipal corporations operating public service businesses should refer to WAC 458-20-179 (Public utility tax), WAC 458-20-180 (Motor transportation, urban transportation), WAC 458-20-250 (Refuse-solid waste collection business—Core deposits and credits, battery core charges, and tires) and WAC 458-20-251 (Sewerage collection business) to determine their public utility tax liability.

(9) **Examples.** The following examples identify a number of facts and then state a conclusion. These examples should only be used as a general guide. The tax results of other situations must be determined after a review of all the facts and circumstances.

(a) City operates a community center which provides a number of activities and services. The center charges fees for court activities including tennis and racquetball, general admission to the swimming pool, swimming lessons, aerobics classes, and the use of weight equipment. The community center also provides programs targeted at youth and senior populations. These programs include arts and craft classes, dance instruction classes, and day camps providing a wide variety of activities such as picnics, nature walks, volleyball, and other games. The center provides banquet and meeting rooms to civic groups for a fee, but does not provide a meal service with the banquet facilities. The community center's operation is an enterprise activity, because it is more than fifty percent funded by user fees.

City's tax liability for the fees charged by the community center are as follows:

(i) Retailing B&O and retail sales taxes apply to all charges for the court activities, general admission to the swimming pool, and the use of weight equipment;

(ii) The retailing B&O tax applies to fees charged for aerobics classes. Retail sales tax does not apply because of the sales tax exemption for physical fitness classes provided by local governments;

(iii) Service and other business activities B&O tax applies to all fees for swimming lessons, the arts and crafts

classes, dance instruction classes, day camps, and the rental of the banquet and meeting rooms. Retail sales tax does not apply to any part of the charge for the day camp because the portion of the day camp activities considered to be retail is minimal.

(b) City operates a swimming pool located at a high school. This swimming pool is open to the public in the evenings. City charges user fees for swimming lessons, water exercise classes, and general admission to the pool. City will occasionally "rent" the pool to a private organization for the organization's own use. In these cases, the private organization controls the overall operation and admission to the facility. City has no authority to control access and/or use when "renting" the pool to these organizations. City compares the user fees generated by the swimming pool to the total costs associated with the operation of the pool on an annual basis. The user fees never total "more than fifty percent" of the cost of pool operation, therefore the operation of the pool is not an enterprise activity.

City must collect and remit retail sales tax on all retail sales for which a retail sales tax exemption is not available, even though the B&O tax does not apply. Retail sales tax must be charged and collected on all general admission charges. Retail sales tax does not apply to the water exercise classes because of the retail sales tax exemption provided for physical fitness classes provided by local governments. City would not collect retail sales tax on the charges for the swimming lessons or the "rental" of the pool to private businesses (license to use real estate) because these charges are not retail sales.

(c) City sponsors various baseball leagues as a part of City's efforts to provide recreational activities to its citizens. Teams joining a league are charged a "league fee." Individual participants are charged a "participation fee." The league fee entitles a team to join the league, and reserve the use of the ball fields for league games. The participation fee entitles an individual team member to participate in the baseball activity. City does not account for the operation of the ball fields under a single specific budget. The user fees generated from the baseball fields, as well as the costs of operating and maintaining these fields, are accounted for in City's overall parks and recreation system budget, which is not an enterprise activity.

The participation fees are retail sales and subject to the retail sales tax, because the team members pay these fees for the right to actually engage in an amusement and recreation activity. The league fees are not retail sales, because they simply entitle the teams to join an association of baseball teams that compete amongst themselves. (Refer also to WAC 458-20-183 on amusement and recreational activities.) The participation fees and league fees are not subject to the B&O tax, because these baseball fields are not operated as an enterprise activity. Had these fields been operated as an enterprise activity, the participation fees and league fees would also have been subject to the retailing and service and other business activities B&O tax classifications, respectively.

(d) Jane Doe enters into a contract with City to provide an aerobics class at City's community center. Jane is responsible for providing the aerobics class. City merely "rents" a room to Jane under a license to use agreement.

Jane Doe must collect and remit retail sales tax upon the charges for the aerobics classes. The charges for the aerobics classes do not qualify for the retail sales tax exemption provided by RCW 82.08.0291 merely because the classes are held at a local government facility. Jane Doe is not entitled to the retail sales tax exemption available to local governments.

[Statutory Authority: RCW 82.32.300. 95-24-104, § 458-20-189, filed 12/6/95, effective 1/6/96; 86-18-069 (Order 86-16), § 458-20-189, filed 9/3/86; 85-22-041 (Order 85-6), § 458-20-189, filed 11/1/85; 85-04-016 (Order 85-1), § 458-20-189, filed 1/29/85; 83-07-033 (Order ET 83-16), § 458-20-189, filed 3/15/83; Order ET 70-3, § 458-20-189 (Rule 189), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-207 Legal, arbitration, and mediation services.** (1) **Introduction.** This section explains the taxability of amounts received for legal, arbitration, and mediation services.

(2) **Definitions.**

(a) "Arbitration" means the process by which the parties to a dispute submit to the hearing and judgment of an impartial person or group appointed by mutual consent or statute.

(b) "Arbitration services" means services relating to the resolution of a dispute submitted to arbitration.

(c) "Attorney" means an active member of a state Bar Association engaged in the practice of law. The term also includes a professional service corporation incorporated under chapter 18.100 RCW, a professional limited liability company formed under chapter 18.190 RCW, or a partnership, provided the ownership of these business entities are properly restricted to attorneys and organized primarily for engaging in the practice of law.

(d) "Collective investment fund" means:

(i) A mutual fund or other regulated investment company as defined in Internal Revenue Code section 851(a);

(ii) An "investment company" as that term is used in section 3(a) of the Investment Company Act of 1940 as well as an entity that would be an investment company under section 3(a) of the Investment Company Act of 1940 except for the section 3 (c)(1) or (11) exemptions, or except that it is a foreign country;

(iii) An "employee benefit plan," which includes any plan, trust, commingled employee benefit trusts, or custodial arrangement that is subject to the Employee Retirement Income Security Act of 1974, as amended, 29 U.S.C. Sec. 1001 et seq., or that is described in Internal Revenue Code sections 125, 401, 403, 408, 457, or 501 (c)(9) and (17) through (23), or similar plan maintained by state or local governments, or plans, trusts, or custodial arrangements established to self-insure benefits required by federal, state, or local law;

(iv) A fund maintained by a tax exempt organization as defined in Internal Revenue Code sections 501 (c)(3) or 509(a) for operating, quasi-endowment, or endowment purposes; or

(v) Funds that are established for the benefit of such tax exempt organization such as charitable remainder trusts, charitable lead trusts, charitable annuity trusts, or other similar trusts.

(e) "Legal services" means services relating to or concerned with the law. Such services include, but are not

limited to, representation by an attorney (or other person, when permitted) in an administrative or legal proceeding, legal drafting, paralegal services, legal research services, and court reporting services.

(f) "Mediation" means the process by which the parties to a dispute or negotiations agree to have an intermediary hear their differences and/or positions and facilitate and/or make suggestions concerning an agreement and/or the resolution of their dispute.

(3) **Business and occupation tax.** Every person whose business is providing legal, arbitration or mediation services, is taxable under the selected business services classification upon the gross income of the business, unless such services are provided to a collective investment fund or related to the identification, investigation, or cleanup arising out of the release or threatened release of hazardous substances when done to determine if a release of hazardous substances has occurred or is likely to occur.

(a) **Gross income.** The gross income of the business generally includes the amount of compensation paid for legal, arbitration, or mediation services and amounts attributable to providing those services (i.e., charges for tangible personal property directly used or consumed in supplying legal, arbitration, or mediation services). Reimbursed general overhead costs are generally includable in the gross income of the business even though indirectly related to litigation. Any reimbursed costs (not directly related to litigation) for which the attorney assumes personal liability for payment are also includable in gross income.

(b) **Overhead costs.** Amounts received (or, for taxpayers reporting under the accrual accounting method, accrued) to compensate for overhead costs are fully subject to tax. Such overhead costs are taxable even though they may be separately stated on the billings or expressly denominated as costs of the client. Examples of such overhead costs include, but are not limited to:

(i) Photocopy or other reproduction charges, except charges paid to the provider, or the agent of the provider, for the official or original copy of a record, or other document, provided for litigation;

(ii) Long distance telephone tolls;

(iii) Secretarial expenses;

(iv) Office rent;

(v) Office supplies;

(vi) Travel, meals and lodging;

(vii) Utilities, including facsimile telephone charges; and

(viii) Postage, unless paid for service of legal papers as a direct cost of litigation.

(c) **Excluded amounts.** The following amounts are excluded from gross income if complete and accurate records are maintained of these amounts:

(i) **Client trust accounts.** The gross income of the business does not include amounts held in trust for the client.

(ii) **Litigation expenses.** Attorneys are bound by the rules of professional conduct. RPC 1.8(e) prohibits an attorney from financing the expenses of contemplated or pending litigation unless the client remains ultimately liable for these expenses. This means that an attorney normally acts solely as the agent for the client when financing litigation. Accordingly, amounts received from a client for the direct expenses of litigation do not constitute gross income to the attorney. Amounts received (or, for taxpayers

reporting under the accrual accounting method, accrued) to compensate for the following direct litigation expenses are not included in gross income:

(A) Filing fees and court costs;

(B) Process server and messenger fees;

(C) Court reporter fees;

(D) Expert witness fees; and

(E) Costs of associate counsel.

A cash basis taxpayer cannot exclude or deduct amounts of unreimbursed litigation expenses. For example, an attorney advances all the litigation expenses for a contingency fee case. The case is ultimately resolved against the attorney's client and are not repaid because of the client's bankruptcy. The attorney cannot then deduct these expenses as a bad debt or otherwise exclude them against other income earned by the attorney.

(iii) **Expense advances and reimbursements.** Sometimes in the regular course of business an attorney may receive amounts from a client for expenses of third-party providers or other costs incurred in connection with a legal matter other than litigation. Such amounts are excluded from the business and occupation tax only if the attorney has no obligation for payment other than as agent for the client or equivalent commitment for their payment (see WAC 458-20-111, Advances and reimbursements). Generally, such amounts will be for third-party service providers (for example, accountants, appraisers, architects, artists, drafters, economists, engineers, investigators, physicians, etc.). However, these costs could also include client expenses for registration, licensing or maintenance fees, title and other insurance premiums, and escrow fees paid to third-party escrow agents. These costs are excludable only when the attorney does not have any personal liability to the third-party provider for their payment.

(iv) **Records requirement.** In order to support the exclusion from taxable gross income of any of the foregoing expenses, the attorney must maintain records which indicate the amount of the payment received from the client, the name of the client, the name of the person to whom the attorney has made payment, and a description of the item for which payment was made. If the foregoing expenses are incurred outside the context of litigation or contemplated litigation, the attorney must maintain records which indicate the amount of the payment received, the name of the client, and the person to whom the attorney makes payment. In addition, the attorney must provide the person to whom payment is made with written notice that:

(A) Payment is made, or will be made on behalf of a named client; and

(B) The attorney assumes no liability for payment, other than as agent for the named client.

(d) **Excluded services.** The following legal services are excluded from the selected business services tax classification.

(i) **Hazardous waste.** Legal, arbitration, or mediation services related to the identification, investigation, or cleanup arising out of the release or threatened release of hazardous substances when the services are performed to determine if a release of hazardous substances has occurred or is likely to occur are not taxable as selected business services. Income from these excluded services are taxable under the service and other business activities classification (see WAC 458-20-

224). For example, a legal opinion specifically determining whether and to what extent a client is subject to federal and state law as it concerns hazardous waste identification, investigation, and cleanup would not be taxable as a selected business service.

Also, arbitration or mediation services provided to resolve or negotiate settlement in a case determining the liability for or the release of hazardous substances are examples of excluded services which would not be taxable as selected business services.

(ii) Collective investment funds. Income derived from legal, arbitration, or mediation services provided to, performed for, on behalf of, or for the benefit of a collective investment fund is excluded from gross income under the selected business services classification. Income received from these clients is taxable under the service and other business activities classification (see WAC 458-20-224).

(e) Multiple business activities. Attorneys and other persons engaged in providing legal, arbitration, and mediation services sometimes engage in other business activities which are classified under a different tax classification (i.e., escrow services, acting as the trustee for a trust, acting as the personal representative of an estate, etc.). In some circumstances, income from these other business activities will be subject to tax under a tax classification other than selected business services.

(i) Independent business activities. If the other activities engaged in by the person are independent from the legal, arbitration, or mediation services provided to the client, these activities are taxed based on the tax classification that applies to each of those other activities, provided these other activities are separately accounted for and/or itemized as a separate amount in billings or invoices to the client. Failure to separately account and/or itemize for such activities will result in classification of all activities under the selected business services classification. Legal activities specifically excluded from the selected business services tax classification will be treated as an independent business activity taxable under the other services and business activities tax classification, provided the excluded service is separately accounted for and/or itemized as a separate amount in billings or invoices to the client.

(ii) Combined business activities. If the other activities are related to the legal, arbitration, or mediation services provided to the client, the primary activity provided the client in each taxable period will determine the tax classification. Generally, the activity will be considered as related when there is some interaction between the two activities to reach an ultimate goal (i.e., a law firm which provides legal advice and brokers the financing of a business arrangement). There are a number of elements which may be examined to determine whether a sufficient relationship between the multiple activities exist. Some elements considered are the timing for the selection and provision of services, the relationship between the contracting parties, the procedure used in the selection process, the dependence of the relationship between the two or more activities, the relationship of the prices between the two activities, and the means of payment selected for the activities.

(iii) Examples. The following examples identify a number of facts and then state a conclusion. These exam-

ples should be used only as a general guide. The tax status of each situation must be determined after a review of all of the facts and circumstances.

(A) A law firm has an escrow department. This escrow department is run by employees who are not attorneys (but the supervising employee is a limited practice officer who has experience as a certified escrow agent), has a separate phone number, separate bank account, separate trust account, separate computer system, and maintains its own accounting system. Contracts for the escrow services state that the law firm is being retained as an independent escrow agent and not to represent any person involved in the transaction. Further, the contract states that the law firm shall not offer legal advice upon the transaction. The escrow department of this law firm would be considered an independent business activity and be taxed separately under the retailing classification for escrow businesses (see WAC 458-20-156).

(B) A law firm limits its practice to real estate. It primarily provides escrow services and real estate closings. Even though this firm has chosen to limit its practice, it is the nature and the character of its activities which will determine the primary activity for each closing. When a closing includes the preparation, selection, or drafting of the deed between the purchaser and seller, drafting legal documents to obtain clear title, and/or the preparation, selection or drafting of the promissory notes, deeds of trust, mortgages, and agreements modifying these documents, it will be presumed that the primary activity performed for the client is providing these legal services.

(I) The law firm closed a real estate transaction performing all the escrow services. Except for the escrow services provided, the firm represented the buyer in the closing. Although an attorney from the firm reviewed and approved the legal documents provided by the seller, the attorney did not prepare any legal documents for the transaction. Since the firm was representing a specific client in this real estate closing, the escrow services are considered incidental to the legal services provided. Accordingly, the firm will report the income from this transaction under the selected business services classification.

(II) The firm was engaged by both parties in a real estate transaction to handle a real estate closing. An attorney for the firm selected and prepared the earnest money escrow agreement, the purchase and sales agreement, the closing agreement, and the deeds for the transfer. Title was clear and did not require any additional drafting. The firm also entered into an escrow agreement with both parties and held in escrow the buyer's deposit and the seller's deed. Since an attorney for the law firm was required to select, analyze, and review the legal documents in this transaction, the escrow activity will be considered incidental. This closing is reported under the selected business services classification for legal services.

(III) A certified escrow agency, owned by a principal qualified under APR 12 (the limited practice rule for limited practice officers), provides both escrow and the limited legal services allowed under APR 12 to its clients. The escrow company itemizes the services provided. APR 12(d) allows a limited practice officer to select, prepare and complete documents in a form previously approved by the board for use in closing a loan, extension of credit, sale or other



transfer of real or personal property. The nature of this limited license prevents an escrow company using limited practice officers from ever engaging in legal services as a primary activity in a real estate closing. Accordingly, the escrow company will report the income from escrow and closings under the retail sales classification (see WAC 458-20-156).

(IV) The same facts as above, but the escrow company hires employees who are attorneys to provide the allowable limited legal services. The result is the same. Under RPC 5.4, an attorney is prohibited from sharing legal fees with a nonlawyer and, under RPC 5.5, cannot assist a person who is not a member of the Bar Association in the performance of an activity that constitutes the unauthorized practice of law, and under RPC 7.1 a lawyer cannot make false or misleading communications about the lawyer or the lawyer's services. Accordingly, an attorney hired by an escrow company would not be providing legal services to the escrow companies' clients except to the extent authorized for a limited practice officer. Since only limited legal services can be offered, the escrow company would continue to report all fees from both the escrow and closing services under the retail sales tax classification.

(V) An attorney acts as the trustee for a testamentary trust which the attorney drafted. The attorney maintains the trust records, invests the assets of the trust, reviews distributions, accounts for trust assets, earnings, and distributions to the trust beneficiaries, and files all required returns and forms for the trust. The trust pays an annual fee for these services. On occasion, the attorney provides general legal advice to the trust which is billed to the trust at an hourly rate. After the death of the settlor, the primary activity engaged in by the attorney for this client is that of trustee. Accordingly, the gross income from the trust administration activities after the death of the settlor are taxed separately under the other service and business activities classification. The separately accounted for legal services are taxed under the selected business services rate.

(VI) An attorney acts as the trustee for an inter-vivos trust which the attorney drafted. After being appointed trustee, the attorney continues to represent the settlor of the trust (who is also the primary beneficiary) and provides legal advice to the trust. The attorney is paid an annual fee for duties as a trustee and an hourly rate for legal services. The initial relationship between the parties was that of attorney and client. The attorney continues to actively maintain this relationship and provides legal services to the settlor and the trust. Accordingly, the primary activity engaged in by the attorney for this client is that of attorney. The gross income from this activity would be taxed under the selected business services classification. However, if the inter-vivos trust was an excluded services trust (i.e., a charitable lead trust) any legal services provided the trust would be reported under the other service and business activities classification.

(4) **Retail sales tax.** Sales of tangible personal property to attorneys for use in rendering professional services are retail sales upon which the retail sales tax must be collected. Such sales include, among others, sales of office furniture and equipment, stationery, office supplies, law books, and reference materials.

(5) **Use tax.**

(a) The use tax applies upon the use of articles purchased or manufactured for use upon which retail sales tax has not been paid or collected. This includes, but is not limited to, the following:

(i) Materials used and consumed while rendering legal, arbitration, or mediation services; and

(ii) Office supplies and office equipment purchased by the firm for its own use.

(b) The use tax also applies to all purchases of tangible personal property acquired without payment of retail sales tax and resold to clients but not separately stated from legal services rendered on the agency's billing.

[Statutory Authority: RCW 82.32.300 and 34.05.410. 95-15-013, § 458-20-207, filed 7/7/95, effective 8/7/95. Statutory Authority: RCW 82.32.300. 85-20-012 (Order ET 85-4), § 458-20-207, filed 9/20/85; Order ET 70-3, § 458-20-207 (Rule 207), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-238 Sales of watercraft to nonresidents.** (1) **Introduction.** This section explains the retail sales tax exemption provided by RCW 82.08.0266 for sales to nonresidents of watercraft requiring United States Coast Guard registration or documentation. It also explains the retail sales tax exemption provided by RCW 82.08.02665 for sales of watercraft to residents of foreign countries, which became effective July 25, 1993. (See chapter 119, Laws of 1993.) These statutes provide the exclusive authority for granting a retail sales tax exemption for sales of such watercraft when delivery is made within Washington. This section explains the requirements which must be met, and the documents which must be preserved, to substantiate a claim of exemption. It also discusses use tax exemptions for nonresidents bringing watercraft into Washington for enjoyment and/or repair.

This section primarily deals with the retail sales and use taxes where delivery takes place in Washington. Purchasers of watercraft should also be aware that there is a watercraft excise tax which may apply to the purchase or use of watercraft in Washington. (See chapter 82.49 RCW.) Sellers should refer to WAC 458-20-193 if they deliver the vessel to the purchaser at an out-of-state location.

(2) **Business and occupation tax.** Retailing B&O tax is due on all sales of watercraft to consumers if delivery is made within the state of Washington, notwithstanding the sale may qualify for an exemption from the retail sales tax. If the seller is also the manufacturer of the vessel, the seller must generally report under both the "production" (extracting and/or manufacturing) and "selling" (wholesaling or retailing) classifications of the B&O tax, and claim a tax credit under the multiple activities tax credit system. Manufacturers should also refer to WAC 458-20-136 (Manufacturing, processing for hire, fabricating) and WAC 458-20-19301 (Multiple activities tax credits).

(3) **Retail sales tax.** The retail sales tax generally applies to the sale of watercraft to consumers when delivery is made within the state of Washington. However, under certain conditions retail sales tax exemptions are available for sales of watercraft to nonresidents of Washington, even when delivery is made within Washington.

(a) **Sales to residents of other states.** RCW 82.08.0266 provides an exemption from the retail sales tax for sales of watercraft to residents of states other than Washington for use outside this state, even when delivery is

made within Washington. This specific exemption does not apply to sales of watercraft to Canadian or other foreign country residents. The retail sales tax exemption which is available for sales of watercraft to Canadian or other foreign country residents is explained in (b) of this subsection.

(i) The exemption provided by RCW 82.08.0266 is limited to the following:

(A) Sales of watercraft which are required to obtain United States Coast Guard documentation; and

(B) Sales of watercraft requiring registration by the United States Coast Guard or the state in which the vessel will be principally used, but only when that state has assumed the registration and numbering function under the Federal Boating Act of 1958.

(ii) The following requirements must be met to perfect any claim for exemption:

(A) The watercraft must leave Washington waters within forty-five days of delivery;

(B) The seller must examine acceptable proof that the buyer is a resident of a state other than the state of Washington; and

(C) The seller, at the time of the sale, must retain as a part of its records a completed exemption certificate. (See subsection (4) of this section.)

(b) **Sales to residents of foreign countries.** RCW 82.08.02665 provides a retail sales tax exemption for sales of vessels to residents of foreign countries for use outside this state, even when delivery is made in Washington. This exemption became effective July 25, 1993. (See chapter 119, Laws of 1993.)

(i) The term "vessel," for the purposes of this subsection, means every watercraft used or capable of being used as a means of transportation on the water, other than a seaplane. This exemption is not limited to the types of watercraft qualifying for the exemption discussed in (a) of this subsection.

(ii) The following requirements must be met to perfect any claim for exemption:

(A) The watercraft must leave Washington waters within forty-five days of delivery;

(B) The seller must examine acceptable proof that the buyer is a resident of a foreign country; and

(C) The seller, at the time of the sale, must retain as a part of its records a completed exemption certificate. (See subsection (4) of this section.)

(c) **Watercraft qualifying for exemption under RCW 82.08.0266 and 82.08.02665.** The exemptions provided by RCW 82.08.0266 and 82.08.02665 apply only to sales of watercraft. For the purposes of these exemptions, the term "watercraft" includes component parts which are installed in or on the watercraft prior to the watercraft being delivered to and accepted by the buyer, but only when these parts are sold by the seller of the watercraft. "Component part" means tangible personal property which is attached to the watercraft and used as an integral part of the operation of the watercraft, even if the item is not required mechanically for the operation of the watercraft. Component parts include, but are not necessarily limited to, boat motors, navigational equipment, radios, depth-finders, and winches, whether themselves permanently attached to the watercraft or held by brackets which are permanently attached. If held by

brackets, the brackets must be permanently attached to the watercraft in a definite and secure manner.

These exemptions do not extend to the sale of boat trailers, repair parts, repair labor, etc. Nor do they extend to a separate seller of unattached component parts, even though these parts may be manufactured specifically for the watercraft and/or permanently installed in or on the watercraft prior to the watercraft being delivered to and accepted by the buyer.

(4) **Exemption certificate.** The exemption certificate must be completed in its entirety, and retained by the seller at the time of sale. The seller is required to review one piece of identification substantiating the nonresident status of the customer, and to indicate on the certificate the type of identification examined. This one piece of identification must either be a valid driver's license from the jurisdiction in which out-of-state residency is claimed, or a valid identification document which has a photograph of the holder and is issued by the out-of-state jurisdiction. If the customer is a partnership, corporation, limited liability company, association, or any other person who is not a natural person, the seller should refer to subsection (5) of this section for an explanation of what constitutes acceptable proof of the customer's nonresident status.

The seller should not accept an exemption certificate if the seller becomes aware of any information prior to completion of the sale which is inconsistent with the purchaser's claim of residency, such as a Washington address on a credit application. The exemption certificate must be substantially in the following form:

#### EXEMPTION CERTIFICATE

Seller's Name .....  
 Buyer's Name .....  
 Address of Buyer .....  
 State or Foreign Country of Residence .....  
 Date of Sale .....  
 Make and Model of Vessel .....  
 Serial Number of Vessel .....

I certify that (a) the vessel described above will be registered or documented with the United States Coast Guard or the state of principal use; or (b) I am a resident of a foreign country and the vessel has been purchased for use outside the state of Washington. I further certify that this vessel will leave Washington state waters within forty-five days of delivery, and the purchase of this vessel is exempt from Washington state retail sales tax under the provisions of either RCW 82.08.0266 or 82.08.02665. This certificate is given with full knowledge of, and subject to, the legally prescribed penalties for fraud and tax evasion.

Signature of buyer or buyer's representative .....

#### CERTIFICATION BY SELLER

I hereby certify that I have personally examined one of the following items of documentary evidence submitted by the above purchaser to establish residency in the state or country of .....

... Driver's License (list license number and date of expiration) .....

... Identification Card (list card number and date of expiration) .....  
 Signature of seller or agent of seller. ....

(5) **Sales to residents of other states or countries who are not natural persons.** The types of identification described in subsection (4) of this section are not applicable for establishing the residency of partnerships, corporations, limited liability companies, or other persons who are not natural persons. Because many of the types of documentation which would establish the nonresident status of these persons contain confidential information (e.g., federal income tax returns), the seller may satisfy its requirement to examine and record documentary evidence by retaining at the time of sale a completed affidavit substantially in the following form:

**AFFIDAVIT OF OUT-OF-STATE RESIDENCY**

(This affidavit for use only by purchasers who are not natural persons, such as corporations.)

Name of buyer .....  
 Address .....  
 State or foreign country of residency .....  
 Registration # .....  
 Type of entity (e.g., corporation, partnership, etc.) .....  
 I certify that ... (buyer's name) ... is a resident of ...  
 (state or foreign country) ...  
 Name of buyer's representative (printed) .....  
 Signature of buyer's representative .....

The affidavit of out-of-state residency may only be accepted and used for establishing the nonresident status of persons who are not natural persons. It may not be used as documentary evidence for sales to natural persons. The seller must at the time of sale retain this affidavit as well as the exemption certificate described in subsection (4) of this section. A partnership, corporation, limited liability company, or other person who is not a natural person is a "nonresident" for the purposes of exemption under RCW 82.08.0266 or 82.08.02665 if that person's principal place of business is not in Washington, and that person is not incorporated in Washington.

(6) **Use tax.** Persons using watercraft on Washington waters are generally subject to the use tax if Washington retail sales tax has not been paid, unless such use is specifically exempted by law from the use tax.

(a) The deferred retail sales tax or use tax is due on the use by any nonresident of watercraft purchased from a Washington vendor and first used within this state for more than forty-five days if retail sales or use tax has not been paid by the user. Tax is due notwithstanding the watercraft qualified for retail sales tax exemption at the time of purchase.

(b) Watercraft brought into this state by nonresidents for their use and enjoyment while temporarily within this state are exempt from the use tax. However, it will be presumed that usage within Washington which exceeds more than sixty days in any twelve-month period is more than temporary usage and use tax is due.

(c) Watercraft temporarily brought into this state by nonresidents for repair are exempt from the use tax if

removed from this state within sixty days. If repair cannot be made within this period, the exemption may be extended by completing and filing with this department an affidavit verifying the vessel is located upon the waters of this state exclusively for repair, reconstruction or testing. This affidavit, titled "Nonresident Out-of-State Vessel Repair Affidavit," is effective for sixty days. If additional extensions of the exemption period are needed, additional affidavits may be completed. The affidavit should be sent to the department of revenue - compliance division. This affidavit is the affidavit which is required under RCW 88.02.030, and failure to complete this affidavit can result in requiring that the vessel be registered in Washington.

(7) **Examples.** The following examples identify a number of facts and then state a conclusion. These examples should be used only as a general guide. The tax results of other situations must be determined after a review of all of the facts and circumstances. In all examples, retailing B&O tax is due from the seller for all sales of watercraft and parts, and all charges for repair parts and labor.

(a) Company A sells a vessel to Jane Smith, a Canadian resident. Company A examines Jane Smith's driver's license to verify Jane to be a resident of Canada, and retains the proper exemption certificate at the time of sale. Delivery is made in Washington and Jane removes the vessel from Washington waters within forty-five days of delivery. The sale of the vessel is not subject to the retail sales tax because all requirements for exemption under RCW 82.08.02665 have been satisfied.

(b) Company A sells a yacht to John Doe, an Oregon resident, who takes delivery in Washington. The yacht is required to be registered by the state of Oregon, which has assumed the registration and numbering function under the Federal Boating Act of 1958. The vessel is removed from Washington waters within forty-five days of delivery. Company A examines a driver's license confirming John Doe to be an Oregon resident, and records this information in the sales file. Company A does not complete and retain the required exemption certificate.

The sale of the yacht is subject to the retail sales tax. The exclusive authority for granting a retail sales tax exemption for this sale is provided by RCW 82.08.0266. Completion of an exemption certificate is a statutorily imposed condition for obtaining this exemption. Company A has not satisfied the conditions and requirements necessary to grant an exemption under this statute. The exemption provisions under RCW 82.08.0273 for sales to nonresidents of states having less than three percent retail sales tax can not be used for purchases of vessels which require United States Coast Guard registration or documentation, or registration in the state of principal use. If the exemption certificate had been properly completed at the time of sale, this sale would have qualified for retail sales tax exemption.

(c) Mr. Jones, a California resident, contracts Company B to manufacture a pleasure yacht. Mr. Jones purchases a boat motor from Company Y with instructions that delivery be made to Company B for installation on the yacht. The yacht is required to be registered with the state of California, which has assumed the registration and numbering function under the Federal Boating Act of 1958. Company B examines Mr. Jones' driver's license to verify Mr. Jones is a nonresident of Washington, and retains the proper exemp-

tion certificate at the time of sale. Delivery is made in Washington, and Mr. Jones removes the vessel from Washington waters within forty-five days of delivery.

The sale of the yacht by Company B to Mr. Jones is not subject to the retail sales tax, as the requirements and conditions for exemption have been satisfied. Retail sales tax does, however, apply to the sale of the motor by Company Y to Mr. Jones. The exemption provided by RCW 82.08.0266 does not extend to a separate seller of unattached component parts, even though the parts are installed in the watercraft prior to delivery.

(d) Mr. Smith, a resident of California, brings his yacht into Washington for repair. Extensive repairs and testing require the yacht to remain in Washington waters for ninety days. Mr. Smith extends the exemption period by filing a "Nonresident Out-of-State Vessel Repair Affidavit" with the department of revenue prior to end of the initial sixty-day exemption period. An employee of the repair facility is on board the yacht during all testing, and there is no personal use by Mr. Smith during this period. Upon completion of the repairs and testing, Mr. Smith takes delivery at the repair facility and promptly removes the yacht from Washington waters.

Mr. Smith has not incurred a use tax liability on his yacht. The conditions and requirements exempting the yacht from use tax during the period of repair and testing have been met. However, retail sales tax is due, and must be paid, on all charges for repair parts and labor. The exemption from sales tax for purchases of vessels does not extend to repairs.

[Statutory Authority: RCW 82.32.300. 95-24-103, § 458-20-238, filed 12/6/95, effective 1/6/96; 83-21-061 (Order ET 83-7), § 458-20-238, filed 10/17/83; 83-08-026 (Order ET 83-1), § 458-20-238, filed 3/30/83; Order ET 70-3, § 458-20-238 (Rule 238), filed 5/29/70, effective 7/1/70.]

## Chapter 458-30 WAC

### OPEN SPACE TAXATION ACT RULES

#### WAC

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### DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER

458-30-235	Granting authority response. [Statutory Authority: RCW 84.08.010 and 84.08.070. 90-24-087, § 458-30-235, filed 12/5/90, effective 1/5/91. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-235, filed 11/15/88.] Repealed by 95-21-002, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360.
458-30-290	Additional tax—Withdrawal. [Statutory Authority: RCW 84.08.010 and 84.08.070. 90-24-087, § 458-30-290, filed 12/5/90, effective 1/5/91. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-290, filed 11/15/88.] Repealed by 95-21-002, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360.

**WAC 458-30-200 Definitions. (1) Introduction.** This section provides definitions for the terms used throughout chapter 458-30 WAC. The terms listed in this section are intended to act in concert with each other as appropriate, and with other definitions as they appear in the several sections of this chapter.

**(2) Definitions.** For purposes of chapter 458-30 WAC, the following definitions apply:

(a) "Additional tax" means the tax that will be collected when classification is withdrawn or removed from land that is classified according to the provisions of chapter 84.34 RCW.

(b) "Affidavit" means the real estate excise tax affidavit required by chapter 82.45 RCW and chapter 458-61 WAC. See WAC 458-30-275 for a more detailed definition.

(c) "Agreement" means an agreement executed between an owner and the granting authority regarding the classification of land in accordance with chapter 84.34 RCW.

(d) "Applicant" means the owner who submits an application for classification of land in accordance with chapter 84.34 RCW.

(e) "Application" means an application for classification of land in accordance with chapter 84.34 RCW.

(f) "Approval" means a determination by the granting authority that the land qualifies for classification under chapter 84.34 RCW.

(g) "Appurtenance" refers to something used with, and related to or dependent upon another thing; that is, something that belongs to something else, an adjunct. The thing appurtenant is strictly necessary and essential to the proper use and enjoyment of the land, as well as useful or necessary for carrying out the purposes for which the land was classified under chapter 84.34 RCW.

(i) In terms of farm and agricultural land, an appurtenance is something used for a particular sort of farm and the thing is widely and routinely used in the operation of the commercial agricultural enterprise.

(ii) For example, an appurtenance may be an outhouse, barn, or tool shed attached to or adjoining a dwelling or it may be equipment used for a particular purpose or task, such as tools, instruments, or clothing.

(h) "Aquaculture" means the growing and harvesting of marine or fresh water flora or fauna in a soil or water medium for commercial agricultural purposes.

(i) "Assessor" means the county assessor or any agency or person who is authorized to act on behalf of the assessor.

(j) "Assessment year" means the year when the property is listed and valued by the assessor and precedes the year when the tax is due and payable.

(k) "Change in use" means direct action taken by an owner that actually changes the use of, or has started changing the use of, classified land to a use that is not in compliance with the conditions of the agreement executed between the owner and the granting authority or to a use that is otherwise not in compliance with the provisions of chapter 84.34 RCW.

(l) "Classified land" means a parcel(s) of land that has been approved by the appropriate granting authority for taxation under chapter 84.34 RCW.

(m) "Commercial agricultural purposes" means the use of land on a continuous and regular basis, prior to and subsequent to application for classification, that demonstrates that the owner or lessee intends to obtain through lawful means, a monetary profit from cash income received by:

(i) Raising, harvesting, and selling lawful crops;

(ii) Feeding, breeding, managing, and selling of livestock, poultry, fur-bearing animals, or honey bees, or any products thereof;

(iii) Dairying or selling of dairy products;

(iv) Animal husbandry;

(v) Aquaculture;

(vi) Horticulture;

(vii) Participating in a government-funded crop reduction or acreage set-aside program; or

(viii) Cultivating Christmas trees or short-rotation hardwoods on land that has been prepared by intensive cultivation and tilling, such as by plowing or turning over the soil, and on which all unwanted plant growth is controlled continuously for the exclusive purpose of raising such trees.

(n) "Contiguous" means land that adjoins other land that is owned by the same owner or under the same ownership. Land that is an integral part of a farming operation is considered contiguous even though the land may be separated by a public road, railroad, right of way, or waterway.

(o) "County financial authority" and "financial authority" mean the county treasurer or any agency or person charged with the responsibility of billing and collecting property taxes.

(p) "County legislative authority" means the county commission, council, or other county legislative body.

(q) "County recording authority" means the county auditor or any agency or person charged with the recording of documents.

(r) "Current" and "currently" means as of the date on which property is to be listed and valued by the assessor.

(s) "Current use value" means the taxable value of a parcel of land placed on the assessment rolls following classification under the provisions of chapter 84.34 RCW.

(t) "Department" means the department of revenue.

(u) "Farm woodlot" means an area of land within a parcel(s) of classified farm and agricultural land that is used in a manner compatible with commercial agricultural purposes including, but not limited to, the growing and cutting of trees for the use of the owner or the sheltering of livestock.

(v) "Granting authority" means the appropriate agency or official who acts on an application for classification in accordance with the provisions of chapter 84.34 RCW.

(w) "Gross income" means cash income derived from commercial agricultural purposes, including payments received from the United States Department of Agriculture for participating in a crop reduction or acreage set-aside program when such payments are based on the productive capacity of the land. The term shall not include the following:

(i) The value of any products produced on the land and consumed by the owner or lessee;

(ii) Cash income from leases for the use of the land for other than commercial agricultural purposes; or

(iii) Payments for soil conservation programs.

(x) "Incidental use" means a use of land classified as farm and agricultural land that is compatible with commercial agricultural purposes if it does not exceed twenty percent of the classified land. An incidental use may include, but is not limited to, wetland preservation, a gravel pit, a farm woodlot, or a produce stand.

(y) "Integral" means that which is central to or inherent in the use or operation of classified farm and agricultural land for commercial agricultural purposes.

(z) "Net cash rental" means the earning or productive capacity of farm and agricultural land less the production costs customarily or typically paid by an owner or landlord. See WAC 458-30-260 for a more detailed explanation.

(aa) "Owner" means:

(i) Any person(s) having a fee interest in a parcel of land, except when the land is subject to a real estate contract; and

(ii) The vendee when the land is subject to a real estate contract.

(bb) "Parcel of land" means a property identified as such on the assessment roll. For purposes of chapter 84.34 RCW and this WAC chapter, a parcel shall not include any land area not owned by the applicant including, but not limited to, a public road, right of way, railroad, or waterway.

(cc) "Penalty" means an amount due when land is removed from classification in accordance with chapter 84.34 RCW. The amount of the penalty is equal to twenty percent of the additional tax and applicable interest calculated according to the provisions of RCW 84.34.108.

(dd) "Planning authority" means the local government agency empowered by the appropriate legislative authority to develop policies and proposals relating to land use.

(ee) "Primary use" means the existing use of a parcel or parcels of land so prevalent that when the characteristic use of the land is evaluated a conflicting or nonrelated use is limited or excluded.

(ff) "Qualification of land" means the approval of an application for classification of land by the granting authority in accordance with the provisions of chapter 84.34 RCW.

(gg) "Rating system" means a public benefit rating system adopted for the open space classification according to RCW 84.34.055.

(hh) "Reclassification" means the process by which land classified under chapter 84.34 or 84.33 RCW is changed from one classification to another classification established by chapter 84.34 RCW or into forest land as described in chapter 84.33 RCW. For example, land classified as farm and agricultural land under RCW 84.34.020(2) may be reclassified as either timber or open space land under the provisions of chapter 84.34 RCW or as forest land under the provisions of chapter 84.33 RCW.

(ii) "Sale of ownership" means the conveyance of the ownership of a parcel of land in exchange for a valuable consideration.

(jj) "Tax year" means the year when property tax is due and payable.

(kk) "Timber management plan" means the plan filed with the county legislative authority or with the assessor when classified timber land is sold or transferred that details an owner's plan regarding the management of classified timber land including, but not limited to, the planting, growing and/or harvesting of forest crops.

(ll) "Transfer" means the conveyance of the ownership of a parcel of land without an exchange of valuable consideration.

(mm) "True and fair value" is the value of a parcel of land placed on the assessment rolls at its highest and best use without regard to its current use. The term also refers to market value, that is, the amount of money a willing, but not obligated to buy, purchaser would pay a willing, but not obligated to sell, owner for the property.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-200, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010 and 84.08.070. 90-24-087, § 458-30-200, filed 12/5/90, effective 1/5/91. Statutory Authority: RCW 84.08.010(2),

84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-200, filed 11/15/88.]

#### **WAC 458-30-205 Department of revenue—Duties.**

(1) **Introduction.** This section explains the duties assigned to the department of revenue in order to implement and administer chapter 84.34 RCW.

(2) **General authority.** The department shall maintain general administrative authority to assure that chapter 84.34 RCW is effectively and equitably applied throughout the state. Accordingly, the department, upon request, shall provide all reasonable assistance to the granting authorities relating to the administration of chapter 84.34 RCW.

(3) **Forms.** The department shall design all application and other administrative forms necessary under chapter 84.34 RCW, except those forms necessary for the rating system. Forms relating to the rating system shall be designed by the granting authority. Granting authorities shall provide all forms to applicants who seek classification under chapter 84.34 RCW.

(4) **Training.** The department shall provide the guidelines and necessary training to assessors and county boards of equalization so that they may administer chapter 84.34 RCW. Members of the advisory committee and members of any granting authority may attend the training sessions provided by the department.

(5) **Wheat and barley prices.** The department shall annually issue by December 31, by whatever means it deems suitable, a five-year average of wheat and barley prices for use by the assessor in the following assessment year.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-205, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010 and 84.08.070. 90-24-087, § 458-30-205, filed 12/5/90, effective 1/5/91. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-205, filed 11/15/88.]

**WAC 458-30-210 Classification of land under chapter 84.34 RCW.** (1) **Introduction.** Under chapter 84.34 RCW, land may be placed into one of three classifications on the basis of its current use. This section explains and describes each classification of land as defined in RCW 84.34.020.

(2) **Definitions.** For purposes of this section, the following definitions apply:

(a) "Farm employee or farm and agricultural employee" means an individual who is employed on farm and agricultural land on a full time basis or a seasonal or migratory worker who works on farm and agricultural land only during the planting, growing, and/or harvesting seasons. The term also includes an individual who is employed at least twenty-five hours per week on farm and agricultural land. It does not include a person who is employed full time by a business activity that is not conducted on classified farm and agricultural land and who only works occasional weekends or during the harvest season on classified farm and agricultural land.

(b) "Integral" means that which is central to or inherent in the use or operation of classified farm and agricultural land for commercial agricultural purposes. For purposes of this section, the residence of the farm operator or owner and/or housing for farm employees must be the place(s)



from which the farmer conducts his/her commercial agricultural business.

(3) **Open space land.** Land classified as "open space land" means one of the following:

(a) Any parcel(s) of land so designated by an official comprehensive land use plan adopted by any city or county and zoned accordingly.

(b) Any parcel(s) of land, whereby preservation in its present use would either:

(i) Conserve and enhance natural or scenic resources;

(ii) Protect streams or water supply;

(iii) Promote conservation of soils, wetlands, beaches, or tidal marshes;

(iv) Enhance the value to the public of abutting or neighboring parks, forests, wildlife preserves, natural reservations or sanctuaries, or other open spaces;

(v) Enhance public recreation opportunities;

(vi) Preserve historic sites;

(vii) Preserve visual quality along a highway, road, or street corridor, or scenic vistas;

(viii) Retain in its natural state, tracts of land of not less than one acre in size situated in an urban area and open to public use on such conditions as may be reasonably required by the granting authority; or

(ix) Any parcel(s) of farm and agricultural conservation land. Farm and agricultural conservation land means either:

(A) Land previously classified as farm and agricultural land that no longer meets the criteria of farm and agricultural land and is reclassified as "open space land"; or

(B) Traditional farmland that is not classified under chapter 84.33 or 84.34 RCW, has not been irrevocably devoted to a use inconsistent with agricultural uses, and has a high potential for returning to commercial agriculture.

(4) **Farm and agricultural land.** Land classified as "farm and agricultural land" means one of the following:

(a) Any parcel of land twenty or more acres in size or multiple parcels of land that are contiguous and total twenty or more acres in size when the land is:

(i) Primarily used to produce livestock or agricultural products for commercial purposes;

(ii) Enrolled in the federal conservation reserve program or its successor administered by the United States Department of Agriculture; or

(iii) Primarily used in similar commercial agricultural activities as may be established by rule.

(b) Any parcel of land or contiguous parcels of land at least five acres, but less than twenty acres, in size that is primarily used for commercial agricultural purposes, and produces a gross income each year equal to:

(i) One hundred dollars or more in cash per acre per year for three of the five calendar years preceding the date of application for classification when the application was made prior to January 1, 1993; or

(ii) Two hundred dollars or more in cash per acre per year for three of the five calendar years preceding the date of application for classification when the application is made on or after January 1, 1993.

(c) Any parcel of land or contiguous parcels of land less than five acres in size that is primarily used for commercial agricultural purposes, and produces a gross income each year equal to:

(i) One thousand dollars or more in cash per year for three of the five calendar years preceding the date of application for classification when the application was made prior to January 1, 1993; and

(ii) One thousand five hundred dollars or more in cash per year for three of the five calendar years preceding the date of application for classification when the application is made on or after January 1, 1993.

(d) Any parcel of land that is twenty or more acres in size or multiple parcels of land that are contiguous and total twenty or more acres in size on which housing for farm and agricultural employees and the principal residence of the farm operator or the owner of land classified pursuant to RCW 84.34.020 (2)(a) is situated if:

(i) The housing or residence is on or contiguous to the classified parcel; and

(ii) The use of the housing or the residence is integral to the use of the classified parcel for agricultural purposes. (See WAC 458-30-317.)

(e) Farm and agricultural land also includes:

(i) Land on which appurtenances necessary for the production, preparation, or sale of commercial agricultural products are situated when the appurtenances are used in conjunction with the land(s) producing agricultural products, such as a machinery maintenance shed or a shipping facility located on farm and agricultural land that produces the products to be shipped;

(ii) Land incidentally used for an activity or enterprise that is compatible with commercial agricultural purposes as long as the incidental use does not exceed twenty percent of the classified land. An incidental use of classified farm and agricultural land may include, but is not limited to, wetland preservation, a gravel pit, a farm woodlot, or a produce stand; and

(iii) Any noncontiguous parcel of land from one to five acres in size that constitutes an integral part of the commercial agricultural operations of a parcel classified as farm and agricultural land under RCW 84.34.020(2).

(5) **Timber land.** Land classified as "timber land" means any parcel of land five or more acres in size or multiple parcels of land that are contiguous and total five or more acres in size that is primarily used for the commercial growth and harvesting of forest crops.

(a) Timber land refers only to the land.

(b) A timber management plan shall be filed with the county legislative authority or assessor when:

(i) An application for classification as timber land is submitted pursuant to chapter 84.34 RCW; or

(ii) A sale or transfer of timber land occurs and a notice of classification continuance is signed.

(c) Timber land does not include:

(i) Land listed on the assessment roll as classified or designated forest land according to chapter 84.33 RCW; or

(ii) Land on which nonforest crops or any improvements to the land are located.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360, 95-21-002, § 458-30-210, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010 and 84.08.070, 90-24-087, § 458-30-210, filed 12/5/90, effective 1/5/91. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW, 88-23-062 (Order PT 88-12), § 458-30-210, filed 11/15/88.]

**WAC 458-30-215 Application process. (1) Introduction.** This section explains the general application procedures of classification of land under chapter 84.34 RCW including where to obtain an application and the information that must accompany an application for classification or reclassification.

(2) **Availability of forms.** The assessor and the county legislative authority shall make available application forms for classification or reclassification and shall supply them upon request.

(a) The assessor and the county legislative authority shall provide the appropriate forms, informational materials (including, but not limited to, copies of chapter 84.34 RCW and chapter 458-30 WAC), and reasonable assistance to an owner who submits an application for classification or reclassification of land under chapter 84.34 RCW.

(b) If the county legislative authority adopts a public benefit rating system for the open space classification, it shall prepare the appropriate forms, provide informational materials, and provide assistance to applicants.

(3) **The applicant.** The applicant shall be the owner of the land described on the application.

(4) **If land is purchased or transferred while application is pending.** In the event a parcel is conveyed while approval of a timely filed application is pending, the purchaser or transferee shall, upon written request to the granting authority, be given the same consideration as the original applicant; in all aspects of the application process the purchaser or transferee shall assume the original applicant's rights and responsibilities in the application process. However, except for the application fee, the granting authority shall require the purchaser or transferee to satisfy all requirements that otherwise would have been required in accordance with the original application.

(5) **Application due date.** Application for classification of land according to chapter 84.34 RCW shall be made from January 1 through December 31 for classification or reclassification and the assessment of the land in its classified status will begin on January 1 in the year following application.

(a) In other words, application must be made during the calendar year preceding the assessment year in which the classification or reclassification is to begin and the taxes on the land based on its classified use and status are payable the year following the assessment year.

(b) Example. An owner submits an application for classification on April 1, 1993. If it qualifies for classification, the land will be assessed based on its current use status for assessment year 1994 and the owner will pay taxes based on this assessment in 1995.

(6) **Information to accompany application.** The application for classification or reclassification shall require only such information as is reasonably necessary to properly classify an area of land under the provisions of chapter 84.34 RCW, including a signed statement as to the truth of the information. It shall also include a statement that the applicant is aware of the potential tax liability involved when the land ceases to qualify as open space, farm and agricultural, or timber land. Additionally, the applicant shall provide a legal description of the parcel of land that is acceptable to the assessor and the granting authority, who shall determine

the appropriate classification according to the provisions of chapter 84.34 RCW.

(7) **Land in multiple counties.** If the land described in the application for classification or reclassification is in more than one county, the owner shall file a separate application with the granting authority of each county.

(8) **Waiting period imposed after application is denied.** If an application for classification or reclassification is denied, a reapplication covering the same parcel of land, or a portion thereof, may not be submitted to the granting authority until three hundred sixty-five days have elapsed from the date the initial application was received.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-215, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-215, filed 11/15/88.]

**WAC 458-30-220 Application fee. (1) Introduction.** This section explains the processing fee that may be established by the city or county legislative authority and that may be required when an application for classification or reclassification is submitted. It also explains the manner in which the amount of this fee is determined and the distribution of this fee upon receipt.

(2) **Processing fee.** The city or county legislative authority may, at their discretion, require a processing fee to accompany each application. This fee shall be in an amount that reasonably covers the processing costs of the application.

(a) If any agreement is to be recorded, the cost of such recording shall come from the fee.

(b) The fee shall be made payable to the county financial authority, who shall forward a portion of the fee to any city in which the parcel of land is located in proportion to the land area included in the city to the total land area of the parcel.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-220, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010 and 84.08.070. 90-24-087, § 458-30-220, filed 12/5/90, effective 1/5/91. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-220, filed 11/15/88.]

**WAC 458-30-225 Application for farm and agricultural classification. (1) Introduction.** This section explains the application process for an applicant who seeks to have land classified or reclassified as farm and agricultural land under RCW 84.34.020(2).

(2) **Where to submit - granting authority.** An application for classification or reclassification as farm and agricultural land shall be made to the assessor of the county in which the land is located. The assessor shall be the granting authority.

(3) **Duties of assessor.**

(a) The assessor shall act on each application with due regard to all relevant evidence and may approve or deny the application in whole or in part. If any part of the application is denied, the applicant may withdraw the entire application.

(b) Except as provided by chapter 84.34 RCW and chapter 458-30 WAC, the assessor cannot impose conditions or restrictions regarding the approval of an application for classification or reclassification as farm and agricultural land.

(c) The assessor shall consider the relevant zoning ordinances and regulations. If a zoning ordinance prohibits the farm and agricultural activity for which classification or reclassification is being sought, the assessor shall deny the application.

(d) Upon receipt of an application for classification or reclassification, the assessor may require the applicant(s) to provide data regarding the current use of the land, including the productivity of typical crops, sales receipts, federal income tax returns including schedules documenting farm income, other related income and expense data, and any other information relevant to the application. Failure to provide the requested information shall be cause to deny an application. Generally, prospective use of the land may not be relevant evidence in acting upon an application.

(e) After an application has been approved and the classification or reclassification has been granted, the assessor may review the classification at any time.

(f) The assessor shall retain a copy of all applications submitted.

(g) The assessor may consider the land area used as a homesite in determining the eligibility of a parcel of land for farm and agricultural classification. If the homesite does not qualify for classification as farm and agricultural land in accordance with RCW 84.34.020 (2)(d) and WAC 458-30-210 (4)(d), the land shall be taxed at its true and fair value.

(4) **Approval.** If no written determination is provided to the applicant prior to May 1 of the year following receipt of the application, the application shall be considered approved.

(5) **Denial.** The assessor may approve or deny an application for classification in whole or in part.

(a) The assessor shall notify the applicant in writing of the extent to which the application is approved or denied.

(b) An applicant who receives a notice that his or her application has been denied may appeal this decision to the board of equalization in the county where the land is located. The appeal shall be filed within thirty calendar days of the date the notice of denial was mailed and shall be in the form specified in RCW 84.40.038.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360, 95-21-002, § 458-30-225, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010 and 84.08.070. 90-24-087, § 458-30-225, filed 12/5/90, effective 1/5/91. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-225, filed 11/15/88.]

**WAC 458-30-230 Application for open space classification.** (1) **Introduction.** This section explains the application process for an applicant who seeks to have land classified or reclassified as open space land under RCW 84.34.020(1).

(2) **Where to submit.** An application for classification or reclassification of land as open space shall be made to the county legislative authority of the county in which the land is located.

(3) **Granting authority.** The identity of the entity that will act as the granting authority shall be determined by the location of the land the applicant seeks to classify or reclassify as open space land. The granting authority shall be determined as follows:

(a) If the parcel(s) of land is located in an unincorporated area of the county, the county legislative authority shall be the granting authority.

(b) If the parcel(s) of land is located in an incorporated area of the county, a copy of the application for classification or reclassification shall be forwarded to the city legislative authority in which the land is located. The granting authority shall be composed of three members of the county legislative authority and three members of the city legislative authority.

(4) **Application process.** An application for classification or reclassification of a parcel(s) of land as open space land shall be processed as follows:

(a) **Comprehensive land use plan.** The granting authority shall determine whether or not the land is located in an area designated as "open space" by an official comprehensive land use plan adopted by a city or county and zoned accordingly.

(i) If the land is in an area subject to a comprehensive plan, the application for classification or reclassification shall be treated in the same manner as a proposed amendment to that plan.

(ii) If the land is in an area not subject to a comprehensive plan, a public hearing on the application shall be conducted. A notice of this hearing shall be announced once by publication in a newspaper of general circulation in the region, city, or county at least ten days before the hearing. The owner who submitted the application for classification or reclassification that is the subject of the public hearing shall be notified in writing of the date, time, and location of this hearing.

(b) **Factors to consider.** In determining whether an application for classification or reclassification as open space land should be approved, the granting authority:

(i) May take particular notice of the benefits to the general welfare of preserving the current use of the parcel(s) of land described in the application; and

(ii) Shall consider the following:

(A) The revenue loss or tax shift that will result from granting the application;

(B) Whether granting the application for classification or reclassification of land under RCW 84.34.020 (1)(b) will:

(I) Conserve or enhance natural, cultural, or scenic resources;

(II) Protect streams, stream corridors, wetlands, natural shorelines, and aquifers;

(III) Protect soil resources, unique or critical wildlife, and native plant habitat;

(IV) Promote conservation principles by example or by offering educational opportunities;

(V) Enhance the value to the public of abutting or neighboring parks, forests, wildlife preserves, nature reservations or sanctuaries, or other open spaces;

(VI) Enhance recreation opportunities;

(VII) Preserve historic and archaeological sites;

(VIII) Preserve visual quality along highway, road, and street corridors or scenic vistas; or

(IX) Affect any other factors relevant in weighing benefits to the general welfare of preserving the current use of the land; and

(C) Whether granting the application for classification or reclassification of land as farm and agricultural conservation land (RCW 84.34.020 (1)(c)) will:

(I) Either preserve land previously classified as farm and agricultural land under RCW 84.34.020(2) or preserve traditional farmland not classified under chapter 84.33 or 84.34 RCW;

(II) Preserve land with a potential for returning to commercial agriculture; and

(III) Affect any other factors relevant in weighing general benefits of preserving the current use of the property.

(iii) In addition to the foregoing concerns, the granting authority shall consider:

(A) The existence of any mining claim or mining lease on the land, and if such a claim or lease will seriously interfere with the considerations stated in (b)(i) and (ii) of this subsection. If the granting authority determines serious interference will occur, it may deny the application in whole or in part. If a mining claim or mining lease is obtained after the land is classified or reclassified, the same determination must be made in deciding whether serious interference will occur; and

(B) The zoning of the parcel(s) of land at the time the application for classification or reclassification is filed.

(5) **Approval or denial of application.** The granting authority shall either approve or disapprove the application within six months of the date the completed application was received by the county legislative authority.

(a) The granting authority may approve the application for classification or reclassification in whole or in part. If any part of the application is denied, the applicant may withdraw the entire application.

(b) In approving the application in whole or in part, the granting authority may also require that certain conditions be met including, but not limited to, the granting of easements. As a condition of granting an application for open space classification, the granting authority may not require public access on land classified under RCW 84.34.020 (1)(b)(iii) to promote the conservation of wetlands.

(c) If approved, valuation of the land at its current use value shall begin on January 1 of the year following the year the application was filed. However, any application approved on or after July 1 of any year shall cause the land to be listed on the assessment roll at its current use value on January 1 of the following assessment year.

(d) When the application for classification or reclassification as open space has been approved, the granting authority shall prepare an agreement. See WAC 458-30-240 for a detailed description of this agreement.

(e) The granting or denial of an application for classification or reclassification as open space land is a legislative determination and shall be reviewable only for arbitrary and capricious actions.

(6) **Public benefit rating system.** When an application for classification or reclassification under RCW 84.34.020 (1)(b) and (c) is submitted regarding land that is subject to a public benefit rating system adopted under RCW 84.34.055, the county legislative authority shall rate the parcel(s) of land in accordance with the public benefit rating system to determine whether the application should be approved or denied.

Land that was classified under RCW 84.34.020 (1)(b) or (c) prior to the adoption of a public benefit rating system does not have to requalify for classification under the criteria of the public benefit rating system. The land shall not be removed from classification by an assessor. This land may be rated according to the public benefit rating system as appropriate. (See WAC 458-30-330, 458-30-335, and 458-30-340 for more information about the public benefit rating system.)

(7) **Record retention.** The granting authority shall keep a record of each application, agreement, and records relating to each agreement.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-230, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-230, filed 11/15/88.]

**WAC 458-30-232 Application for timber land classification.** (1) **Introduction.** This section explains the application process for an applicant who seeks to have land classified or reclassified as timber land under RCW 84.34.020(3).

(2) **Definition.** For purposes of this section, the following definition applies:

"Stand of timber" means a stand of trees that will yield log and/or fiber:

(a) Suitable in size and quality for the production of lumber, plywood, pulp, or other forest products; and

(b) Of sufficient value to cover at least all the costs of harvest and transportation to available markets.

(3) **Where to submit.** An application for classification or reclassification of land as timber land under RCW 84.34.020(3) shall be made to the county legislative authority of the county in which the land is located.

(4) **Granting authority.** The identity of the entity that will act as the granting authority will be determined by the location of the land the applicant seeks to classify or reclassify as timber land. The granting authority will be determined as follows:

(a) If the parcel(s) of land is located in an unincorporated area of county, the county legislative authority shall be the granting authority.

(b) If the parcel(s) of land is located in an incorporated area, a copy of the application for classification shall be forwarded to the city legislative authority in which the land is located. The granting authority shall be composed of three members of the county legislative body and three members of the city legislative authority.

(5) **Application process.**

(a) Consider all relevant evidence. The granting authority shall act upon the application with due regard to all relevant evidence.

(b) Information that must accompany application. An application for classification or reclassification of a parcel(s) of land as timber land shall be made on forms prepared by the department and shall include the following:

(i) A legal description of or the parcel number(s) of all land the applicant desires to be classified as timber land;

(ii) The date or dates the land was acquired;

(iii) A brief description of the timber on the land or, if the timber has been harvested, the owner's plan for restocking;

(iv) Whether there is a timber or forest management plan for the land;

(v) If there is a timber or forest management plan for the land, the nature and extent to which the plan has been implemented;

(vi) Whether the land is used for grazing;

(vii) Whether the land has been subdivided or a plat has been filed with respect for the land;

(viii) Whether the land and the applicant have complied with the restocking, forest management, fire protection, insect and disease control, weed control, and forest debris provisions of Title 76 RCW or applicable rules under Title 76 RCW;

(ix) Whether the land is subject to forest fire protection assessments pursuant to RCW 76.04.610;

(x) Whether the land is subject to a lease, option, or other right that permits the land to be used for a purpose other than growing and harvesting timber;

(xi) A summary of the applicant's past experience and activities in growing and harvesting timber;

(xii) A summary of the applicant's current and continuing activities in growing and harvesting of timber; and

(xiii) A statement that the applicant is aware of the potential tax liability involved when the land ceases to be classified as timber land.

(c) Solitary factors that will result in automatic denial. An application may be denied for any of the following reasons without regard to any other factor:

(i) The land does not contain a stand of timber as defined in subsection (2) of this section, as well as in chapter 76.09 RCW, and WAC 222-16-010. This reason alone shall not be sufficient to deny the application if:

(A) The land has been recently harvested or supports a growth of brush or noncommercial type timber and the application includes a plan for restocking within three years or a longer period necessitated because seed or seedlings are unavailable; or

(B) Only isolated areas within the land do not meet minimum standards due to rock outcroppings, swamps, unproductive soil, or other natural conditions.

(ii) The applicant, with respect to the land for which classification or reclassification is sought, has failed to comply with a final administrative or judicial order regarding a violation of the restocking, forest management, fire protection, insect and disease control, weed control, and forest debris provisions of Title 76 RCW or applicable rules under Title 76 RCW.

(iii) The land abuts a body of salt water and lies between the line of ordinary high tide and a line paralleling the ordinary high tide line and two hundred feet horizontally landward from the high tide line.

**(6) Public hearing required.** An application for classification of land as timber land shall be acted upon after a public hearing on the application has been held. A notice of this hearing shall be announced once by publication in a newspaper of general circulation in the region, city, or county at least ten days before the hearing. The owner who submitted the application for classification or reclassification

that is the subject of the public hearing shall be notified in writing of the date, time, and location of the hearing.

**(7) Approval or denial of application.** The granting authority shall either approve or disapprove the application for classification or reclassification within six months of the date it is received by the county legislative authority.

(a) The granting authority may approve the application for classification or reclassification in whole or in part. If any part of the application is denied, the applicant may withdraw the entire application.

(b) In approving the application in whole or in part, the granting authority may also require that certain conditions be met. The granting authority may not require the granting of easements for land classified as timber land.

(c) The granting or denial of an application for classification as open space land or reclassification is a legislative determination and shall be reviewable only for arbitrary and capricious actions.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-232, filed 10/4/95, effective 11/4/95.]

**WAC 458-30-235 Repealed.** See Disposition Table at beginning of this chapter.

**WAC 458-30-240 Agreement relating to open space and timber land classifications.** (1) **Introduction.** This section explains the contents of and the procedures relating to the agreement that is executed when an application for classification or reclassification as open space land under RCW 84.34.037 or timber land under RCW 84.34.041 has been approved by the granting authority.

(2) **Preparation and contents.** When an application for classification or reclassification as open space or timber land has been approved by the granting authority, the granting authority shall prepare an agreement. For purposes of this section, the date of approval shall be the date on which the granting authority approves the application for classification or reclassification.

(a) The agreement shall state all conditions attached to the approval of the application. The conditions of approval and any requirements of the classification detailed in the agreement shall be binding upon any heir, successor, or assignee of the parties of the original agreement.

(b) The agreement shall apply to the parcel(s) of land described in the agreement.

(c) The agreement may include, but is not limited to, a description of the ways the classified land may be used to retain its classified status, the actions that will cause removal of the land from classification, and the consequences of a change in the classified use of the land.

**(3) Submit agreement to owner for signature.**

(a) Within five calendar days after the approval of the application for classification or reclassification, in whole or in part, the granting authority shall deliver by certified mail, return receipt requested, the agreement to the owner for signature.

(b) The owner may accept or reject the agreement.

(c) If accepted, the agreement shall be signed and returned to the granting authority within thirty calendar days after receipt.

(d) If the agreement is not signed and returned to the granting authority within thirty days of the date the unsigned agreement was mailed to the owner, the granting authority shall conclusively presume the agreement has been rejected unless the owner can show proof that he or she was prevented from returning the agreement by events beyond his or her control.

(e) To be properly executed, the agreement shall be signed by the owner and shall become effective on the date the granting authority receives the signed agreement from the owner of the classified parcel(s) of land.

(4) **Executed agreement to be sent to assessor.** The granting authority shall, within ten days after receiving the signed agreement, send one copy to the assessor of the county in which the land is located.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360, 95-21-002, § 458-30-240, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-240, filed 11/15/88.]

**WAC 458-30-242 Application for open space/farm and agricultural conservation land classification.** (1) **Introduction.** The 1992 legislative changes to chapter 84.34 RCW created a subclassification of farm and agricultural conservation land within the open space classification. This section explains the criteria and procedures related to farm and agricultural conservation land.

(2) **Open space application criteria and process must be followed.** Farm and agricultural conservation land is not a separate classification within chapter 84.34 RCW. This type of land is merely a subclassification within the open space classification.

(a) To obtain the open space/farm and agricultural conservation land classification, the applicant must follow and comply with the procedures and requirements related to the open space classification. The process of applying for open space classification is set forth in RCW 84.34.037 and WAC 458-30-230.

(b) In addition to the information normally required to accompany an application for open space classification, an applicant seeking open space/farm and agricultural conservation land classification shall submit a statement about the previous use, the current use, and the intended future use of the land. If the land is traditional farmland that has never been classified under chapter 84.33 or 84.34 RCW, this information should be included in the applicant's signed statement.

(3) **Specific requirements for classification as open space/farm and agricultural conservation land.** To be classified as farm and agricultural conservation land, the land shall be:

(a) Previously classified as farm and agricultural land under RCW 84.34.020(2), that no longer meets the criteria for classification under RCW 84.34.020(2), and that shall be reclassified as open space land under RCW 84.34.020(1); or

(b) Traditional farmland that is not classified under chapter 84.33 or 84.34 RCW, that has not been irrevocably dedicated to a use inconsistent with agricultural uses, and that has a high potential for returning to commercial agricultural purposes.

(4) **Examples.**

(a) Farmer Jones and his wife own nineteen acres of classified farm and agricultural land. Farmer Jones dies and his wife inherits the classified land. Mrs. Jones realizes that she cannot actively farm the land and produce the annual amount of income required by RCW 84.34.020 (2)(b). She decides to have the land reclassified as farm and agricultural conservation land within the open space classification. The land may be reclassified as open space/farm and agricultural conservation land under subsection (3)(a) of this section if she submits an application for reclassification as open space/farm and agricultural conservation land and the application for reclassification is approved by the granting authority.

(b) Farmer McDowell has a fifty acre parcel of land on which he raises pigs and goats. He inherited this land from his father who farmed it before him. Also, the land has never been classified under chapter 84.34 RCW nor has it ever been designated forest land under chapter 84.33 RCW. As the result of an accident, Farmer McDowell breaks his back and cannot actively farm the land for an extended period of time. This land may be classified as open space/farm and agricultural conservation land under subsection (3)(b) of this section if Farmer McDowell submits an application for classification as open space/farm and agricultural conservation land, the application for classification is approved, the land is not irrevocably dedicated to a use inconsistent with agricultural uses, and the land has a high potential for returning to commercial agriculture.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360, 95-21-002, § 458-30-242, filed 10/4/95, effective 11/4/95.]

**WAC 458-30-245 Recording of documents.** (1) **Introduction.** This section details the documents relating to lands classified under chapter 84.34 RCW that must be filed with the county assessor and the county recording authority in accordance with RCW 84.34.050.

(2) **Notice to assessor.** When the granting authority has classified land under chapter 84.34 RCW, the granting authority shall file a notice to this effect with the assessor within ten working days of making the determination. As to any land classified under chapter 84.34 RCW, the assessor shall annually make a notation on the county's assessment list and tax roll of the assessed value of this land for the use for which it is classified and the assessed value of this land if it were not so classified.

(3) **Agreement relating to open space land or timber land classification.** Within ten working days of receipt of an agreement regarding land classified as open space or timber land from a granting authority, the assessor shall submit the executed agreement to the county recording authority for recording in the place and manner provided for the public recording of tax liens on real property. The county recording authority shall return the agreement to the assessor following recording.

(4) **Notice of approval relating to farm and agricultural land classification.** Within ten working days of the approval of an application for farm and agricultural land classification or reclassification, the assessor shall send a notice of approval to the county recording authority for recording in the place and manner provided for the public recording of tax liens on real property.



(5) **Notice of withdrawal or removal.** When land is to be withdrawn or removed from classification under chapter 84.34 RCW, the assessor shall forward a notice of withdrawal or removal to the county recording authority. The county recording authority shall record all notices of withdrawal or removal. The owner shall pay all recording fees for the notices.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-245, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-245, filed 11/15/88.]

#### **WAC 458-30-250 Approval or denial and appeal.**

(1) **Introduction.** This section describes the procedure an applicant must follow if his or her application for classification or reclassification under chapter 84.34 RCW is denied, in whole or in part, and he or she wishes to appeal the determination.

(2) **General requirement.** The granting authority shall immediately notify the assessor and the applicant of the approval or denial of an application for classification or reclassification. An application for classification or classification as open space, timber, or farm and agricultural land should be approved or denied no later than six months after the receipt of this application. However, if an application for classification or reclassification as farm and agricultural land is not denied, in whole or in part, by the first day of May of the year after the application was submitted, the application shall be deemed approved. For example, an application for classification as farm and agricultural land shall be considered approved if it was delivered to the assessor on August 30, 1993, and was not denied prior to May 1, 1994.

(3) **Written denials with reasons required.** All denials of an application for classification or reclassification shall be in writing and shall include the reasons for denial.

(4) **Owner's right to appeal.** The owner shall have the right to appeal any denial of an application for classification or reclassification.

(a) If an application for classification or reclassification as farm and agricultural land is denied by the granting authority, in whole or in part, the applicant may appeal to the board of equalization of the county in which the land is located within thirty calendar days of date the denial was mailed.

(b) If an application for classification or reclassification as either open space or timber land is denied by the granting authority, in whole or in part, the applicant may appeal only to the superior court of the county in which the land is located and the application was made.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-250, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-250, filed 11/15/88.]

**WAC 458-30-255 Determination of value—Assessor's duties.** (1) **Introduction.** This section explains the assessor's duty to determine the current use value of land classified under chapter 84.34 RCW.

(2) **Duties of assessor.** The assessor shall determine the current use value of land classified under chapter 84.34 RCW according to the procedures and standards set forth in

WAC 458-30-260, 458-30-267, and 458-30-317. In determining this value, the assessor shall consider only the current use of the classified land and shall not consider any potential use or any income from a potential use.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-255, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-255, filed 11/15/88.]

#### **WAC 458-30-260 Valuation procedures for farm and agricultural land.** (1) **Introduction.** This section outlines the methods an assessor may use to determine the value of land classified as farm and agricultural land under chapter 84.34 RCW. The valuation procedures are outlined in RCW 84.34.065. The method used to value the principal residence of the farm operator or owner and the housing of farm and agricultural employees on classified farm and agricultural land is described in WAC 458-30-317.

(2) **Definitions.** For purposes of this section, the following definitions apply:

(a) "Landlord" means the person(s) or business enterprise that leases or rents classified farm and agricultural land to another person(s) or business entity.

(b) "Net cash rental" means the average rental paid on an annual basis, in cash, for the land being appraised and other farm and agricultural land of similar quality and similarly situated that is available for lease for a period of at least three years to any reliable person without unreasonable restrictions on its use for the production of agricultural crops.

(c) "Rate of interest" means the rate of interest charged by the farm credit administration and other large financial institutions regularly making loans secured by farm and agricultural lands through mortgages or similar legal instruments averaged over the immediate past five years.

(3) **General considerations.** The assessor shall use all available information to determine the productive or earning capacity of classified farm and agricultural land including, but not limited to, farm production information, actual crop production within an area averaged over not less than five years, and other relevant data. The assessor may also use reliable statistical sources. Additionally, a soil capability analysis may be considered in determining the productive or earning capacity of classified land.

(4) **Determination of current use value.** The value of classified farm and agricultural land shall be determined by the productive or earning capacity of comparable land from crops typically grown in the area averaged over not less than five years, capitalized at indicative rates. The assessor shall use the capitalization of income method to value this type of classified land.

(a) The earning or productive capacity of comparable land is the "net cash rental," capitalized at a "rate of interest" charged on long-term loans secured by a mortgage on farm or agricultural land plus a component for property taxes. The rate of interest and the property tax component for each county are set forth in WAC 458-30-262.

(b) The value of classified farm and agricultural land shall be the net cash rental of the land divided by the capitalization rate.

(5) **Net cash rental.** The net cash rental to be capitalized shall be determined as follows:

(a) Based on leases. Leases of farm and agricultural land paid on an annual basis, in cash, shall be used in determining the net cash rental. The cash value of these leases shall include government subsidies if the subsidies are based on the earning or productive capacity of the land. Only leases of land that is available for rent for a period of at least three years to any reliable person without unreasonable restrictions on its use to produce agricultural crops may be used in this determination. Lease payments shall be averaged as follows:

(i) Each annual lease or rental payment for the land being valued and for other farm and agricultural land within the area of similar quality and upon which typical crops in the area are grown shall be averaged for at least the preceding five crop years; and

(ii) The typical cash rental for each year shall be averaged for at least the preceding five crop years.

(A) Costs of crop production customarily paid by the landlord may be deducted from the typical cash rental. All costs and expenses shall be averaged for at least the preceding five crop years.

(B) If the land is irrigated by a sprinkler system, the amount of rent attributable, if any, to the irrigation equipment shall be deducted from the gross cash rent to determine the net cash rental of the land only. However, the value of irrigation equipment will be placed on the assessment roll at its true and fair value.

(b) Earning or productive capacity of land. If only an insufficient number of leases are available, the earning or productive capacity of farm and agricultural land shall be calculated by determining the cash value of typical crops grown on land of similar quality and similarly situated within the area then subtracting the standard production costs of the crops. The cash value minus the production costs of typical crops are to be averaged over at least five crop years. Cash value shall include, but is not limited to, government subsidies if the subsidies are based on the earning or productive capacity of the land. Any acreage kept out of production because of government subsidies shall be included in the total acreage valued by the capitalization of the income method.

(c) When the land being valued is not being used for commercial agricultural purposes or when the available information is insufficient to determine the earning or productive capacity of the land, the assessor shall compute a reasonable amount based on the land's estimated productive capacity to be capitalized as income.

(6) **Capitalization rate.** The capitalization rate that is used to value classified farm and agricultural land is the sum of the following:

(a) An interest rate determined by the department on or before January 1st each year. This rate shall be the rate of interest charged on long-term loans secured by mortgages or similar legal instruments averaged over the immediate past five years; plus

(b) A component for property taxes determined by dividing the total taxes levied within the county for the year preceding the assessment by the total assessed value of all property within the county and multiplying the quotient by one hundred.

(7) **Appeal of interest rate determination.** The department shall annually determine a rate of interest and property tax component that shall be announced in a rule. (WAC 458-30-262.) This rule will be published in the *Washington State Register* before January 1st each year so that it may be used in that assessment year. The department's determination of the interest rate may be appealed to the state board of tax appeals within thirty calendar days after the date of publication by:

(a) Any owner of a parcel(s) of land classified as farm and agricultural; or

(b) The assessor of any county containing parcels of land that are classified as farm and agricultural under chapter 84.34 RCW.

(8) **Valuation of principal residence or housing for employees.** Land classified as farm and agricultural land because it is the site of the principal residence of the operator or owner of the land and the housing for farm and agricultural employees will be valued in accordance with RCW 84.34.065 and WAC 458-30-317. If the residence or housing for employees does not meet all the requirements for classification, the land may not be classified as farm and agricultural land and it must be valued at its true and fair value in accordance with WAC 458-12-301.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-260, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010(2) and 84.34.141. 90-02-080 (Order PT 90-1), § 458-30-260, filed 1/2/90, effective 2/2/90. Statutory Authority: RCW 84.08.010(2) and 84.34.065. 89-05-009 (Order PT 89-2), § 458-30-260, filed 2/8/89. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-260, filed 11/15/88.]

**WAC 458-30-262 Agricultural land valuation—Interest rate—Property tax component.** For assessment year 1996, the interest rate and the property tax component that are to be used to value classified farm and agricultural lands are as follows:

(1) The interest rate is 9.27 percent; and

(2) The property tax component for each county is:

COUNTY	PERCENT	COUNTY	PERCENT
Adams	1.48	Lewis	1.33
Asotin	1.70	Lincoln	1.54
Benton	1.45	Mason	1.34
Chelan	1.42	Okanogan	1.43
Clallam	1.25	Pacific	1.35
Clark	1.38	Pend Oreille	1.34
Columbia	1.50	Pierce	1.63
Cowlitz	1.19	San Juan	0.84
Douglas	1.35	Skagit	1.26
Ferry	1.23	Skamania	1.09
Franklin	1.57	Snohomish	1.28
Garfield	1.39	Spokane	1.55
Grant	1.50	Stevens	1.16
Grays Harbor	1.49	Thurston	1.38
Island	0.93	Wahkiakum	1.17
Jefferson	1.26	Walla Walla	1.49
King	1.30	Whatcom	1.28
Kitsap	1.19	Whitman	1.66
Kittitas	1.22	Yakima	1.53
Klickitat	1.14		

[Statutory Authority: RCW 84.34.065, 84.34.141, 84.08.010 and 84.34.070. 96-01-095, § 458-30-262, filed 12/19/95, effective 1/1/96. Statutory Authority: 84.34.065, 84.34.141, 84.08.010 and 84.08.070. 95-09-041, § 458-30-262, filed 4/14/95, effective 5/15/95. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.34.065. 94-05-062, § 458-30-262, filed

2/11/94, effective 3/14/94. Statutory Authority: RCW 84.08.010 and 84.08.070. 93-07-067, § 458-30-262, filed 3/17/93, effective 4/17/93; 92-03-068, § 458-30-262, filed 1/14/92, effective 2/14/92; 91-04-001, § 458-30-262, filed 1/24/91, effective 2/24/91; 90-24-087, § 458-30-262, filed 12/5/90, effective 1/5/91. Statutory Authority: RCW 84.08.010(2) and 84.34.141. 90-02-080 (Order PT 90-1), § 458-30-262, filed 1/2/90, effective 2/2/90.]

**WAC 458-30-265 Valuation cycle.** (1) **Introduction.** This section explains the timing of revaluations of land classified under the provisions of chapter 84.34 RCW.

(2) **Revaluation cycle.** In determining the true and fair value and the current use value of classified lands, the assessor shall follow a revaluation cycle that adheres to the requirements contained in WAC 458-12-335 through 458-12-339. The cycle used shall be the same as that used for other real property in the county and shall be in an orderly manner, pursuant to a regular plan, and in a manner that is not arbitrary, capricious, or intentionally discriminatory.

(3) **Notice required.** The assessor shall notify the owner of classified lands of any change in the true and fair value and/or current use value in the same manner as prescribed in RCW 84.40.045.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-265, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-265, filed 11/15/88.]

**WAC 458-30-267 Valuation procedures for open space and timber land.** (1) **Introduction.** This section outlines the procedures set forth in RCW 84.34.060 about how to value land(s) classified as open space or timber land under the provisions of chapter 84.34 RCW.

(2) **Open space land.**

(a) In valuing land classified as open space, the assessor shall consider only the way in which the land and improvements are currently used; the assessor shall not consider potential uses of the land.

(b) The assessed value of open space land shall not be less than the minimum value per acre of classified farm and agricultural land.

(c) If open space land is located within a county where the county legislative authority has adopted an open space plan and a public benefit rating system in accordance with RCW 84.34.055, the assessed value of this open space land may be based on the public benefit rating system. The open space plan shall contain criteria for determining eligibility of lands, the process for establishing a public benefit rating system, and an assessed valuation schedule. An assessed valuation schedule shall be developed by the assessor and shall be a percentage of true and fair value based on the public benefit rating system.

(3) **Timber land.** The assessor shall value classified timber land according to the provisions of chapter 84.33 RCW.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-267, filed 10/4/95, effective 11/4/95.]

**WAC 458-30-270 Data relevant to continuing eligibility—Assessor may require owner to submit.** (1) **Introduction.** This section explains the types of data or information the assessor may require a person seeking

continued classification or reclassification to submit so that land may retain its eligibility or be reclassified under chapter 84.34 RCW.

(2) **General authorization.** The assessor may require an owner of land classified under chapter 84.34 RCW to submit data relevant to the use of the land, productivity of typical crops, and other information pertinent to continued classification or reclassification and appraisal of the land. The assessor may request any relevant information that will assist him or her in determining whether the land is eligible for continued classification or reclassification. Relevant data or information includes, but is not limited to:

(a) Receipts from sales of agricultural products produced on classified land;

(b) Federal income tax returns including schedules documenting farm income, production costs, and other operating expenses;

(c) Rental or lease agreements and receipts;

(d) Government payments and subsidies;

(e) Crop and livestock production data; or

(f) Other income and expense information related to the land for which continued classification or reclassification is sought.

(3) **Request for information - procedure.** The assessor shall send the request for information by first class mail. The person seeking continued classification or reclassification must submit the requested information or data, in writing, no later than sixty calendar days following the date the request was mailed.

(a) If no response is received within sixty days, the assessor's office shall send the owner a second request for information by certified mail, return receipt requested. This second request shall include a statement that failure to submit the requested information or data within thirty calendar days of the date of mailing may cause the land to be removed from classification.

(b) If the owner of classified land does not respond to a request for information, the assessor may remove the land from classification.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-270, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-270, filed 11/15/88.]

**WAC 458-30-275 Continuing classification upon sale or transfer of ownership of classified land.** (1) **Introduction.** When land classified under chapter 84.34 RCW is sold or transferred certain procedures must be followed if the new owner wishes to keep the land in its present classified status. This section explains the required procedures and forms.

(2) **Definitions.** For purposes of this section, the following definitions apply:

(a) "Affidavit" means the real estate excise tax affidavit that the department prescribes and furnishes to county treasurers for use by the owner in reporting sales and/or transfers of classified land. The form will require the signature, under the penalty of perjury, of the owner and purchaser or transferee or agents of each. See chapter 82.45 RCW and chapter 458-61 WAC for more specific details.

(b) "Notice of continuance" means the notice signed when land classified as open space, farm and agricultural, or

timber land under the provisions of chapter 84.34 RCW is sold or transferred and when the new owner of the classified land wishes to have the land remain classified under the provisions of chapter 84.34 RCW. This notice may be either part of the real estate excise tax affidavit or a separate document created by the department.

(c) "Owner" means any person or persons having a fee interest in a parcel of land, except when the land is subject to a real estate contract and the vendee when the land is subject to a real estate contract. For purposes of this section, the owner or owners of classified land must all sign the notice of classification continuance and/or real estate excise tax affidavit.

(3) **General requirements.** When a parcel(s) of land classified as open space, farm and agricultural, or timber land under chapter 84.34 RCW is sold or transferred and the new owner wishes to keep the land in its classified status, the new owner must:

(a) Sign a notice of classification continuance that is part of a real estate tax affidavit. (See subsection (8) of this section for a discussion regarding this affidavit); and

(b) Provide the assessor with a signed statement that explains how the owner will use the parcel(s) of land so as to continue its eligibility for classification under the provisions of chapter 84.34 RCW; and

(c) Sign a separate notice of continuance prepared by the department if the county has decided that it will require new owners to submit such a form.

(4) **Assessor's duties and authority related to sale or transfers.** When land classified under chapter 84.34 RCW is in the process of being sold or transferred, the new owner must sign a notice of continuance and the statement described in subsection (3) of this section if he or she wishes the land to remain classified. This notice of continuance and signed statement shall be presented to the assessor who must determine if the land will continue to be used in a manner approved for classified status or if the land will not be used in a manner consistent with the current use program. The assessor shall be allowed a reasonable amount of time to determine whether the classified use of the land will be continued by the new owner.

(a) Upon receipt of the notice of classification continuance, the assessor may require the new owner to submit additional information including, but not limited to, the types of data listed in WAC 458-30-270.

(b) Within fifteen calendar days of receiving the notice of classification continuance, the signed statement, and all requested information, the assessor shall determine whether the land qualifies for continued classification as of the date of conveyance.

(c) The assessor may consult with the granting authority to determine if the land will qualify for continued classification. The assessor and/or the granting authority may ask the owner to submit additional information and pertinent data to ensure that the land will continue to be used for a classified use.

(d) No instrument of conveyance may be filed with the county auditor or recorded unless:

(i) The assessor has determined that the land will be used for current use purposes and can continue to be classified within the current use program;

(ii) If the land is no longer eligible to be classified within the current use program, the seller or transferor has paid the additional tax, applicable interest, and penalty;

(iii) The land will be removed from classification and the removal results solely from one of the exceptions listed in RCW 84.34.108(5) to the imposition of additional tax, applicable interest, and penalty. See also WAC 458-30-300 that implements this statute; or

(iv) In the case of a sale, a completed real estate excise tax affidavit has been submitted to the treasurer of the county in which the classified land is located. To be complete the real estate excise tax affidavit must indicate whether the land is classified under the provisions of chapter 84.34 RCW.

(e) If land must be removed from classification because it was sold or transferred as a result of any of the occurrences or actions listed in RCW 84.34.108(5), the assessor shall:

(i) Follow the standard procedures set forth in WAC 458-30-295 and 458-30-300 for removing the land from classification;

(ii) Notify the county treasurer and the seller or transferor that no additional tax, applicable interest, or penalty are due as a result of the sale or transfer because RCW 84.34.108(5) specifically exempts the transaction from the imposition of additional tax, applicable interest, and penalty; and

(iii) In the case of land acquired for conservation purposes by any of the entities listed in RCW 84.34.108(5)(f), inform the new owner or transferee that if the land ceases to be used for the purposes enumerated in RCW 84.34.210 or 64.04.130, the additional tax, applicable interest, and penalty will be due.

(5) **Timber land.** When a parcel(s) of classified timber land is sold or transferred, the new owner must submit a timber management plan to the assessor in order to continue the classification, in addition to the general requirements listed in subsection (3) of this section. The assessor shall send a copy of the timber management plan to the county legislative authority of the county in which the classified land is located. WAC 458-30-232 contains a list of the types of additional information an assessor may require the new owner to submit so that the assessor can determine if the land will continue to be used to grow and harvest forest crops for commercial purposes.

(6) **Farm and agricultural land.** When a parcel(s) of classified farm and agricultural land is sold or transferred, the new owner must comply with the general requirements set forth in subsection (3) of this section. The size of the parcel(s) of farm and agricultural land sold or transferred will determine whether any additional requirements must also be satisfied. A parcel(s) of land that is less than twenty acres must produce a specified amount of income to remain classified as farm and agricultural land. After all required information is submitted, the assessor shall determine whether the land qualifies for continued classification.

(a) Twenty acres or more. If the parcel(s) sold or transferred is twenty acres or more, the new owner must satisfy the general requirements listed in subsection (3) of this section.

(b) Less than twenty acres. In a sale or transfer involving less than twenty acres, the new owner will be

required to comply with the general requirements of subsection (3) of this section and may be asked to provide gross income data relating to the productivity of the farm or agricultural operation for three of the past five years. This information regarding the earning or productive capacity of the classified land will be used to determine if the land meets the income criteria listed in chapter 84.34 RCW and this WAC chapter.

(i) Minimum income limits are set forth in RCW 84.34.020 (2)(b)(i) and (ii) for parcels that are at least five but less than twenty acres in size and in RCW 84.34.020 (2)(c)(i) and (ii) for parcels that are less than five acres in size. Any sale or transfer of classified land, except to a surviving spouse, subject to these income limits. See WAC 458-30-210(3) and 458-30-317 for further information and details.

(ii) If, after January 1, 1993, classified land is sold by an owner who applied for and was granted classification prior to January 1, 1993, to a new owner, the minimum income requirements specified in RCW 84.34.020 (2)(b)(ii) and (c)(ii) will be deferred for a period of three years. The new owner must meet these minimum income limits at least once during the three calendar years immediately following the sale or transfer of the classified farm and agricultural land. For example, if classification was granted in 1978 to a fifteen acre parcel that produced a gross income of one hundred thirty dollars per acre per year and the land is sold on April 15, 1993, the minimum income requirements will be deferred until 1996. By the end of 1996, the new owner must provide proof that the parcel produced two hundred dollars per acre at least one year during the three-year period between 1993 and 1996. If the land has produced a gross income of two hundred dollars per acre the land will remain classified as farm and agricultural land. If the land has not produced this amount at least once during this three-year period, the land shall be removed from classification and the owner will be required to pay an additional tax, interest, and penalty.

(iii) If, after January 1, 1993, classified land is sold by an owner who applied for and was granted classification after January 1, 1993, the assessor will review the information regarding the productivity of the land for three out of the past five years to determine whether the minimum income limits set forth in RCW 84.34.020 (2)(b)(ii) or (c)(ii) have been met. For example, if a ten acre parcel was granted classification on May 1, 1993, and it is sold on February 23, 1994, the assessor will ask the seller and/or buyer of the classified land to provide information about the earning or production capacity of the land for at least the five calendar years preceding the sale (i.e., 1989 through 1993). To retain the current use classification, the land must have produced a minimum of two hundred dollars per acre per year at least three out of the five calendar years preceding the date of sale.

(c) Segregation of land. In a sale or transfer involving a land segregation, the owner of the newly created parcel(s), and the owner of the parcel(s) of land from which the segregated land was taken must comply with the requirements of (a) or (b) of this subsection before the assessor determines if the land qualifies for continued classification.

(7) **New owner's warranty.** The new owner, upon signing the notice of continuance, warrants that future use of

the land will conform to the provisions of chapter 84.34 RCW and this WAC chapter.

(8) **Real estate excise tax.** Under the provisions of chapter 82.45 RCW whenever real property is sold or transferred an excise tax is imposed; the amount of this tax is related to the selling price of the real property. Real estate excise tax is due at the time of sale. This tax is paid to and collected by the treasurer of the county where the real property is located.

(a) The seller or the buyer, or the agent of either, of the real property must pay the excise tax and must submit a signed real estate excise tax affidavit to the treasurer of the county where the real property is located.

(b) When the ownership of classified land is sold or transferred to a new owner who intends to continue classification of the land under the provisions of chapter 84.34 RCW, the new owner must make a notation of this intent on the affidavit.

(c) No instrument of sale or conveyance evidencing a sale subject to the real estate excise tax may be accepted by the county auditor for filing or recording until a stamp is affixed to the affidavit by the treasurer that shows the tax has been paid. The county treasurer shall not stamp the instrument of sale or conveyance unless the assessor has determined that the classified use of the land will be continued or that the additional tax, interest, and/or penalty required under RCW 84.34.080 and 84.34.108, except as exempted under RCW 84.34.070 or 84.34.108(5), have been collected.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360, 95-21-002, § 458-30-275, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010 and 84.08.070, 90-24-087, § 458-30-275, filed 12/5/90, effective 1/5/91. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW, 88-23-062 (Order PT 88-12), § 458-30-275, filed 11/15/88.]

**WAC 458-30-280 Notice to withdraw from classification.** (1) **Introduction.** When an owner of classified land wishes to withdraw all or part of this land from the current use program, the owner must submit a request to withdraw classification to the assessor. This section explains when an owner may request a withdrawal from classification under the provisions of chapter 84.34 RCW and what the assessor must do upon receipt of this request.

(2) **Definition.** For purposes of this section, the following definition applies: "Withdrawal" or "withdrawn" occurs when the owner of land classified under the provisions on chapter 84.34 RCW has filed a notice of request to withdraw all or a portion of the land from classification. In order to qualify for withdrawal, the parcel(s) of land must have been classified for a minimum of ten years and the owner must have filed a notice of request to withdraw with the assessor at least two years prior to the assessment year when the parcel will be valued at the assessed value as determined in accordance with the county's approved revaluation cycle. Land is withdrawn from classified status by a voluntary act of the owner.

(3) **Requirements - ten years and notice of request for withdrawal.** Except as otherwise provided, land classified under the provisions of chapter 84.34 RCW shall remain classified and shall not be applied to any other use

for at least ten assessment years from the effective date of classification.

(a) During the ninth or later assessment year of classification, the owner may file with the assessor a notice of request for withdrawal. The request for withdrawal may involve all or part of the land.

(b) Upon receiving the request for withdrawal, the assessor shall, within seven working days, transmit one copy of the request to the granting authority that approved the original application for classification.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-280, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-280, filed 11/15/88.]

#### **WAC 458-30-285 Withdrawal from classification.**

(1) **Introduction.** After a request to withdraw classification is received, the assessor is required to make a series of determinations. This section explains the procedures the assessor must follow upon receipt of a request for withdrawal.

(2) **Definition.** For purposes of this section, the following definition applies: "Withdrawal" or "withdrawn" occurs when the owner of land classified under the provisions of chapter 84.34 RCW has filed a notice of request to withdraw all or a portion of the land from classification. In order to qualify for withdrawal, the parcel(s) of land must have been classified for a minimum of ten years and the owner must have filed a notice of request to withdraw with the assessor at least two years prior to the assessment year when the parcel will be valued at the assessed value as determined in accordance with the county's approved revaluation cycle. Land is withdrawn from classified status by a voluntary act of the owner.

(3) **Complete or partial withdrawal.** Land that has been classified under chapter 84.34 RCW must be applied to the classified use and remain in its classified status for at least ten years from the date of classification. During the ninth or later year of classification, if the owner decides to have the land withdrawn from the current use program he or she must submit a request to withdraw classification.

(a) A parcel of land may be withdrawn from classification in whole or in part.

(b) The additional tax and applicable interest set forth in RCW 84.34.108 are due when land is withdrawn from classification. When a request to withdraw classification has been received by the assessor's office and an intervening act causes the current use classification to be removed before two assessment years have elapsed, the penalty described in RCW 84.34.108 (3)(c) is also due. However, if the removal is a result of one of the circumstances set forth in RCW 84.34.108(5) no additional tax, interest, or penalty will be imposed. (See WAC 458-30-300.)

(4) **Procedure for partial withdrawal.** If only a portion of the classified land is to be withdrawn from classification, the remaining parcel must meet the same requirements the entire parcel was required to meet when the land was originally granted classification unless the remaining parcel has different criteria. For example, if a thirty acre parcel of land was previously classified as farm and agricultural land and the owner now wishes to withdraw fifteen

acres, the land that remains classified must meet the income production requirements set forth in RCW 84.34.020 (2)(b) even though the thirty acre parcel was not required to meet any income production requirements.

(a) The assessor may ask the owner of the remaining parcel of classified land to submit information relevant to continuing eligibility of the land under chapter 84.34 RCW. See WAC 458-30-270 for more details about such a request.

(b) If the parcel is classified as farm and agricultural land, the assessor shall verify that the remaining portion meets the requirements of RCW 84.34.020(2) and this WAC chapter.

(c) If the parcel is classified as open space or timber land, the assessor shall consult with the granting authority before determining whether the remaining portion meets the requirements of RCW 84.34.020 (1) and (3) and this WAC chapter. The granting authority may ask the owner to submit pertinent data that it considers necessary to assist it in making this determination.

(d) The assessor may segregate the portion from which classification is being withdrawn for valuation and taxation purposes.

(5) **Date of withdrawal and notice to owner.** According to RCW 84.34.070(1) the assessor shall withdraw land when two assessment years have elapsed following receipt of the request to withdraw classification. In other words, land shall be withdrawn from classification as of January 1st of the third assessment year after the request to withdraw classification is received by the assessor's office.

(a) Method for counting assessment years. The year in which the request to withdraw is received shall count as the first assessment year; the second assessment year shall begin on January 1 of the year immediately following the year in which the request was received; and the third assessment year shall begin on January 1 of the following year. (For example, if a request to withdraw classification is received on November 1, 1995, the first assessment year is 1995, the second assessment year is 1996, and the third assessment year is 1997. The land is withdrawn from classification as of January 1, 1997.)

(b) Notice to owner. No later than thirty days after withdrawing the land from classification, the assessor shall notify the owner in writing that classification has been withdrawn from the parcel(s).

(c) Valuation of land withdrawn from classification. When land has been withdrawn from classification, it shall be placed on the assessment roll at the assessed value as determined in the county's approved revaluation cycle.

(d) Example. An application for classification as open space land was submitted in April 1980 and approved effective assessment year 1981. In 1989, the owner submits a notice of request to withdraw all the land from classification. The assessor shall withdraw the land from classification as of January 1, 1991, which is the third assessment year after the request to withdraw classification was received; the land value shall be the assessed value as determined in accordance with the county's approved revaluation cycle on January 1 of assessment year 1991.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-285, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010 and 84.08.070. 90-24-087, § 458-30-285, filed 12/5/90, effective 1/5/91. Statutory Authority: RCW 84.08.010(2),



84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-285, filed 11/15/88.]

**WAC 458-30-290 Repealed.** See Disposition Table at beginning of this chapter.

**WAC 458-30-295 Removal of classification.** (1) **Introduction.** This section discusses the occurrences that may cause land to be removed from classification and the actions taken by an assessor relative to a removal. Classified land may be removed if it is no longer used for the purpose for which classification was granted or if the owner has sought reclassification of the land and the land does not meet the criteria for classification under chapter 84.34 or 84.33 RCW.

(2) **Definitions.** For purposes of this section, the following definitions apply:

(a) "Reclassification" means the process by which land classified under chapter 84.34 or 84.33 RCW is changed from one classification to another classification established by chapter 84.34 RCW or into forest land as described in chapter 84.33 RCW. For example, land classified as farm and agricultural land under RCW 84.34.020(2) may be reclassified as either timber or open space land under the provisions of chapter 84.34 RCW or as forest land under the provisions of chapter 84.33 RCW.

(b) "Removal" means that all or a portion of land classified under the provisions on chapter 84.34 RCW must be removed from classification because the land is no longer being used for the purpose for which classification was granted or for any other classified use within the current use program. The change in use may occur because of the sale or transfer of the classified land, the request by the owner to remove the land from current use program, the determination by the assessor that the classified land no longer meets the criteria for classification under chapter 84.34 RCW, or any of the other occurrences listed in subsection (4) of this section.

(3) **General requirement.** If land classified under chapter 84.34 RCW is applied to a use other than the one for which classification is granted, the owner shall notify the assessor of the change in use within thirty days of the change. An additional property tax, applicable interest, and a penalty shall be imposed upon the land when it is removed from classification due to this change in use. See WAC 458-30-300 for details about the additional tax, interest, and/or imposed.

(4) **Actions that cause removal of land from classification.** When any of the following actions occur, the assessor shall remove from classification all or a portion of the parcel:

(a) Receipt of a written notice from the owner directing removal of the land from classification;

(b) Sale or transfer of the land to an owner exempt from paying property taxes, except a transfer that resulted from a default in loan payments made to or secured by a governmental agency that intends to or is required by law or regulation to resell the land for the same use as before;

(c) Any change in use that occurs after a request to withdraw classification is made in accordance with the provisions of WAC 458-30-285 and before actual withdrawal of the classification;

(d) Sale or transfer of all or a portion of classified land to a new owner who is not exempt from paying property taxes and who has not signed a notice of classification continuance, except a transfer to an owner who is an heir or devisee of a deceased owner;

(e) Failure of an owner to respond to a request for data pursuant to WAC 458-30-270;

(f) When the owner has sought a reclassification of the land because the land no longer meets the criteria of the classification under which it is classified or the owner has decided to change the use of the classified land thereby requiring a change in classification and the land does not meet the requirements of the new classification; or

(g) A determination by the assessor based on field inspections, analysis of income and expense data, or any other reasonable evidence that all or a portion of the parcel(s) of land no longer meets the criteria for classification under chapter 84.34 RCW.

(i) Example 1. During an on-site inspection of a parcel of classified farm and agricultural land, the assessor discovers that the land is no longer being used for commercial agricultural purposes because the five acre parcel has been paved over and is currently being used as a parking lot for school buses.

(ii) Example 2. Based on information released at a public meeting of the county planning commission, the assessor learns that an owner of classified timber land has harvested all forest crops from the classified land, the land has been platted, public services such as roads, sewers, and domestic water supply have all been made available to the platted land, and at least six houses have been built on the classified timber land.

(iii) The assessor must notify the owner in writing regarding this determination, but may not remove classification until the owner has had an opportunity to respond.

(iv) The owner must respond, in writing, to the assessor's inquiry about the use of the classified land no later than thirty calendar days following the date this inquiry was mailed.

(v) If the parcel of land in question is classified as open space land or timber land, the assessor may ask the granting authority to provide reasonable assistance in determining whether the classified land continues to meet the criteria for classification. The granting authority shall provide this assistance within thirty days of receiving the request for assistance.

(5) **Notice to owner.** Within thirty days after the removal of all or a portion of the land from classification, the assessor shall notify the owner in writing of the reason(s) for the removal.

(6) **Right of appeal.** The seller, transferor, or owner may appeal the removal of land from classification to the board of equalization of the county in which the land is located. The appeal must be filed within thirty calendar days following the date the notice of removal was mailed by the assessor.

(7) **Assessor's duty after removal.** Unless the removal is reversed on appeal, the assessor shall revalue the previously classified land by consulting the existing assessment rolls that contain both the current use and the true and fair value of the land. After the effective date of the removal, the assessor will list only the true and fair value of the land on

the assessment roll. The assessment roll will list both the assessed valuation before and after the removal of classification. Taxes will be prorated according to the portion of the year to which each assessed valuation applies.

(8) **Possible segregation after removal.** If only a portion of the land is being removed from classification, the assessor may segregate the affected portion for valuation and tax purposes.

(9) **Penalties due when land is removed.** The additional tax, applicable interest, and penalty set forth in RCW 84.34.108 will be due when land is removed from classification unless the removal is the result on one of transactions exempt under that statute. (See WAC 458-30-300.)

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-295, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010 and 84.08.070. 90-24-087, § 458-30-295, filed 12/5/90, effective 1/5/91. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-295, filed 11/15/88.]

**WAC 458-30-300 Additional tax—Withdrawal or removal from classification.** (1) **Introduction.** When land is withdrawn or removed from classification an additional tax and applicable interest are due. A penalty is also due when land is removed. This section explains how the additional tax, applicable interest, and, if appropriate, penalty are calculated. It also sets forth the situations under which no additional tax, applicable interest, and/or penalty are due if land is withdrawn or removed from classification. The provisions of RCW 84.34.108 and 84.34.070(2) are outlined in this section.

(2) **Definitions.** For purposes of this section, the following definitions apply:

(a) "Reclassification" means the process by which land classified under chapter 84.34 or 84.33 RCW is changed from one classification to another classification established by chapter 84.34 RCW or into forest land as described in chapter 84.33 RCW. The process of reclassification is a voluntary act taken on the part of an owner of classified land when the land must either be removed from classification or transferred to another classification to remain eligible under chapter 84.34 or 84.33 RCW. For example, land classified as farm and agricultural land under RCW 84.34.020(2) may be reclassified as either timber or open space land under the provisions of chapter 84.34 RCW or as forest land under the provisions of chapter 84.33 RCW.

(b) "Removal" means that all or a portion of land classified under the provisions of chapter 84.34 RCW must be removed from classification because the land is no longer being used for the purpose for which classification was granted or for any other classified use within the current use program. The change in use may occur because of the sale or transfer of the classified land, the request by the owner to remove the land from the current use program, the determination by the assessor that the classified land no longer meets the criteria for classification under chapter 84.34 RCW, or any of the other occurrences listed in WAC 458-30-295.

(c) "Withdrawal" or "withdrawn" occurs when the owner of land classified under the provisions of chapter 84.34 RCW has filed a notice of request to withdraw all or a portion of the land from classification. In order to qualify

for withdrawal, the parcel(s) of land must have been classified for a minimum of ten years and the owner must have filed a notice of request to withdraw with the assessor at least two years prior to the assessment year when the parcel will be valued at the assessed value as determined in accordance with the county's approved revaluation cycle. Land is withdrawn from classified status by a voluntary act of the owner.

(3) **Duties of assessor and county treasurer.** When land is withdrawn from classification the assessor shall compute an additional tax and applicable interest and when land is removed from classification the assessor shall compute an additional tax, applicable interest, and penalty. As soon as possible after determining that the land is to be withdrawn or removed from classification, the assessor shall compute the amount of the additional tax, applicable interest, and, if appropriate, penalty, except as provided in subsection (6) of this section. The county treasurer shall mail a notice to the owner regarding the additional tax, applicable interest, and penalty due and the date on which the total amount is due. The additional tax, applicable interest, and penalty shall be due and payable to the county treasurer thirty days after the notice is mailed to the owner.

(4) **Amount of additional tax, applicable interest, and penalty.** The amount of additional tax, applicable interest, and penalty shall be determined as follows:

(a) The amount of additional tax shall be equal to the difference between the property tax that was levied on the land based on its classified current use value and the tax that would have been levied on its true and fair value for the seven tax years preceding the withdrawal or removal, in addition to the portion of the tax year when the withdrawal or removal takes place;

(b) The amount of applicable interest shall be equal to the interest on the amount of additional tax determined under (a) of this subsection at the statutory rate, specified in RCW 84.56.020, charged on delinquent property taxes starting from the date the tax could have been paid without interest to the date the additional tax is paid; and

(c) The amount of penalty shall be twenty percent of the additional tax and applicable interest; that is, twenty percent of the total amount computed in (a) and (b) of this subsection. A penalty is not imposed when:

(i) The land has been classified for at least ten years at the time of declassification and the owner has given the assessor a request to withdraw classification two years in advance of the date the classified land will be withdrawn, in accordance with RCW 84.34.070; or

(ii) The change in use was the result of one of the circumstances listed in RCW 84.34.108(5). See subsection (6) of this section for a detailed list of these circumstances.

(5) **Failure to sign notice of continuance.** If a new owner fails to sign the notice of classification continuance when classified land is sold or transferred, an additional tax, applicable interest, and penalty shall be calculated according to subsection (4) of this section.

(6) **Exceptions - no additional tax, applicable interest, or penalty are due.** When all or a portion of classified land is withdrawn or removed from classification, no additional tax, applicable interest, or penalty shall be imposed if the

withdrawal or removal is the result of one or more of the following circumstances:

(a) Transfer to a governmental entity in exchange for other land located within the state of Washington;

(b) A taking through the exercise of the power of eminent domain or the sale or transfer to an entity having the power of eminent domain in anticipation of the exercise of this power, said entity having manifested its intent to exercise the power of eminent domain in writing or by other official action;

(c) A natural disaster such as a flood, windstorm, earthquake, or other such calamity rather than by virtue of the act of the landowner changing the use of such property;

(d) Official action by an agency of the state of Washington or by the county or city in which the land is located disallowing the current use of classified land. For the purposes of this section, "official action" may include, but is not limited to, city ordinances, zoning restrictions, Growth Management Act, Shoreline Protection Act, and Environmental Protection Act(s);

(e) Transfer of land to a church when the land would qualify for property tax exemption pursuant to RCW 84.36.020. The conditions set forth in RCW 84.36.020 shall only apply to the affected parcel of land and shall not relieve any portion not so affected from the potential tax liability;

(f) Acquisition of property interests by public agencies or private organizations qualified under RCW 84.34.210 or 64.04.130 for the purposes specified therein. See subsection (7) of this section for a listing of these agencies, organizations, and purposes. However, when the property interests are not used for the purposes enumerated in these statutes, the additional tax, applicable interest, and penalty specified in subsection (4) of this section shall be imposed;

(g) Removal of land that was granted classification as farm and agricultural land under RCW 84.34.020 (2)(d) because the principal residence of the farm operator or owner and/or housing for farm and agricultural employees was situated on it; or

(h) The result of one of the following changes in classification:

(i) Reclassification from farm and agricultural land under RCW 84.34.020(2) to timber land under RCW 84.34.020(3), open space land under RCW 84.34.020(1), or forest land under chapter 84.33 RCW;

(ii) Reclassification from timber land under RCW 84.34.020(3) to farm and agricultural land under RCW 84.34.020(2), open space land under RCW 84.34.020(1), or forest land under chapter 84.33 RCW;

(iii) Reclassification from open space/farm and agricultural conservation land under RCW 84.34.020 (1)(c) to farm and agricultural land under RCW 84.34.020(2) if the land was previously classified as farm and agricultural land; or

(iv) Reclassification from forest land under chapter 84.33 RCW to open space land under RCW 84.34.020(1).

(7) **Land acquired by agencies or organizations qualified under RCW 84.34.210 or 64.04.130.** If the purpose for acquiring classified land is to protect, preserve, maintain, improve, restore, limit the future use of, or conserve the land for open space purposes and otherwise conserve the land for public use or enjoyment and the classified land is acquired by any of the following entities, no additional tax, applicable interest, or penalty are due as

long as the property is used for one of the purposes listed in this subsection:

(a) State agency;

(b) Federal agency;

(c) County;

(d) City;

(e) Town;

(f) Metropolitan park district;

(g) Metropolitan municipal corporation;

(h) Nonprofit historic preservation corporation as defined in RCW 64.04.130; or

(i) Nonprofit nature conservancy corporation or association as defined in RCW 84.34.250.

(8) **Removal of classification from land that was previously classified or designated forest land under chapter 84.33 RCW.** Land that was previously classified or designated as forest land under chapter 84.33 RCW may be reclassified under RCW 84.34.020. If the current use classification is subsequently removed before the land has been classified for at least ten assessment years under chapter 84.34 RCW, a combination of compensating tax and additional tax shall be due. RCW 84.33.145 explains the way in which these taxes are calculated.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-300, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010 and 84.08.070. 90-24-087, § 458-30-300, filed 12/5/90, effective 1/5/91. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-300, filed 11/15/88.]

**WAC 458-30-305 Due date of additional tax, applicable interest, and penalty upon withdrawal or removal.** (1) **Introduction.** This section specifies the date upon which the additional tax, applicable interest, and, if appropriate, penalty are due when land is withdrawn or removed from classification under chapter 84.34 RCW. This section also explains the consequences of failure to timely pay these charges.

(2) **Definitions.** For purposes of this section, the following definitions apply:

(a) "Removal" means that all or a portion of land classified under the provisions of chapter 84.34 RCW must be removed from classification because the land is no longer being used for the purpose for which classification was granted or for any other classified use within the current use program. The change in use may occur because of the sale or transfer of the classified land, the request by the owner to remove the land from the current use program, the determination by the assessor that the classified land no longer meets the criteria for classification under chapter 84.34 RCW, or any of the other occurrences listed in WAC 458-30-295.

(b) "Withdrawal" or "withdrawn" occurs when the owner of land classified under the provisions of chapter 84.34 RCW has filed a notice of request to withdraw all or a portion of the land from classification. In order to qualify for withdrawal, the parcel(s) of land must have been classified for a minimum of ten years and the owner must have filed a notice of request to withdraw with the assessor at least two years prior to the assessment year when the parcel will be valued at the assessed value as determined in accordance with the county's approved revaluation cycle.

Land is withdrawn from classified status by a voluntary act of the owner.

(3) **Result of a sale or transfer.** If a parcel of land is withdrawn or removed from classification because of a sale or transfer, the additional tax, applicable interest, and penalty, if owed, are due and payable at the time of the sale or transfer.

(4) **General rule - withdrawal or removal due to all other circumstances.** Except for a sale or transfer, the additional tax, applicable interest, and penalty, if owed, are due no later than thirty days after the date the county treasurer mails the written notice to the owner regarding the amounts owed. This notice shall also state the date upon which the amounts owed are due.

(5) **Failure to timely pay - delinquency.** Any additional tax, applicable interest, or penalty that is unpaid on its due date is delinquent. Interest shall be charged on the total amount due at the same rate as applied by law to delinquent property taxes (RCW 84.56.020) from the date of the delinquency until the date the total amount is paid in full.

(6) **Additional tax, applicable interest, and penalty constitute a lien.** When classification is withdrawn or removed from a parcel of land, the additional tax, applicable interest, and/or penalty shall become a lien on the parcel of land as of the date of withdrawal or removal. This lien shall have priority to and shall be fully paid and satisfied before any recognizance, mortgage, judgment, debt, obligation, or responsibility to or with which this land may become charged or liable. The lien may be foreclosed at the same time and in same manner provided by law for foreclosure of liens for delinquent real property taxes as set forth in RCW 84.64.050.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-305, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010 and 84.08.070. 90-24-087, § 458-30-305, filed 12/5/90, effective 1/5/91. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-305, filed 11/15/88.]

#### **WAC 458-30-310 County recording authority—**

**Duties.** (1) **Introduction.** This section explains the conditions under which documents will be accepted by the county recording authority under the provisions of chapter 84.34 RCW.

(2) **Limited documents may be accepted.** The county recording authority shall not accept for recording any instrument of conveyance involving a parcel of land classified according to chapter 84.34 RCW unless:

(a) Any required additional tax, applicable interest, and/or penalty has been paid;

(b) The notice of continuance on the real estate excise tax affidavit is signed by the new owner or transferee; or

(c) The land is to be removed from classification and the removal results solely from one of the exceptions listed in RCW 84.34.108(5) to the imposition of additional tax, applicable interest, and penalty. See also WAC 458-30-300 that implements this statute.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-310, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010 and 84.08.070. 90-24-087, § 458-30-310, filed 12/5/90, effective 1/5/91. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-310, filed 11/15/88.]

**WAC 458-30-315 County financial authority—**  
**Duties.** (1) **Introduction.** This section explains the duties of the county financial authority when a parcel of land is withdrawn or removed from classification under chapter 84.34 RCW.

(2) **Duties and responsibilities.** The county financial authority shall take the following actions:

(a) Upon receipt of a notice of withdrawal of classification from the assessor, the financial authority shall bill and collect all additional taxes and applicable interest due pursuant to RCW 84.34.070 and WAC 458-30-300.

(b) Upon receipt of a notice of removal of classification, the financial authority shall bill and collect all additional taxes, applicable interest, and penalties due pursuant to RCW 84.34.108 and WAC 458-30-300.

(c) Upon collection of the additional tax, applicable interest, and penalty by the financial authority, these funds shall be distributed in the same manner as current taxes applicable to the subject land are distributed.

(d) The financial authority shall treat any additional tax, applicable interest, and penalty that are not timely paid in the same manner as delinquent property taxes.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-315, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010 and 84.08.070. 90-24-087, § 458-30-315, filed 12/5/90, effective 1/5/91. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-315, filed 11/15/88.]

#### **WAC 458-30-317 Principal residence of farm operator or housing for farm and agricultural employees.**

(1) **Introduction.** Under RCW 84.34.020 (2)(d) the land on which the principal residence of the farm operator or owner of farm and agricultural land is situated and the housing for farm and agricultural employees is situated may be classified as farm and agricultural land.

This section explains the criteria that must be met to include this type of residence or employee housing within the farm and agricultural land classification and the procedure used to value a classified residence or housing.

(2) **Definitions.** For purposes of this section, the following definitions apply:

(a) "Farm employee or farm and agricultural employee" means an individual who is employed on farm and agricultural land on a full-time basis or a seasonal or migratory worker who works on farm and agricultural land only during the planting, growing, and/or harvesting seasons.

(i) For purposes of this section, "full-time basis" refers to an individual who is employed at least twenty-five hours per week on farm and agricultural land.

(ii) The term does not include a person who is employed full time by a business activity that is not conducted on classified farm and agricultural land and who only works occasional weekends or during the harvest season on classified farm and agricultural land.

For example, housing occupied by a person who works full time at a foundry and who works on a farm only two weeks per year helping with the wheat harvest should not be granted classification.

(b) "Integral" means that which is central to or inherent in the use or operation of classified farm and agricultural land for commercial agricultural purposes. For purposes of

this section, the residence of the farm operator or owner and/or housing for farm employees must be the place(s) from which the farmer conducts his commercial agricultural business.

(c) "True and fair value" means the value of a parcel of land placed on the assessment rolls at its highest and best use without regard to its current use value. The term also refers to market value; that is, the amount of money a buyer willing but not obligated to buy would pay to a seller willing but not obligated to sell for the real property.

(3) **Requirements for classification.** The land on which the principal residence of a farm operator or the owner of land is situated and the housing for farm or agricultural employees is situated may be classified as farm and agricultural land if it meets the following conditions:

(a) The land on which the residence or housing stands is twenty or more acres or multiple parcels that are contiguous and total twenty or more acres; and

(i) Primarily used to produce livestock or agricultural products for commercial purposes; or

(ii) Enrolled in the federal Conservation Reserve Program or its successor administered by the United States Department of Agriculture; and

(b) The use of the residence or housing is integral to the use of the classified land for commercial agricultural purposes.

(4) **Examples.**

(a) On a parcel of land twenty acres or more, there are two dwellings: One is the principal residence of the farm operator or owner of classified farm and agricultural land and the second is inhabited by the owner's son who is employed full time at a foundry in town and works on the farm only during harvest time. The land on which the principal residence is situated may be classified as farm and agricultural land if the use of the dwelling is integral to the use of the classified land. The land on which the second home is situated may not be included within the farm and agricultural land classification because it is not inhabited by a farm employee as defined in subsection (2) of this section.

(b) On a parcel of land twenty acres or more, there are two dwellings: One is the principal residence of the farm operator or owner of farm and agricultural land and the second is inhabited by seasonal farm workers who work on the farm only during harvest time. The land on which both dwellings are situated may be classified as farm and agricultural land if the use of the dwellings are integral to the use of the classified land.

(c) On a parcel of classified land that is twenty acres, there is one dwelling. This dwelling is occupied by the owner of the classified land but the owner does not run the farm. The farm is leased to a cooperative that conducts the commercial agricultural activities of the farm from central administrative headquarters that are not located on the classified land. The land on which this dwelling stands may not be classified as farm and agricultural land because the use of the dwelling is not integral to the commercial agricultural purposes of the farm.

(5) **Valuation.**

(a) The land. The land on which the principal residence of a farm operator or owner of farm and agricultural land or the housing for farm and agricultural employees is situated shall be valued in the following manner:

(i) The prior's year average value of classified farm and agricultural land in the county; plus

(ii) The value of land improvements used to serve the residence or housing, such as sewer, water, and power.

(iii) If the use of the residence or housing for employees is not integral to the farming operation, the land on which the residence or housing stands shall be valued at its true and fair value in accordance with WAC 458-12-301.

(b) The principal residence or housing for employees. The building(s) used by the farm operator or owner as his or her principal residence and building(s) used to provide shelter to farm and agricultural employees shall be valued at its true and fair value in accordance with WAC 458-12-301.

(c) Excluded structures. The land on which storeyards, barns, machine sheds, and similar type structures are located shall not be considered as part of the principal residence of the farm operator or owner nor housing for farm and agricultural employees. However, the land upon which these structures stand may be classified as farm and agricultural land generally.

(6) **Withdrawal or removal.** Additional tax, interest, and penalty, if owed, are not imposed if farm and agricultural land classified under RCW 84.34.020 (2)(d) is withdrawn or removed from classification.

(7) **Effect of 1992 legislation on county revaluation cycle.** Land on which the farm owner's or operator's residence is located and land on which the housing for farm and agricultural employees is located shall be revalued in accordance with the 1992 legislative changes, described in subsection (5) of this section, only in the assessment year when the land is being revalued in accordance with the county's revaluation cycle.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-317, filed 10/4/95, effective 11/4/95.]

**WAC 458-30-320 Assessment and tax rolls. (1) Introduction.** This section explains the manner in which land classified under chapter 84.34 RCW is to be listed on the assessment and tax rolls.

(2) **Listing of current use land.** When land has been classified under chapter 84.34 RCW, the assessor shall annually enter on the assessment and tax rolls, the current use value and the true and fair value of that land. The assessor shall provide notice of these values to the county financial authority who shall list these values in the place and manner provided for public recording of tax liens on real property.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-320, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-320, filed 11/15/88.]

**WAC 458-30-325 Transfers between classifications—Application for reclassification. (1) Introduction.** This section discusses the process by which classified land is reclassified under another classification of chapter 84.34 RCW or under chapter 84.33 RCW.

(2) **Definitions.** For purposes of this section the following definitions apply:

(a) "Reclassification" means the process by which land classified under chapter 84.34 or 84.33 RCW is changed

from one classification to another classification established by chapter 84.34 RCW or into forest land as described in chapter 84.33 RCW. The process of reclassification is a voluntary act taken on the part of an owner of classified land when the land must either be removed from classification or transferred to another classification to remain eligible under chapter 84.34 RCW or 84.33 RCW. For example, land classified as farm and agricultural land under RCW 84.34.020(2) may be reclassified as either timber or open space land under the provisions of chapter 84.34 RCW or as forest land under the provisions of chapter 84.33 RCW.

(b) "Removal" means that all or a portion of land classified under the provisions on chapter 84.34 RCW must be removed from classification because the land is no longer being used for the purpose for which classification was granted or for any other classified use within the current use program. The change in use may occur because of the sale or transfer of the classified land, the request by the owner to remove the land from the current use program, the determination by the assessor that the classified land no longer meets the criteria for classification under chapter 84.34 RCW, or any of the other occurrences listed in WAC 458-30-295.

(3) **General information - when reclassification is required.** When the current use program was revised in 1992, the statutes were changed to allow a transfer or reclassification between the different classifications of chapter 84.34 RCW and forest land under chapter 84.33 RCW. The following circumstances may cause reclassification to be sought:

(a) The classified land is no longer being used for the purpose for which it was granted classification;

(b) The owner or new owner of classified land has decided to change the use of classified land;

(c) The classified land no longer meets the requirements of the classification under which it was granted classification; for example, farm and agricultural land that does not produce the minimum income required by RCW 84.34.020 (2)(b) and (c);

(d) The new owner is an heir or devisee of a deceased owner who held classified land and the new owner either does not or cannot meet the requirements of the classification under which it was granted classification; or

(e) The assessor has determined that the classified land is no longer eligible under the existing classification and the land must either be reclassified or removed from classification.

(4) **Reclassification process if land is subject to removal.** Within thirty days of receiving notice from the assessor that the classified land is to be removed from the current use program, the owner must submit an application for reclassification to another classification under chapter 84.34 or 84.33 RCW. The removal notice shall include a statement that informs the owner of the classified land that he or she may seek reclassification. If the application for reclassification is submitted within thirty days, the classified land shall not be removed from classification until the application for reclassification is approved or denied.

(5) **Reclassification when owner seeks change of classification.** An owner of land classified under 84.34 RCW may seek reclassification of that land under a different

current use classification or may seek classification or designation as forest land under chapter 84.33 RCW. The owner of classified land may seek reclassification because of a desire to change the use of the classified land or because he or she does not want to meet or cannot meet the requirements of the classification under which the land is currently classified.

(a) The owner must submit an application for reclassification to the assessor of the county in which the land is located. This form shall be designed by the department and supplied to county assessors.

(b) Within seven days of receipt of this request, the assessor shall forward a copy of this application for reclassification to the appropriate granting authority. The assessor shall retain a copy of all applications for reclassification.

(c) The status of classified land for which reclassification is sought shall not be changed until the application for reclassification is approved or denied.

(6) **Application procedure.** An application for reclassification shall be handled in the same manner as an initial application for classification, which may include payment of an application fee if the county requires one. All classification requirements of RCW 84.34.035 for farm and agricultural land, RCW 84.34.037 for open space land, RCW 84.34.041 for timber land, and chapter 84.33 RCW for forest land must be satisfied in order to reclassify land. (These requirements are also described in WAC 458-30-225, 458-30-230, 458-30-232, 458-30-242, and chapter 458-40 WAC.)

(a) When evaluating an application for reclassification, the granting authority will follow the same procedures it has for processing an initial application for classification under chapter 84.34 or 84.33 RCW.

(b) An application for reclassification may be approved or denied in whole or in part.

(i) The granting authority shall notify the applicant in writing of the extent to which the application for reclassification is approved or denied.

(ii) The applicant shall have the same appeal rights in relation to a denial of an application for reclassification as he or she has in regards to an initial application for classification.

(iii) If an application for reclassification is denied, the assessor shall remove the land from classification and shall calculate the additional tax, applicable interest, and penalty in the manner set forth in WAC 458-30-300.

(7) **Reclassifications exempt from additional tax.** No additional tax, applicable interest, and penalty are due when the reclassification is a result of any of the following transfers between classifications:

(a) Reclassification from farm and agricultural land under RCW 84.34.020(2) to timber land under RCW 84.34.020(3), open space land under RCW 84.34.020(1), or forest land under chapter 84.33 RCW;

(b) Reclassification from timber land under RCW 84.34.020(3) to farm and agricultural land under RCW 84.34.020(2), open space land under RCW 84.34.020(1), or forest land under chapter 84.33 RCW;

(c) Reclassification from open space/farm and agricultural conservation land under RCW 84.34.020 (1)(c) to farm and agricultural land under RCW 84.34.020(2) if the land was previously classified as farm and agricultural land; or



(d) Reclassification from forest land under chapter 84.33 RCW to open space land under RCW 84.34.020(1).

(8) **Income criteria of land to be reclassified.** The income criteria relating to the following reclassifications may be deferred for a period of up to five years from the date of reclassification when:

(a) Land classified as open space/farm and agricultural conservation land under RCW 84.34.020 (1)(c) or timber land under RCW 84.34.020(3) is reclassified as farm and agricultural land under RCW 84.34.020 (2)(b) and (c); or

(b) Land classified or designated as forest land under chapter 84.33 RCW is reclassified as farm and agricultural land under RCW 84.34.020 (2)(b) and (c).

(9) **Valuation of reclassified land.** The assessed value of land that has been reclassified shall reflect the new classification as of January 1 of the assessment year following the reclassification. For example, if an application for reclassification from farm and agricultural land to open space/farm and agricultural conservation land is submitted on February 15, 1993, and approved effective June 1, 1993, the land shall be valued and assessed as open space/farm and agricultural conservation land on January 1, 1994, and the owner shall pay taxes on this new assessed value in 1995.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-325, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010 and 84.08.070. 90-24-087, § 458-30-325, filed 12/5/90, effective 1/5/91. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-325, filed 11/15/88.]

**WAC 458-30-330 Rating system—Authorization to establish.** (1) **Introduction.** This section sets forth the general authority that has been conferred on a county legislative authority to establish an open space plan and a public benefit rating system under RCW 84.34.055.

(2) **General authorization.** The county legislative authority may direct the county planning commission to set open space priorities and to adopt, following a public hearing, an open space plan and a public benefit rating system for the county. The open space plan shall include, but is not limited to, the following:

(a) Criteria to determine eligibility of land;

(b) A process for establishing a public benefit rating system; and

(c) An assessed valuation schedule that shall be developed by the assessor and shall be a percentage of true and fair value based on the public benefit rating system.

(3) **Public hearing required.** At least one public hearing must be held before an open space plan, a public benefit rating system, or an assessed valuation schedule may be approved by the county legislative authority.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-330, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-330, filed 11/15/88.]

**WAC 458-30-335 Rating system—Procedure to establish.** (1) **Introduction.** This section discusses the factors that must be considered when a public benefit rating system is established under RCW 84.34.055. It also includes a nonexclusive list of recognized sources to be used in determining open space priorities.

(2) **Rating of land.** The public benefit rating system shall provide for the rating of parcel(s) of land classified as open space under chapter 84.34 RCW.

(3) **Criteria.** The county legislative authority shall include within the public benefit rating system the criteria contained in chapter 84.34 RCW. The granting authority shall consider this criteria when acting on an application for classification or reclassification.

(4) **Open space plan-recognized sources.** In developing the open space plan, the county planning authority shall take all reasonable steps to determine open space priorities, or use recognized sources for the same purpose, or both.

(a) Recognized sources of open space priorities include, but are not limited to:

(i) The natural heritage data base;

(ii) The state office of historic preservation;

(iii) The interagency committee for outdoor recreation inventory of dry accretion beach and shoreline features;

(iv) The state, national, county, and/or state registers of historic places;

(v) The shoreline master program; or

(vi) Studies conducted by the parks and recreation commission and by the departments of fisheries, natural resources, and wildlife.

(b) Particular features and sites may be verified by an outside expert in the field and approved by the appropriate state or local agency to be sent to the county legislative authority for final approval as open space.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-335, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-335, filed 11/15/88.]

**WAC 458-30-340 Rating system—Adoption—Notice to owner—Loss of classification.** (1) **Introduction.** This section outlines the procedures that must be followed when an open space plan and a public benefit rating system have been approved and the effects of this adoption on owners of land classified as open space at the time of adoption under the provisions of RCW 84.34.055.

(2) **Notice to owner upon classification - request for removal.** When the county legislative authority has adopted an open space plan and a public benefit rating system, the assessor shall notify all owners of land classified as "open space" of the new assessed value of their land in the same manner as provided in RCW 84.40.045.

(a) Within thirty days of receipt of this notice of new assessed value, the owner may request that the parcel(s) of land be removed from the classification without additional tax, interest, or penalty.

(b) If land classified as open space no longer qualifies for this classification after an open space plan and a public benefit rating system are adopted, the land shall not be removed from the open space classification, but it may be rated in accordance with the public benefit rating system.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-340, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-340, filed 11/15/88.]

**WAC 458-30-345 Advisory committee.** (1) **Introduction.** This section explains how the advisory committee

mandated by RCW 84.34.145 is formed, the type of advice this committee may give the assessor, and the consequences of not forming this committee.

(2) **Formation.** The county legislative authority shall appoint a five-member advisory committee representing the active farming community to advise the assessor in implementing assessment guidelines as established by the department for open space, farm and agricultural, and timber land classified under the provisions of chapter 84.34 RCW, unless the county legislative authority finds insufficient interest by the farming community in the formation of such a committee.

(a) The committee shall elect officers and adopt operating procedures.

(b) All meetings and records shall be open to the public according to chapters 42.30 and 42.17 RCW.

(c) Upon appointment, each member of the advisory committee shall serve a one-year term.

(d) Members may be removed from the advisory committee by majority vote of the county legislative authority.

(3) **Type of advice.** The advisory committee shall not give advice regarding the valuation or assessment of specific parcels of land. However, it may supply the assessor with advice on typical crops, land quality, and net cash rental assessments to assist the assessor in determining appropriate values.

(4) **Failure to appoint advisory committee.** Failure of the county legislative authority to appoint an advisory committee shall not invalidate the listing of property on the assessment or the tax rolls.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-345, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010 and 84.08.070. 90-24-087, § 458-30-345, filed 12/5/90, effective 1/5/91. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-345, filed 11/15/88.]

**WAC 458-30-350 Reclassification of lands classified under chapter 84.34 RCW prior to 1973.** (1) **Introduction.** This section explains the affect of the 1973 act on land that was classified under chapter 84.34 RCW prior to July 16, 1973.

(2) **General reclassification mandated.** Land classified under the provisions of chapter 84.34 RCW prior to July 16, 1973, that meets the criteria for classification under the provisions of chapter 84.34 RCW, as amended, is hereby reclassified.

(a) This change shall be made without additional tax, applicable interest, penalty, or other requirements.

(b) After it has been reclassified, the land shall be fully subject to the provisions of chapter 84.34 RCW.

(c) If prior to July 16, 1973, the granting authority imposed a condition upon land classified as open space or timber land, the condition shall remain in effect during the period of classification.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-350, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-350, filed 11/15/88.]

**WAC 458-30-355 Agreement may be abrogated by legislature.** (1) **Introduction.** This section explains that the agreement to tax according to current use is a noncontractual agreement that may be annulled or cancelled at any time by the legislature.

(2) **No contractual obligation.** The agreement to tax land according to its current use is not a contract between the owner and any other party. This agreement can be abrogated, annulled, or cancelled at any time by the legislature in which event no additional tax, interest, and/or penalty shall be imposed. In other words, if the changes made to the Open Space Taxation Act or chapter 84.34 RCW by the legislature cause classified land to be removed from classification, the owner of the land shall not be required to pay the additional tax, interest, or penalty that is generally imposed when land is removed from classification.

(a) **Example 1.** The legislature eliminates the timber land classification from chapter 84.34 RCW. All land classified as timber land shall be removed from classification and no additional tax, interest, or penalty will be imposed because the legislature caused the removal of the land when it eliminated the timber land classification from the Open Space Taxation Act.

(b) **Example 2.** The legislature amends RCW 84.34.020(2) so that only parcels of twenty acres or more may be granted classified status as farm and agricultural land. All parcels of classified farm and agricultural land that are less than twenty acres in size may be removed from classification and no owner of such land may be required to pay any additional tax, interest, or penalty because the legislature's action caused the removal of the land.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-355, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-355, filed 11/15/88.]

**WAC 458-30-360 Correction of erroneous classification or reclassification.** (1) **Introduction.** If an application for classification or reclassification is approved and the land is mistakenly placed in the wrong classification, the assessor has the authority to correct this error under RCW 84.34.045. This section explains the assessor's responsibility and authority to correct classification or reclassification errors. RCW 84.34.045 and this section will expire on December 31, 1995.

(2) **General authority to correct errors.** When an application for the classification or reclassification of land under RCW 84.34.020 (1), (2), or (3) is approved and the land is placed in the wrong classification, the assessor may correct the error and place the land in the correct classification.

(a) After discovery of the error in classification, the assessor may ask the owner to submit additional information to determine if the land will qualify under another classification set forth in RCW 84.34.020.

(b) The owner is not required to submit a new application for classification or reclassification, but the assessor may request a new application if he or she feels that the circumstances have substantially changed or a substantial amount of time has passed since the original application was submitted.

(c) If, after discovery of the error, the assessor determines that the land does not meet the criteria for any classification set forth in RCW 84.34.020 and should not have been classified under chapter 84.34 RCW, the land shall be removed from classification and the additional tax, applicable interest, and penalty imposed by RCW 84.34.108 shall be collected.

(3) **Notice of correction required.** When the assessor extracts the land from the erroneous classification and places it in the correct classification, the assessor shall notify the landowner of this correction. The assessor shall also notify the owner of the requirements necessary to keep the land classified in the corrected classification.

(4) **No additional tax due on correction.** The correction of errors made in accordance with this section is not considered a withdrawal or removal from classification and no additional tax, applicable interest, and/or penalty imposed by RCW 84.34.108 are due.

(5) **Expiration date.** RCW 84.34.045 that gives the assessor the ability to correct erroneous classifications or reclassifications will expire on December 31, 1995. Consequently, this section will also expire on December 31, 1995.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-360, filed 10/4/95, effective 11/4/95.]

**WAC 458-30-500 Definitions of terms used in WAC 458-30-500 through 458-30-590.** (1) **Introduction.** This section sets forth the definitions to be used in administering and understanding the statutes and rules relating to special benefit assessments on classified farm and agricultural and timber land.

(2) **Definitions.** For the purposes of WAC 458-30-500 through 458-30-590, unless otherwise required by the context, the following definitions apply:

(a) "Average rate of inflation" means the annual rate of inflation adopted each year by the department of revenue in accordance with WAC 458-30-580 averaged over the period of time provided in WAC 458-30-550 and 458-30-570.

(b) "Connection charge" or "charge for connection" means the charge required to be paid to the district for connection to the service as opposed to the assessment based upon the benefits derived.

(c) "District" means any local improvement district, utility local improvement district, local utility district, road improvement district, or any similar unit created by a local government for the purpose of levying special benefit assessments against property specially benefited by improvements relating to the districts.

(d) "Farm and agricultural land" means land classified under the provisions of RCW 84.34.020(2); in other words, one of the following:

(i) Any parcel of land twenty or more acres in size or multiple parcels of land that are contiguous and total twenty or more acres in size when the land is:

(A) Primarily used to produce livestock or agricultural products for commercial purposes;

(B) Enrolled in the federal Conservation Reserve Program or its successor administered by the United States Department of Agriculture; or

(C) Primarily used in similar commercial agricultural activities as may be established by rule.

(ii) Any parcel of land or contiguous parcels of land at least five acres, but less than twenty acres, in size that is primarily used for commercial agricultural purposes, and produces a gross income each year equal to:

(A) One hundred dollars or more in cash per acre per year for three of the five calendar years preceding the date of application for classification when the application was made prior to January 1, 1993; or

(B) Two hundred dollars or more in cash per acre per year for three of the five calendar years preceding the date of application for classification when the application is made on or after January 1, 1993.

(iii) Any parcel of land or contiguous parcels of land less than five acres in size that is primarily used for commercial agricultural purposes, and produces a gross income each year equal to:

(A) One thousand dollars or more in cash per year for three of the five calendar years preceding the date of application for classification when the application was made prior to January 1, 1993; and

(B) One thousand five hundred dollars or more in cash per year for three of the five calendar years preceding the date of application for classification when the application is made on or after January 1, 1993.

(iv) Any parcel of land that is twenty or more acres in size or multiple parcels of land that are contiguous and total twenty or more acres in size on which housing for farm and agricultural employees and the principal residence of the farm operator or the owner of land classified pursuant to RCW 84.34.020 (2)(a) is situated if:

(A) The housing or residence is on or contiguous to the classified parcel; and

(B) The use of the housing or the residence is integral to the use of the classified parcel for agricultural purposes.

(e) "Final assessment roll" means a final special benefit assessment roll approved or confirmed by local government for the purpose of levying special benefit assessments against property specially benefited by a sanitary and/or storm sewerage system, domestic water supply and/or distribution system, or road construction and/or improvement.

(f) "Local government" means any city, town, county, sewer district, water district, public utility district, port district, irrigation district, flood control district, or any other municipal corporation, quasi-municipal corporation, or other political subdivision authorized to levy special benefit assessments for sanitary and/or storm sewerage systems, domestic water supply and/or distribution systems, or road construction and/or improvement purposes.

(g) "Owner" means:

(i) Any person(s) having the fee interest in land, except that where land is subject to real estate contract; and

(ii) The vendee when the land is subject to a real estate contract.

(h) "Removal" or "removed" means that all or a portion of land classified under the provisions of chapter 84.34 RCW must be removed from classification because the land is no longer being used for the purpose for which classification was granted or for any other classified use within the current use program. The change in use may occur because of the sale or transfer of the classified land, the request by the owner to remove the land from the current use program, the determination by the assessor that the classified land no

longer meets the criteria for classification under chapter 84.34 RCW, or any of the other occurrences listed in WAC 458-30-295.

(i) "Special benefits assessments" means special assessments levied or capable of being levied in any local improvement district or otherwise levied or capable of being levied by a local government to pay for all or part of the costs of a local improvement and that may be levied only for the special benefits to be realized by property because of the local improvement.

(j) "Timber land" means land classified under the provisions of RCW 84.34.020(3); in other words, any parcel of land five or more acres in size or multiple parcels of land that are contiguous and total five or more acres in size that is primarily used to commercially grow and harvest forest crops. "Timber land" refers only to the land.

(k) "Withdrawal" or "withdrawn" occurs when the owner of land classified under the provisions of chapter 84.34 RCW has filed a notice of request to withdraw all or a portion of the land from classification. In order to qualify for withdrawal, the parcel(s) of land must have been classified for a minimum of ten years and the owner must have filed a notice of request to withdraw with the assessor at least two years prior to the assessment year when the parcel will be valued at the assessed value as determined in accordance with the county's approved revaluation cycle. Land is withdrawn from classified status by a voluntary act of the owner.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-500, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.34.360. 87-07-009 (Order PT 87-3), § 458-30-500, filed 3/10/87.]

**WAC 458-30-510 Creation of district—Protest—Adoption of final assessment roll.** (1) **Introduction.** RCW 84.34.320 requires local government officials to take certain steps upon "creation" of a district and upon adoption or confirmation of a final assessment roll. This section defines when a district shall be deemed to have been "created" and when a final assessment shall be deemed "adopted" or "confirmed."

(2) **Exemption from special benefit assessments.** Any farm and agricultural or timber land classified in accordance with the provisions of chapter 84.34 RCW shall be exempt from special benefit assessments or charges in lieu of assessment for such purposes as long as the classified land remains in classification if the legislative authority of a local government adopts a resolution, ordinance, or legislative act:

(a) To create a local improvement district in which the classified land is included or would have been included but for the classification designation; or

(b) To approve or confirm a final specific benefit assessment roll that would have included the classified land but for the classification designation relating to a:

(i) Sanitary and/or storm sewerage system;

(ii) Domestic water supply and/or distribution system;

or

(iii) Road construction and/or improvement.

(3) **When a district is deemed to be created.**

(a) For districts outside of cities, a district shall be considered created upon its actual adoption at the required public hearing.

(b) For districts within cities, creation shall occur thirty days after passage of the ordinance ordering the improvement, thereby allowing the protest period set forth in RCW 35.43.180.

(4) **Protest the formation of a district.**

(a) For districts within cities, a protest may be filed with the city or town council within thirty days of the date the ordinance ordering the improvement is passed. Creation of a district can be prevented by the property owners within the district whose combined payments for said improvement(s) are equal to, or in excess of, sixty percent of the cost of the improvement.

(b) For all other districts, their creation can be prevented by the property owners within those districts whose combined property ownership is equal to, or greater than, forty percent of the area to be included in the district.

(5) **Final assessment roll.** For those districts that have an annual assessment roll hearing on capital assessments, the final assessment roll will be considered as "adopted" upon confirmation of the roll at the hearing in the first year.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-510, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-510, filed 11/15/88. Statutory Authority: RCW 84.34.360. 87-07-009 (Order PT 87-3), § 458-30-510, filed 3/10/87.]

**WAC 458-30-520 Notification of district—Certification by assessor—Estimate by district.** (1) **Introduction.** This section explains the procedures that follow the creation of a district.

(2) **Notice to assessor and legislative authority.** Upon creation of a district, the local government shall immediately notify the assessor and legislative authority of the county where the district is located of its creation.

(3) **Assessor duties.** Upon receipt of notification that a district has been created, the assessor shall certify in writing to the district whether or not classified farm and agricultural or timber land is within its boundaries.

(a) If there is any classified farm and agricultural or timber land within the district boundaries, the assessor shall certify what land is within its boundaries by providing parcel numbers and legal descriptions of the property.

(b) If any owner of land within the created district has timely filed, as of January 1st, an application for current use classification or reclassification as farm and agricultural or timber land and no action has been taken, the assessor will report the status of the pending application(s) to the district. The assessor shall take immediate action to render a decision for the approval or denial of this application. The assessor shall also inform the district that any decision regarding classification or reclassification is appealable under RCW 84.34.035 and that the classification or reclassification as farm and agricultural or timber land would become effective as of the initial filing date, January 1.

(c) If the legislature extends the filing date for applying for classification or reclassification as farm and agricultural or timber land beyond December 31, those applications approved will receive their status as of January 1 of the filing year.

(4) **District duties.** The district, upon receipt of the assessor's certification required by subsection (3) of this section, shall notify the assessor and the legislative authority of the extent to which classified lands may be subject to a partial assessment for connection to the service provided by the improvement(s). Said estimate will be based upon WAC 458-30-560.

(5) **If land is removed from classification.** The assessor shall notify the district when any farm and agricultural or timber land is removed from current use classification.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-520, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-520, filed 11/15/88. Statutory Authority: RCW 84.34.360. 87-07-009 (Order PT 87-3), § 458-30-520, filed 3/10/87.]

**WAC 458-30-525 Notification of final assessment roll.** (1) **Introduction.** This section explains the procedures outlined in RCW 84.34.320 that follow the adoption or confirmation of a final special benefit assessment roll.

(2) **Notice to assessor, legislative authority, and treasurer required.** When a local government approves or confirms a final assessment roll, it shall file a notice of this action with the assessor, legislative authority, and treasurer of the county in which classified farm and agricultural or timber land is located. This notice shall describe:

- (a) The action taken;
- (b) The type of improvement involved;
- (c) The land exempted from special benefit assessments; and
- (d) The amount of special benefit assessments that would be levied against the land if the land was not exempt.

(3) **Effect of notice.** If local government has filed a notice signifying the adoption of a final assessment roll with the assessor and treasurer of the county in which land exempt from special benefits is located, the notice shall serve as constructive notice to a purchaser or encumbrancer of the affected land and to any person who subsequently executes or records a conveyance or encumbrance that the land is subject to special benefits assessment when the farm and agricultural or timber land is removed or withdrawn from its current use classification.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-525, filed 10/4/95, effective 11/4/95.]

**WAC 458-30-530 Notification of owner regarding creation of district.** (1) **Introduction.** This section explains the assessor's duty to notify an owner of classified farm and agricultural or timber land when a local improvement district is created.

(2) **Assessor to notify owner.** The assessor, upon receiving notice that a district was created, shall notify the owner of the farm and agricultural or timber lands as shown on the current assessment rolls of this fact. This notification shall be made on forms approved by the department of revenue and shall contain the following:

- (a) Notice of the creation of the local improvement district;
- (b) Notice of the exemption of classified farm and agricultural or timber land from special benefit assessments;

(c) Notice that the farm and agricultural or timber land will become subject to the special benefit assessments if the owner waives the exemption by filing a notarized document with the governing body of the local government creating the district before the final special benefit assessment roll is confirmed;

(d) Notice of potential liability if the exemption is not waived and the land is subsequently withdrawn or removed from the farm and agricultural or timber land classification;

(e) The portion of the land measured as the benefited "residence" as provided in WAC 458-30-560 will be assessed for benefits received;

(f) That connection to the system shall result in a connection charge; and

(g) That connection to the system subsequent to the creation of the district and the initial final assessment will result in being liable for the amounts as calculated in WAC 458-30-570.

(3) **Owner's right to appeal.** The property owner shall have the same right of appeal that is guaranteed to any other property owner within the district.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-530, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-530, filed 11/15/88. Statutory Authority: RCW 84.34.360. 87-07-009 (Order PT 87-3), § 458-30-530, filed 3/10/87.]

**WAC 458-30-540 Waiver of exemption.** (1) **Introduction.** This section explains the owner's right to waive the exemption relating to special benefit assessments as set forth in RCW 84.34.320.

(2) **Owner may waive exemption.** The owner of land exempted from special benefit assessments may waive this exemption by filing a notarized statement to that effect with the legislative authority of the local government creating the district after receiving notice from local government concerning the assessment roll hearing. This statement must be filed before the local government confirms the final special benefit assessment roll.

(3) **Copy of waiver to assessor.** A copy of this waiver shall be filed by the local government with the assessor and the county legislative authority, but the failure to file this document shall not affect the waiver.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-540, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-540, filed 11/15/88. Statutory Authority: RCW 84.34.360. 87-07-009 (Order PT 87-3), § 458-30-540, filed 3/10/87.]

**WAC 458-30-550 Exemption—Removal or withdrawal.** (1) **Introduction.** This section explains the process that must be followed when classified land subject to a special benefit assessment is withdrawn or removed from the farm and agricultural classification.

(2) **General treatment of land.** After the creation of a district or the adoption and confirmation of a final assessment roll, an owner of classified farm and agricultural or timber land who wishes it to be exempt from special benefit assessments is not required to take any further action. The land will retain its classified status; it will not be connected to the improvement(s) or be listed on the final assessment roll.

(3) **Subsequent withdrawal or removal.** If the owner initially chose to remain exempt, but subsequently is removed or withdrawn from the farm and agricultural or timber land classification, the owner shall become liable to pay for the special benefit assessment in the following manner:

(a) If the bonds used to fund the improvement have not been completely retired when the land is withdrawn or removed from classification, the liability will be:

(i) The amount of the special benefit assessment listed in the notice provided for in RCW 84.34.320 and;

(ii) Interest on that amount, compounded annually at a rate equal to the average rate of inflation from the time the initial notice is filed by the governmental entity creating the district to the time the land is withdrawn or removed from exempt status; or

(b) If the bonds used to fund the improvement in the district have been completely retired when the land is withdrawn or removed from classification, immediate payment shall be due for:

(i) The amount of the special benefit assessment listed in the notice provided for in RCW 84.34.320;

(ii) Interest on that amount compounded annually at a rate equal to the average rate of inflation from the time the initial notice is filed to the time the bonds used to fund the improvement were retired, and;

(iii) Interest on the total amount of (i) and (ii) at a simple per annum rate equal to the average rate of inflation from the time the bonds used to fund the improvement were retired to the time the land is withdrawn or removed from exempt status.

(4) **Withdrawal or removal of land with partial assessment.** If land is withdrawn or removed from classification and a partial special benefit assessment has been paid because the classified land was connected to a domestic water system, sewerage facility, or road improvement, the amount of partial assessment paid shall be credited against the total amount due for special benefit assessments.

(5) **Due date of special benefit assessment upon withdrawal or removal.** When land is to be withdrawn or removed from farm and agricultural or timber land classification and an amount of special benefit assessments is due, the amount of special benefit assessments shall be due on the date the land is withdrawn or removed from its classification. This amount shall be a lien on the land prior and superior to any other lien whatsoever except for general taxes and shall be enforceable in the same manner as special benefit assessments are collected by local government.

(6) **Notice of withdrawal or removal to local government and land owner.** When farm and agricultural or timber land is withdrawn or removed from classification, the assessor of the county in which the land is located shall send a written notice of the withdrawal or removal to the local government, or its successor, that filed the original notice regarding creation of a district with the assessor. After receiving this notice, the local government shall mail a written statement setting forth the amount of special benefit assessments due to the owner of the farm and agricultural or timber land withdrawn or removed from classification. This amount shall be delinquent if it is not paid within one hundred eighty days of the date the statement is mailed and

is subject to the same interest, penalties, lien, priority, and enforcement procedures that are applicable to delinquent assessments on the final assessment roll from which the land was exempted, except the rate of interest charged shall not exceed the rate provided in RCW 84.34.330.

(7) **Partial withdrawal or removal of land exempt from special benefit assessments.** If a portion of classified farm and agricultural or timber land exempt from special benefit assessments is withdrawn or removed from classification, the previously exempt benefit assessments shall be due only on the portion of the land being withdrawn or removed.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360, 95-21-002, § 458-30-550, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-550, filed 11/15/88. Statutory Authority: RCW 84.34.360. 87-07-009 (Order PT 87-3), § 458-30-550, filed 3/10/87.]

**WAC 458-30-560 Partial special benefit assessment—Computation.** (1) **Introduction.** When classified farm and agricultural or timber land is connected to a domestic water system, sewerage facilities, or road improvements, a partial special benefit assessment will be made. This section explains the manner in which this partial assessment is calculated.

(2) **General obligation.** A portion of the exempt classified farm and agricultural land shall be subject to special benefit assessment if it is actually connected to the domestic water system or sewerage facilities, or for access to a road improvement.

(3) **Amount of partial assessment.** The amount of special benefit assessment shall be calculated by the method used in the district to assess nonexempt property. If a district uses more than one method to calculate the assessment, it shall use the one that results in the least cost to the property owner, regardless of the owner's property holdings and/or exempt status. The district shall provide the owner of the property with a written estimate of the partial assessment as determined from the following methods:

(a) For assessments relating to sanitary and/or storm sewerage service or domestic water service one of the following methods shall be used:

(i) **Square foot method:** If the special benefit assessment is determined on a square footage basis, the assessable portion of the exempt land shall be determined as follows:

(A) Calculate the square footage of the residential area, i.e., the "main dwelling."

(B) This area shall include all those facilities normally found on a residential lot such as a garage or carport, driveway, front and back yards, etc. Also included in the area shall be any buildings or facilities directly benefited by an actual connection to the improvement. (For example: A dairy barn connected to a sewer or water system.)

(ii) **Front foot method:** If the special benefit assessment is determined on a front footage basis, the assessable portion of the exempt land shall be determined by one of the following:

(A) Calculate the square footage for the residential area in the same manner as the square foot method. The square foot measurement of the entire "residence," shall then be converted into the area of a square. The calculated square will be used as the unit to be charged for the special benefit



assessment. One side of the square will be used as front footage; or

(B) Determine the mean (average) front footage of all nonexempt properties within the district, and use it to assess the portion of otherwise exempt property for the special benefit assessment, i.e., add all of the nonexempt front footage relevant to the improvement and divide by the number of nonexempt properties within the district.

(iii) Zone-termini method: If the special benefit assessment is determined on a zone-termini basis, the assessable portion of the exempt land shall be determined by one of the following:

(A) Convert the square foot area of the residence to a square as in the front foot method. Use this square as the zone for assessing the portion of otherwise exempt property for the special benefit assessment; or

(B) Calculate the mean (average) width and depth (length) of all nonexempt properties within the district, using these averages to create a rectangular unit as the zone for assessing the portion of otherwise exempt property for the special benefit assessment. To perform this calculation:

(I) Add all nonexempt front footage relevant to the improvement and divide by the number of nonexempt properties within the district to determine the mean width of the zone; and

(II) Add the depths (lengths) of all nonexempt properties within the district and divide by the number of nonexempt properties within the district to determine the mean depth of the zone.

(iv) Equivalent residential unit method (ERU): The ERU method shall be used in the same manner as it is used on all other properties within the district. The value to be determined is based on the amount of benefit derived or, when appropriate, the degree of contribution to the service, such as drainage or sewer. This amount shall be measured for all uses of property. (For example, if a dairy barn uses a greater amount of water or contributes a greater amount of sewerage than the normal residential unit, it shall be classified as more than one ERU and shall be charged a proportionately greater amount.)

(v) Combined methods: In districts making assessments using a combination of two or more methods (e.g., an assessment based on a front footage charge plus a square foot charge), the procedures for determining the assessable portion of previously exempt property shall be the same as those described above.

(b) For assessments relating to road construction and/or improvements. If the property is provided access to a constructed or improved road, the assessment will be based upon the percentage of current use value to true and fair value as evidenced by the last property tax assessment roll as equalized by the county board of equalization to what the assessment would have been if the owner had waived the exemption. (For example, if the current use value is forty-five percent of its true and fair value, then the assessable portion is forty-five percent of the amount the assessment would have been if the owner had waived the exemption.)

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-560, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-560, filed 11/15/88. Statutory Authority: RCW 84.34.360. 87-07-009 (Order PT 87-3), § 458-30-560, filed 3/10/87.]

#### **WAC 458-30-570 Connection subsequent to final assessment roll—Interest—Connection charge. (1) Introduction.**

If classified farm and agricultural or timber land is connected to water and/or sewer systems or road improvements after the final assessment roll has been approved, the owner of this land will be liable for the special benefit assessments relating to the improvements. This section explains how the assessments are calculated and the costs associated with the services.

(2) **Connection to local improvements after final assessment roll.** The owner of property exempted from special benefit assessments under the current use farm and agricultural or timber land classification who connects to the sanitary and/or sewerage systems, domestic water supply and/or distribution systems, or road construction and/or improvements provided by the district after the final assessment roll has been approved will be liable for the special benefit assessments as determined by WAC 458-30-560 including interest. In addition, the annual payment required for each year following the connection shall be due and payable.

(3) **Cost of connection.** In addition to the charges imposed in subsection (2) of this section, the owner will also be liable for the cost of connection.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-570, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-570, filed 11/15/88. Statutory Authority: RCW 84.34.360. 87-07-009 (Order PT 87-3), § 458-30-570, filed 3/10/87.]

#### **WAC 458-30-580 Rate of inflation—When published—Calculation. (1) Introduction.**

This section explains the department of revenue's obligation to annually publish a rate of inflation and the manner in which this rate is determined.

(2) **General obligation of department.** Each year the department shall determine and publish a rule establishing an annual rate of inflation. This rate of inflation is to be used in computing the interest that is assessed when farm and agricultural or timber land, exempt from special benefit assessments, is withdrawn or removed from classification.

(a) The rate will be based upon the implicit price deflator for personal consumption expenditures calculated by the United States Department of Commerce.

(b) The rate will be published by December 31st of each year and will apply to all withdrawals or removals that occur in the following year.

(c) An owner will become liable for the interest from the time the district was created to the time of withdrawal or removal. If more than one year is involved, an annual average inflation rate shall be used to calculate the interest.

(3) **Calculation of inflation rate - effective date.** This rate will be determined by summing the inflation rates for all years in question and then dividing by the number of years. The interest shall take effect on the date the action warranting the charge as provided for in WAC 458-30-550 is taken.

(a) Interest for withdrawal or removal will be calculated only for the time (years and months) the property was in exempt status.

(b) For example, if the local improvement district was created in January 1980 and land was withdrawn for the farm and agricultural classification on July 1, 1987, interest

would be calculated using the inflation rates for 1980 through 1987 and for January through June 1987.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. 95-21-002, § 458-30-580, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. 88-23-062 (Order PT 88-12), § 458-30-580, filed 11/15/88. Statutory Authority: RCW 84.34.360. 87-07-009 (Order PT 87-3), § 458-30-580, filed 3/10/87.]

**WAC 458-30-590 Rates of inflation. (1) Introduction.** This section sets forth the rates of inflation discussed in WAC 458-30-550.

**(2) Rates of inflation.** The rates of inflation to be used for calculating the interest as required by WAC 458-30-550 are as follows:

YEAR	PERCENT	YEAR	PERCENT
1976	5.6	1977	6.5
1978	7.6	1979	11.3
1980	13.5	1981	10.3
1982	6.2	1983	3.2
1984	4.3	1985	3.5
1986	1.9	1987	3.7
1988	4.1	1989	4.8
1990	5.4	1991	4.2
1992	3.3	1993	2.7
1994	2.2	1995	2.3

[Statutory Authority: RCW 84.34.360 and 84.34.310. 96-01-094, § 458-30-590, filed 12/19/95, effective 1/1/96; 95-06-043, § 458-30-590, filed 2/24/95, effective 3/27/95. Statutory Authority: RCW 84.34.360. 94-11-098, § 458-30-590, filed 5/17/94, effective 6/17/94; 92-22-061, § 458-30-590, filed 10/29/92, effective 11/29/92. Statutory Authority: RCW 84.08.010 and 84.08.070. 90-24-087, § 458-30-590, filed 12/5/90, effective 1/5/91. Statutory Authority: Chapter 84.34 RCW and RCW 84.34.360. 89-05-010 (Order PT 89-3), § 458-30-590, filed 2/8/89. Statutory Authority: RCW 84.34.360. 88-07-004 (Order PT 88-4), § 458-30-590, filed 3/3/88; 87-07-009 (Order PT 87-3), § 458-30-590, filed 3/10/87.]

## Chapter 458-40 WAC

### TAXATION OF FOREST LAND AND TIMBER

#### WAC

458-40-540	Forest land values—1996.
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458-40-615	Timber excise tax—Stumpage values—Reporting of private stumpage sales to the department.
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458-40-650	Timber excise tax—Timber quality codes defined.
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458-40-680	Timber excise tax—Volume harvested—Approved scaling and grading methods.
458-40-684	Timber excise tax—Volume harvested—Conversions to Scribner Decimal C Scale for Western Washington.

**WAC 458-40-540 Forest land values—1996.** The forest land values, per acre, for each grade of forest land for the 1996 assessment year are determined to be as follows:

LAND GRADE	OPERABILITY CLASS	1996 VALUES ROUNDED
1	1	\$220
	2	215
	3	204
	4	148
2	1	186
	2	179
	3	171
	4	124
3	1	145
	2	141
	3	139
	4	106
4	1	110
	2	107
	3	106
	4	81
5	1	80
	2	74
	3	73
	4	48
6	1	41
	2	37
	3	37
	4	35
7	1	20
	2	20
	3	19
	4	19
8		1

[Statutory Authority: RCW 82.32.330, 84.33.096 and 84.33.120. 96-02-055, § 458-40-540, filed 12/29/95, effective 1/1/96. Statutory Authority: RCW 82.32.300 and 84.33.120. 95-02-039, § 458-40-540, filed 12/30/94, effective 1/1/95. Statutory Authority: RCW 82.32.300. 94-02-046, § 458-40-540, filed 12/30/93, effective 1/1/94. Statutory Authority: RCW 84.33.120. 93-02-024, § 458-40-540, filed 12/31/92, effective 1/1/93; 91-24-026, § 458-40-540, filed 11/26/91, effective 1/1/92. Statutory Authority: RCW 84.33.120 and 84.08.010. 90-24-012, § 458-40-540, filed 11/27/90, effective 12/28/90; 89-23-095, § 458-40-540, filed 11/21/89, effective 12/22/89. Statutory Authority: RCW 84.33.120 and 84.33.130. 88-23-055 (Order FT-88-3), § 458-40-540, filed 11/15/88; 87-22-068 (Order FT-87-3), § 458-40-540, filed 11/4/87. Statutory Authority: Chapter 84.33 RCW. 87-02-023 (Order 86-4), § 458-40-540, filed 12/31/86.]

**WAC 458-40-610 Timber excise tax—Definitions.** Unless the context clearly requires otherwise, the definitions in this section apply to WAC 458-40-600 through 458-40-690.

(1) Codominant trees. Trees whose crowns form the general level of the crown cover and receive full light from above, but comparatively little light from the sides.

(2) Competitive sales. The offering for sale of timber which is advertised to the general public for sale at public auction under terms wherein all qualified potential buyers have an equal opportunity to bid on the sale, and the sale is awarded to the highest qualified bidder. The term "competitive sales" includes making available to the general public permits for the removal of forest products.

(3) Department. The department of revenue of the state of Washington.

(4) Dominant trees. Trees whose crowns are higher than the general level of the canopy and which receive full light from the sides as well as from above.

(5) Harvest unit. An area of timber harvest having the same forest excise tax permit number, stumpage value area, hauling distance zone, harvest adjustments, and harvester. It may include more than one section: *Provided*, A harvest unit may not overlap a county boundary.

(6) Hauling distance zone. An area with specified boundaries as shown on the state-wide stumpage value area and hauling distance zone maps contained in WAC 458-40-640, having similar accessibility to timber markets.

(7) Log grade. Those grades listed in the *"Official Log Scaling and Grading Rules"* handbook developed and authored by the Northwest Log Rules Advisory Group (Advisory Group). "Utility grade" means logs that do not meet the minimum requirements of peeler or sawmill grades as defined in the handbook published by the Advisory Group but are suitable for the production of firm useable chips to an amount of not less than fifty percent of the gross scale; and meeting the following minimum requirements:

Minimum gross diameter—two inches.

Minimum gross length—twelve feet.

Minimum volume—ten board feet net scale.

Minimum recovery requirements—one hundred percent of adjusted gross scale in firm useable chips.

(8) Lump sum sale. Also known as a cash sale or an installment sale, it is a sale of timber wherein the total sale price is dependent upon an estimate of the total volume of timber in the sale rather than the actual volume harvested.

(9) MBF. One thousand board feet measured in Scribner Decimal C Log Scale Rule.

(10) Noncompetitive sales. Sales of timber in which the purchaser has a preferential right to purchase the timber or a right of first refusal.

(11) Other consideration. Value given in lieu of cash as payment for stumpage, such as improvements to the land that are of a permanent nature. It may include, but is not limited to, the construction of permanent roads and the installation of permanent bridges.

(12) Permanent road. A road built as part of the harvesting operation which is intended to have a useful life subsequent to the completion of the harvest.

(13) Private timber. All timber harvested from privately owned lands, including timber on reclassified reforestation land under chapters 84.28 and 84.33 RCW.

(14) Public timber. Timber harvested from federal, state, county, municipal, or other government owned lands.

(15) Remote island. An area of land which is totally surrounded by water at normal high tide and which has no bridge or causeway connecting it to the mainland.

(16) Sale price. The amount paid for timber in cash or other consideration.

(17) Scale sale. A sale of timber in which the sale price is the product of the actual volume harvested and the unit price at the time of harvest.

(18) Species. A grouping of timber based on biological or physical characteristics. In addition to the designations of species or subclassifications defined in Agriculture Handbook No. 451 Checklist of United States Trees (native and naturalized) found in the state of Washington, the following shall be considered separate species for the purpose of harvest classification used in the stumpage value tables:

(a) Other conifer. All conifers not separately designated in the stumpage value tables. See WAC 458-40-660.

(b) Other hardwood. All hardwoods not separately designated.

(c) Special forest products. The following are considered to be separate species of special forest products: Christmas trees (various species), posts (various species), western redcedar flatsawn and shingle blocks, western redcedar shake blocks and boards.

(d) Chipwood. All timber processed to produce chips or chip products delivered to a designated chipwood destination that has been approved in accordance with the provisions of WAC 458-40-670 or otherwise reportable in accordance with the provisions of WAC 458-40-670 (4) or (5).

(e) Small logs. All conifer logs harvested in stumpage value areas 6 or 7 generally measuring seven inches or less in scaling diameter, delivered to and purchased by weight measure at designated small log destinations that have been approved in accordance with the provisions of WAC 458-40-670(6). Log diameter and length is determined by merchandizer scanner with length not to exceed twenty feet.

(f) Sawlog. For purposes of timber harvest in stumpage value areas 6 and 7, a sawlog is a log having a net scale of not less than 33 1/3% of gross scale, nor less than ten board feet and meeting the following minimum characteristics: Gross scaling diameter of five inches and a gross scaling length of eight feet.

(g) Piles. All logs sold for use or processing as piles that meet the specifications described in the most recently published edition of the *Standard Specification for Round Timber Piles (Designation: D 25)* of the American Society for Testing and Materials.

(h) Poles. All logs sold for use or processing as poles that meet the specifications described in the most recently published edition of the *National Standard for Wood Poles—Specifications and Dimensions (ANSI 05.1)* of the American National Standards Institute.

(19) Stumpage. Standing or fallen trees, live or dead, having commercial value which have not been severed from the stump.

(20) Stumpage value area (SVA). An area with specified boundaries which contains timber having similar growing, harvesting and marketing conditions.

(21) Thinning. Timber removed from a harvest unit meeting all the following conditions:

(a) Located in stumpage value areas 1, 2, 3, 4, 5, and 10;

(b) The total volume removed is less than forty percent of the total merchantable volume of the harvest unit prior to harvest;

(c) Leave a minimum of one hundred undamaged, evenly spaced, dominant or codominant trees per acre of a commercial species or combination thereof.

(22) Timber. Forest trees, standing or down, on privately or publicly owned land, and except as provided in RCW 84.33.170, includes Christmas trees.

[Statutory Authority: RCW 82.32.330, 84.33.096 and 84.33.091. 96-02-054, § 458-40-610, filed 12/29/95, effective 1/1/96. Statutory Authority: RCW 82.32.330 and 84.33.096. 95-18-026, § 458-40-610, filed 8/25/95, effective 8/25/95. Statutory Authority: RCW 84.33.096 and 82.32.300. 90-14-033, § 458-40-610, filed 6/29/90, effective 7/30/90. Statutory Authority: Chapter 84.33 RCW. 87-02-023 (Order 86-4), § 458-40-610, filed 12/31/86.]

**WAC 458-40-615 Timber excise tax—Stumpage values—Reporting of private stumpage sales to the department.** (1) **Introduction.** The department is required to semi-annually publish stumpage tables. The department has designated areas containing similar growing, harvesting and marketing conditions to be used as units for the preparation and application of stumpage values. Stumpage tables for each species or subclassification within a stumpage value area are prepared on or before each December 31 for use the following January through June and on or before June 30 for use July through December. The stumpage value is the amount that each species or subclassification would sell for at a voluntary sale (public or private) made in the ordinary course of business for purposes of immediate harvest. The stumpage values are determined in a manner which makes reasonable allowances for age, size, quantity, costs of removal, accessibility to point of conversion, market conditions and all other relevant factors from:

(a) Gross proceeds from sales (public and/or private) on the stump of similar timber of like quality and character at similar locations and in similar quantities;

(b) Gross proceeds from sales (public and/or private) of logs adjusted to reflect only the portion of such proceeds attributable to value on the stump immediately prior to harvest; or

(c) A combination of (a) and (b) of this subsection.

(2) **Reporting requirement-in general.** To enable the department to determine stumpage values, the department must have information on public and private sales of stumpage (timber), both lump sum sales and scale sales. RCW 84.33.0501 requires the reporting, by the purchaser, of voluntary sales of privately owned timber made in the ordinary course of business. The law also provides a penalty for failure to report a sale. The elements for the report and the penalty provisions are explained in the following subsections of this section. All public sales of stumpage are available to the department through information sharing agreements.

(3) **Reporting of stumpage purchases-buyers.** All private stumpage purchases in excess of 200,000 board feet shall be reported to the department on the informational return/report provided by the department or in any reasonable alternate form or, at the purchaser's option, by submitting the timber sale contract or relevant portions thereof, provided that all the information required in subsection (6) of this section is reported. The buyer of stumpage must report each stumpage purchase. For purposes of this section, all stumpage purchases are either;

(a) Lump sum sales as defined in WAC 458-40-610(7), which states: "Lump sum sale. Also known as a cash sale or installment sale, it is a sale of timber wherein the total sale price is dependent upon an estimate of the total volume of timber in the sale rather than the actual timber harvested."; or

(b) Scale sales as defined in WAC 458-40-610(16), which states: "Scale sale. A sale of timber in which the sale price is the product of the actual volume harvested and the unit price at the time of harvest."

(4) **Time of reporting.** The informational returns/reports for purchases of stumpage, or the returns/reports to the department of the information required by subsection (6) of this section, are due to the department no later than the last day of the month following the month in which the purchase of stumpage occurred.

(5) **Reporting-confidentiality of information.** All data submitted to the department in compliance with this section is and is deemed to be confidential tax information protected from disclosure under RCW 82.32.330. To the extent allowable by law, the department will not use or publish the informational return/report information in a manner such that the data from a particular return/report can be identified.

(6) **Informational return/report.** The return/report shall consist of an information page which contains the identification of the seller and buyer, the date of the sale, and such other information as the department may require for the identification of the transaction.

(a) A supply of informational returns will be provided to those persons involved in transactions on a regular basis.

(b) Persons who do not receive a supply of informational returns from the department will be provided a supply of informational returns upon a request to the department.

(c) Any report not made on the department's informational return form complies with this section if it contains all information relevant to the value of the timber purchased, including, but not limited to, the following, as applicable:

(i) Purchaser's name;

(ii) Purchaser's address;

(iii) Sale date;

(iv) Termination date in sale agreement;

(v) Total sale price;

(vi) Total acreage involved;

(vii) Net volume of timber purchased;

(viii) Legal description of sale area and/or map of sale area;

(ix) Road construction or improvements required or completed;

(x) Timber cruise volume data by species and log grade or log sort, as appropriate; and

(xi) Timber thinning data.

(7) **Penalty for failure to report.** A purchaser of timber who is required to report the purchase in accordance with RCW 84.33.0501 and this section, and who fails to report the purchase as required is liable for a penalty of two hundred fifty dollars for each failure to report.

When a penalty for failure to report is imposed, the department shall notify the purchaser, by certified mail, of the imposition of the penalty, provide a due date for the payment of the penalty, and shall provide in the notice the

availability of administrative appeal of the penalty imposition as provided in subsection (9) of this section.

(8) **Waiver of penalty.** The penalty waiver provisions of RCW 82.32.105 applying to certain excise taxes apply to the penalty imposed by RCW 84.33.0501. See: WAC 458-20-228 for waiver of penalties.

(a) The department will waive or cancel the penalties imposed upon a finding that the failure of a taxpayer to file the report as provided in this section was due to circumstances beyond the control of the purchaser. The department has no authority to cancel penalties for any other reason. Penalties will not be cancelled merely because of ignorance or a lack of knowledge by the purchaser of the reporting requirement.

A purchaser, in addition to the right to appeal the imposition of the penalty as provided in subsection (9) of this section, may request cancellation or waiver of the penalty from the office that issued the notice of imposition of the penalty. Such a request for a waiver or cancellation of penalties must be in letter form and addressed to the office which issued the notice of penalty imposition. Such request shall contain all pertinent facts and be accompanied by such proof as may be available. If the request to the office issuing the notice of penalty is denied, the purchaser may petition for review as provided in subsection (9) of this section. Or, the purchaser may petition for review directly as provided in subsection (9) of this section. A request to the office issuing the notice of the imposition of the penalty for cancellation and/or waiver of the penalty, and a petition for cancellation of penalties under subsection (9) of this section each must be made within the period for filing under RCW 82.32.160 (within thirty days after the issuance of the original notice of the amount owed or within the period covered by any extension of the due date granted by the department). In all cases the burden of proving the facts is upon the purchaser.

(b) The following situations will be the only circumstances under which a cancellation of penalties will be considered by the department:

(i) The return/report was filed on time but inadvertently mailed to another agency.

(ii) The failure to file the report was due to erroneous written information given the purchaser by a department officer or employee. A penalty generally will not be waived when it is claimed that erroneous oral information was given by a department employee. The reason for not cancelling the penalty in cases of oral information is because of the uncertainty of the facts presented, the instructions or information imparted by the department employee, or that the purchaser fully understood the information received. Reliance by the purchaser on incorrect advice received from the taxpayer's legal or accounting representative is not a basis for cancellation of the penalty.

(iii) The delinquency was caused by death or serious illness of the purchaser or his immediate family, or illness or death of the purchaser's accountant or the accountant's immediate family, prior to the filing date.

(iv) The failure to report was caused by unavoidable absence of the taxpayer, prior to the filing date.

(v) The failure to report was caused by the destruction by fire or other casualty of the purchaser's place of business or business records.

(vi) The purchaser, prior to the time for filing the return, made timely application to the Olympia or district office, in writing, for proper forms and these were not furnished in sufficient time to permit the completed return/report to be timely filed.

(vii) The failure to file a return/report penalty will be waived or cancelled on a one time only basis if the return/report was received under the following circumstances:

(A) The return/report was received by the department within thirty days after the due date; and

(B) The failure to report was the result of an unforeseen and unintentional circumstance, not immediately known to the taxpayer, which circumstance will include the error or misconduct of the taxpayer's employee or accountant, confusion caused by communications with the department, failure to receive return forms timely, natural disasters such as a flood or earthquake, and delays or losses related to the postal service.

(c) Any person aggrieved by the imposition of the penalty by the department may petition the department in writing in accordance with RCW 82.32.160 and WAC 458-20-100.

(9) **Appeal.** A purchaser may appeal the imposition of the penalty to the department. The appeal provisions of RCW 82.32.160 and 82.32.170 shall each apply. The petition for appeal of the imposition of the penalty must be filed with the department's interpretation and appeals division within thirty days of the later of:

(a) The date of the notice of the imposition of the penalty, plus extensions, if any, provided by the department; or

(b) The denial of the request for cancellation or waiver of the penalty made to the office which issued the notice of imposition of the penalty as provided in subsection (8)(a)(i) of this section.

(c) See: WAC 458-20-100 for appeal process and procedure.

[Statutory Authority: RCW 82.32.300 and 84.33.096. 95-14-086, § 458-40-615, filed 6/30/95, effective 7/1/95; 92-18-030, § 458-40-615, filed 8/26/92, effective 9/26/92.]

**WAC 458-40-634 Timber excise tax—Taxable stumpage value—Small harvester option.** A small harvester is a harvester who harvests timber from privately or publicly owned forest land in an amount not exceeding two million board feet in a calendar year. Small harvesters may elect to calculate the excise tax in the manner provided by RCW 84.33.073 and 84.33.074. The taxable stumpage value shall be determined by one of the following methods as appropriate:

(1) Sale of logs. Timber which has been severed from the stump, bucked into various lengths and sold in the form of logs shall have a taxable stumpage value equal to the actual gross receipts for the logs, less any costs associated with harvesting and marketing the timber. Harvesting and marketing costs shall include only those costs directly and exclusively associated with harvesting the timber from the land and delivering it to the buyer, and may include the costs of slash disposal required to abate extreme fire hazard. Harvesting and marketing costs shall not include the costs of reforestation, permanent road construction, or any other costs

not directly and exclusively associated with the harvesting and marketing of the timber. The actual harvesting and marketing costs must be used in all instances where documented records are available. When the taxpayer is unable to provide documented proof of such costs, the deduction for harvesting and marketing costs shall be thirty-five percent of the gross receipts from the sale of the logs.

(2) Sale of stumpage. Timber which is sold as stumpage and harvested within twelve months of the date of sale shall have a taxable stumpage value equal to the actual gross receipts for the stumpage for the most recent sale prior to harvest. If a person purchases stumpage and harvests the timber more than twelve months after purchase of the

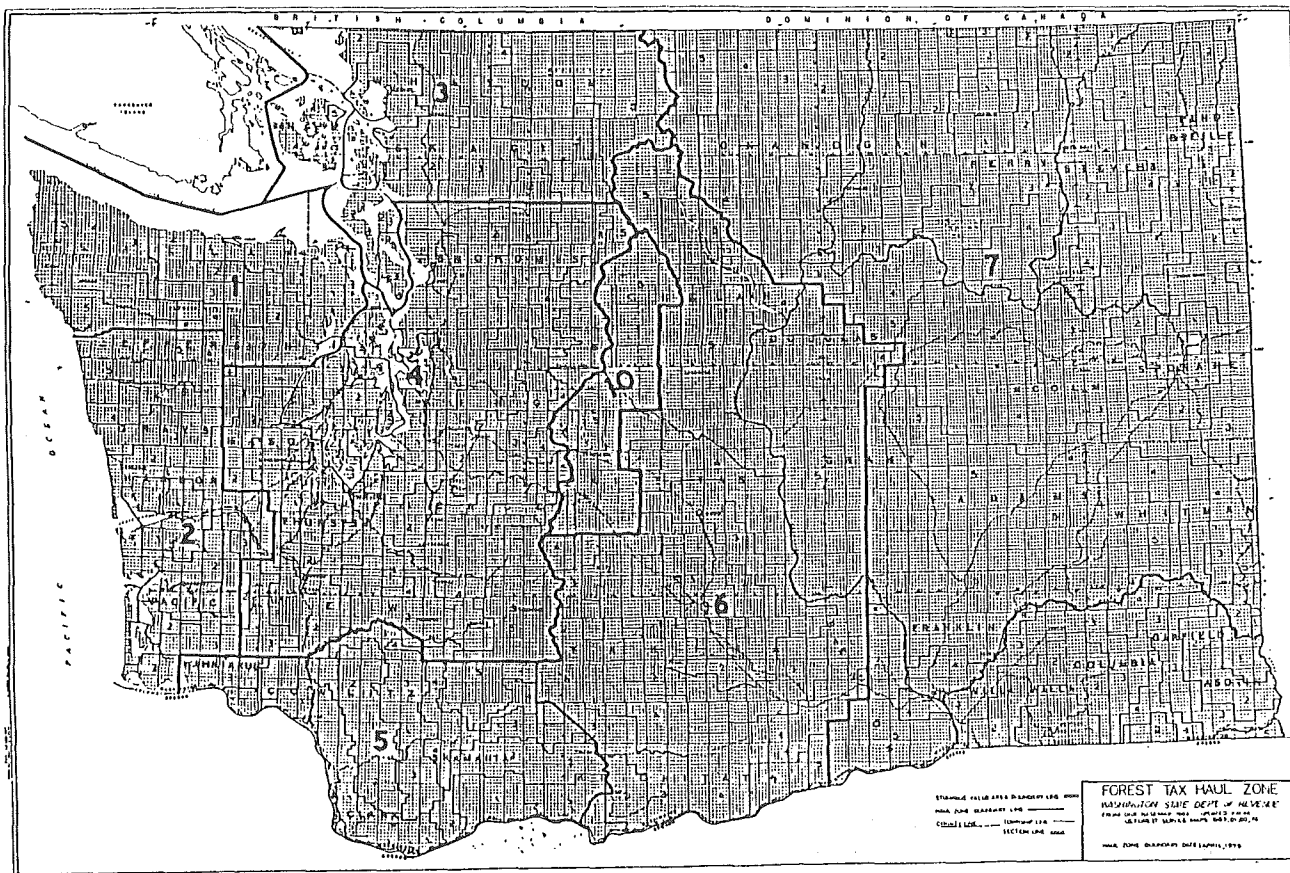
stumpage, the taxable value shall be computed as in subsection (1) of this section.

[Statutory Authority: RCW 82.32.330, 84.33.096 and 84.33.120. 96-02-056, § 458-40-634, filed 12/29/95, effective 1/29/96. Statutory Authority: RCW 82.33.096. 93-14-090, § 458-40-634, filed 7/1/93, effective 8/1/93. Statutory Authority: Chapter 84.33 RCW. 87-02-023 (Order 86-4), § 458-40-634, filed 12/31/86.]

**WAC 458-40-640 Timber excise tax—Stumpage value area (map).** The stumpage value area and hauling distance zone map contained in this section shall be used to determine the proper stumpage value table and haul zone to be used in calculating the taxable stumpage value of timber harvested from private land.

WAC 458-40-640 STUMPAGE VALUE AREA AND HAULING ZONE -- MAP

Harvesters may obtain a larger scale map by writing to the Washington State Department of Revenue, Special Programs Division, Forest Tax Section, Post Office Box 47472, Olympia, WA. 98504-7472; or by calling (206) 753-7086.



[Statutory Authority: RCW 82.32.300 and 84.33.096. 95-14-086, § 458-40-640, filed 6/30/95, effective 7/1/95; 95-02-037, § 458-40-640, filed 12/30/94, effective 1/1/95; 90-14-033, § 458-40-640, filed 6/29/90, effective 7/30/90. Statutory Authority: Chapter 84.33 RCW. 87-02-023 (Order 86-4), § 458-40-640, filed 12/31/86.]

**WAC 458-40-650 Timber excise tax—Timber quality codes defined.** The timber quality code numbers for each species of timber shown in the stumpage value tables contained in this chapter are defined as follows:



**TABLE 1—Timber Quality Code Table  
Stumpage Value Areas 1, 2, 3, 4, 5, and 10**

Species	Quality Code Number	Log grade specifications <sup>1</sup>
Douglas-fir	1	Over 50% No. 2 Sawmill and better log grade, and 15% and over Special Mill, No. 1 Sawmill, and better log grade.
Douglas-fir	2	Over 50% No. 2 Sawmill and better log grade, and less than 15% Special Mill, No. 1 Sawmill, and better log grade.
Douglas-fir	3	25-50% inclusive No. 2 Sawmill and better log grade.
Douglas-fir	4	Less than 25% No. 2 Sawmill and better log grade.
Western Redcedar and Alaska-Cedar	1	Over 30% No. 2 Sawmill and better log grade, and 15% and over Special Mill, No. 1 Sawmill, Peeler and better log grade.
Western Redcedar and Alaska-Cedar	2	Over 30% No. 2 Sawmill and better log grade, and less than 15% Special Mill, No. 1 Sawmill, Peeler and better log grade.
Western Redcedar and Alaska-Cedar	3	5-30% inclusive No. 2 Sawmill and better log grade.
Western Redcedar and Alaska-Cedar	4	Less than 5% No. 2 Sawmill and better log grade.
Western Hemlock, True Firs, Other Conifer, and Spruce	1	Over 50% No. 2 Sawmill and better log grade, and 5% and over Special Mill, No. 1 Sawmill and better log grade.
Western Hemlock, True Firs, Other Conifer, and Spruce	2	Over 50% No. 2 Sawmill and better log grade, and less than 5% Special Mill, No. 1 Sawmill and better log grade.
Western Hemlock, True Firs, Other Conifer, and Spruce	3	25-50% inclusive No. 2 Sawmill and better log grade.
Western Hemlock, True Firs, Other Conifer, and Spruce	4	Less than 25% No. 2 Sawmill and better log grade.
Ponderosa Pine	1	Less than 10 logs 16 feet long per thousand board feet Scribner scale.
Ponderosa Pine	2	10 or more logs 16 feet long per thousand board feet Scribner scale.
Lodgepole Pine	1	All log grades.
Red Alder and other hardwoods	1	Over 50% No. 3 Sawmill and better log grades.
Red Alder and other hardwoods	2	10-50% inclusive No. 3 Sawmill and better other hardwoods log grades.
Red Alder and other hardwoods	3	Less than 10% No. 3 Sawmill and better log grades.
Black Cottonwood	1	35% and over Peeler log grade.
Black Cottonwood	2	Less than 35% Peeler log grade and 15% and greater No.1 Sawmill and better log grade.
Black Cottonwood	3	Less than 15% No. 1 Sawmill and better log grade.
Chipwood	1	All logs that comply with the definition of chipwood in WAC 458-40-610 (18)(d).

Piles 1 All logs that comply with the definition of piles in WAC 458-40-610 (18)(g).

Poles 1 All logs that comply with the definition of poles in WAC 458-40-610 (18)(h).

<sup>1</sup> For detailed descriptions and definitions of approved log scaling, grading rules, and procedures see WAC 458-40-680.

**TABLE 2—Timber Quality Code Table  
Stumpage Value Areas 6 and 7**

Species	Quality Code Number	Log grade specifications
Ponderosa Pine	1	Less than 10 logs 16 feet long per thousand board feet Scribner scale.
Ponderosa Pine	2	10 or more logs 16 feet long per thousand board feet Scribner scale.
All conifers other than Ponderosa Pine	1	All log sizes.
Hardwoods	1	Sawlogs only.
Small logs	1	All conifer logs that comply with the definition of small logs in WAC 458-40-610 (18)(e).
Chipwood	1	All logs that comply with the definition of chipwood in WAC 458-40-610 (18)(d).
Piles	1	All logs that comply with the definition of piles in WAC 458-40-610 (18)(g).
Poles	1	All logs that comply with the definition of poles in WAC 458-40-610 (18)(h).

[Statutory Authority: RCW 82.32.330, 84.33.096 and 84.33.091. 96-02-054, § 458-40-650, filed 12/29/95, effective 1/1/96. Statutory Authority: RCW 82.32.300 and 84.33.096. 95-14-084, § 458-40-650, filed 6/30/95, effective 7/31/95. Statutory Authority: RCW 84.33.091, 84.32.300 [82.32.300] and 84.33.096. 94-14-048, § 458-40-650, filed 6/30/94, effective 7/1/94; 92-14-083, § 458-40-650, filed 6/29/92, effective 7/1/92; 92-02-067, § 458-40-650, filed 12/31/91, effective 1/1/92. Statutory Authority: RCW 84.33.091 and chapter 84.33 RCW. 88-14-032 (Order FT-88-2), § 458-40-650, filed 6/30/88. Statutory Authority: Chapter 84.33 RCW. 87-14-042 (Order 87-2), § 458-40-650, filed 6/30/87; 87-02-023 (Order 86-4), § 458-40-650, filed 12/31/86.]

**WAC 458-40-660 Timber excise tax—Stumpage value tables—Stumpage value adjustments.** (1) **Introduction.** This section sets forth the stumpage value tables and the stumpage value adjustments that are used to calculate the amount of timber excise tax owed by a timber harvester.

(2) **Stumpage value tables.** The following stumpage value tables are hereby adopted for use in reporting the taxable value of stumpage harvested during the period January 1 through June 30, 1996:

**TABLE 1—Stumpage Value Table  
Stumpage Value Area 1  
January 1 through June 30, 1996**

Stumpage Values per Thousand Board Feet Net Scribner Log Scale<sup>1</sup>

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-Fir	DF	1	\$853	\$846	\$839	\$832	\$825
		2	678	671	664	657	650

		3	600	593	586	579	572
		4	373	366	359	352	345
Western Redcedar <sup>2</sup>	RC	1	783	776	769	762	755
		2	683	676	669	662	655
		3	591	584	577	570	563
		4	408	401	394	387	380
Western Hemlock <sup>3</sup>	WH	1	594	587	580	573	566
		2	463	456	449	442	435
		3	421	414	407	400	393
		4	386	379	372	365	358
Other Conifer	OC	1	594	587	580	573	566
		2	463	456	449	442	435
		3	421	414	407	400	393
		4	386	379	372	365	358
Red Alder	RA	1	167	160	153	146	139
		2	167	160	153	146	139
		3	141	134	127	120	113
Black Cottonwood	BC	1	157	150	143	136	129
		2	134	127	120	113	106
		3	24	17	10	3	1
Other Hardwood	OH	1	131	124	117	110	103
		2	131	124	117	110	103
		3	44	37	30	23	16
Douglas-fir Poles and Piles	DFL	1	1041	1034	1027	1020	1013
Western Redcedar Poles and Piles	RCL	1	1270	1263	1256	1249	1242
Chipwood <sup>4</sup>	CHW	1	24	23	22	21	20
RC Shake Blocks	RCS	1	310	303	296	289	282
RC Shingle Blocks	RCF	1	118	111	104	97	90
RC & Other Posts <sup>5</sup>	RCP	1	0.45	0.45	0.45	0.45	0.45
DF Christmas Trees <sup>6</sup>	DFX	1	0.25	0.25	0.25	0.25	0.25
Other Christmas Trees <sup>6</sup>	TFX	1	0.50	0.50	0.50	0.50	0.50

<sup>1</sup> Log scale conversions Western and Eastern Washington. See conversion methods WAC 458-40-684 and 458-40-686.

<sup>2</sup> Includes Alaska-Cedar.

<sup>3</sup> Includes Western Hemlock, Mountain Hemlock, Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir. Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir are all commonly referred to as "White Fir."

<sup>4</sup> Stumpage value per ton.

<sup>5</sup> Stumpage value per 8 lineal feet or portion thereof.

<sup>6</sup> Stumpage value per lineal foot.

**TABLE 2—Stumpage Value Table**  
**Stumpage Value Area 2**  
January 1 through June 30, 1996

Stumpage Values per Thousand Board Feet Net Scribner Log Scale<sup>1</sup>

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-Fir	DF	1	\$759	\$752	\$745	\$738	\$731
		2	719	712	705	698	691
		3	665	658	651	644	637
		4	374	367	360	353	346
Western Redcedar <sup>2</sup>	RC	1	783	776	769	762	755
		2	683	676	669	662	655
		3	591	584	577	570	563
		4	408	401	394	387	380
Western Hemlock <sup>3</sup>	WH	1	535	528	521	514	507
		2	502	495	488	481	474
		3	478	471	464	457	450
		4	401	394	387	380	373

Other Conifer	OC	1	535	528	521	514	507
		2	502	495	488	481	474
		3	478	471	464	457	450
		4	401	394	387	380	373
Red Alder	RA	1	167	160	153	146	139
		2	167	160	153	146	139
		3	141	134	127	120	113
Black Cottonwood	BC	1	157	150	143	136	129
		2	134	127	120	113	106
		3	24	17	10	3	1
Other Hardwood	OH	1	131	124	117	110	103
		2	131	124	117	110	103
		3	44	37	30	23	16
Douglas-fir Poles and Piles	DFL	1	895	888	881	874	867
Western Redcedar Poles and Piles	RCL	1	1073	1066	1059	1052	1045
Chipwood <sup>4</sup>	CHW	1	24	23	22	21	20
RC Shake Blocks	RCS	1	310	303	296	289	282
RC Shingle Blocks	RCF	1	118	111	104	97	90
RC & Other Posts <sup>5</sup>	RCP	1	0.45	0.45	0.45	0.45	0.45
DF Christmas Trees <sup>6</sup>	DFX	1	0.25	0.25	0.25	0.25	0.25
Other Christmas Trees <sup>6</sup>	TFX	1	0.50	0.50	0.50	0.50	0.50

<sup>1</sup> Log scale conversions Western and Eastern Washington. See conversion methods WAC 458-40-684 and 458-40-686.

<sup>2</sup> Includes Alaska-Cedar.

<sup>3</sup> Includes Western Hemlock, Mountain Hemlock, Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir. Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir are all commonly referred to as "White Fir."

<sup>4</sup> Stumpage value per ton.

<sup>5</sup> Stumpage value per 8 lineal feet or portion thereof.

<sup>6</sup> Stumpage value per lineal foot.

**TABLE 3—Stumpage Value Table**  
**Stumpage Value Area 3**

January 1 through June 30, 1996

Stumpage Values per Thousand Board Feet Net Scribner Log Scale<sup>1</sup>

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-Fir	DF	1	\$782	\$775	\$768	\$761	\$754
		2	663	656	649	642	635
		3	646	639	632	625	618
		4	389	382	375	368	361
Western Redcedar <sup>2</sup>	RC	1	783	776	769	762	755
		2	683	676	669	662	655
		3	591	584	577	570	563
		4	408	401	394	387	380
Western Hemlock <sup>3</sup>	WH	1	530	523	516	509	502
		2	483	476	469	462	455
		3	454	447	440	433	426
		4	375	368	361	354	347
Other Conifer	OC	1	530	523	516	509	502
		2	483	476	469	462	455
		3	454	447	440	433	426
		4	375	368	361	354	347
Red Alder	RA	1	167	160	153	146	139
		2	167	160	153	146	139
		3	141	134	127	120	113
Black Cottonwood	BC	1	157	150	143	136	129
		2	134	127	120	113	106
		3	24	17	10	3	1

Other Hardwood	OH	1	131	124	117	110	103
		2	131	124	117	110	103
		3	44	37	30	23	16
Douglas-fir Poles and Piles	DFL	1	982	975	968	961	954
Western Redcedar Poles and Piles	RCL	1	1190	1183	1176	1169	1162
Chipwood <sup>4</sup>	CHW	1	24	23	22	21	20
RC Shake Blocks	RCS	1	310	303	296	289	282
RC Shingle Blocks	RCF	1	118	111	104	97	90
RC & Other Posts <sup>5</sup>	RCP	1	0.45	0.45	0.45	0.45	0.45
DF Christmas Trees <sup>6</sup>	DFX	1	0.25	0.25	0.25	0.25	0.25
Other Christmas Trees <sup>6</sup>	TFX	1	0.50	0.50	0.50	0.50	0.50

<sup>1</sup> Log scale conversions Western and Eastern Washington. See conversion methods WAC 458-40-684 and 458-40-686.

<sup>2</sup> Includes Western Larch.

<sup>3</sup> Includes Alaska-Cedar.

<sup>4</sup> Includes Western Hemlock, Mountain Hemlock, Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir. Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir are all commonly referred to as "White Fir."

<sup>5</sup> Stumpage value per ton.

<sup>6</sup> Stumpage value per 8 lineal feet or portion thereof.

<sup>7</sup> Stumpage value per lineal foot.

**TABLE 4—Stumpage Value Table**  
**Stumpage Value Area 4**  
 January 1 through June 30, 1996

Stumpage Values per Thousand Board Feet Net Scribner Log Scale<sup>1</sup>

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-Fir <sup>2</sup>	DF	1	\$746	\$739	\$732	\$725	\$718
		2	697	690	683	676	669
		3	616	609	602	595	588
		4	382	375	368	361	354
Lodgepole Pine	LP	1	302	295	288	281	274
Ponderosa Pine	PP	1	570	563	556	549	542
		2	425	418	411	404	397
Western Redcedar <sup>3</sup>	RC	1	783	776	769	762	755
		2	683	676	669	662	655
		3	591	584	577	570	563
		4	408	401	394	387	380
Western Hemlock <sup>4</sup>	WH	1	543	536	529	522	515
		2	475	468	461	454	447
		3	444	437	430	423	416
		4	362	355	348	341	334
Other Conifer	OC	1	543	536	529	522	515
		2	475	468	461	454	447
		3	444	437	430	423	416
		4	362	355	348	341	334
Red Alder	RA	1	167	160	153	146	139
		2	167	160	153	146	139
		3	141	134	127	120	113
Black Cottonwood	BC	1	157	150	143	136	129
		2	134	127	120	113	106
		3	24	17	10	3	1
Other Hardwood	OH	1	131	124	117	110	103
		2	131	124	117	110	103
		3	44	37	30	23	16
Douglas-fir Poles and Piles	DFL	1	1152	1145	1138	1131	1124
Western Redcedar							

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Poles and Piles	RCL	1	1418	1411	1404	1397	1390
Chipwood <sup>5</sup>	CHW	1	24	23	22	21	20
RC Shake Blocks	RCS	1	310	303	296	289	282
RC Shingle Blocks	RCF	1	118	111	104	97	90
RC & Other Posts <sup>6</sup>	RCP	1	0.45	0.45	0.45	0.45	0.45
DF Christmas Trees <sup>7</sup>	DFX	1	0.25	0.25	0.25	0.25	0.25
Other Christmas Trees <sup>7</sup>	TFX	1	0.50	0.50	0.50	0.50	0.50

<sup>1</sup> Log scale conversions Western and Eastern Washington. See conversion methods WAC 458-40-684 and 458-40-686.

<sup>2</sup> Includes Western Larch.

<sup>3</sup> Includes Alaska-Cedar.

<sup>4</sup> Includes Western Hemlock, Mountain Hemlock, Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir. Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir are all commonly referred to as "White Fir."

<sup>5</sup> Stumpage value per ton.

<sup>6</sup> Stumpage value per 8 lineal feet or portion thereof.

<sup>7</sup> Stumpage value per lineal foot.

**TABLE 5—Stumpage Value Table**  
**Stumpage Value Area 5**  
 January 1 through June 30, 1996

Stumpage Values per Thousand Board Feet Net Scribner Log Scale<sup>1</sup>

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-Fir <sup>2</sup>	DF	1	\$768	\$761	\$754	\$747	\$740
		2	690	683	676	669	662
		3	621	614	607	600	593
		4	390	383	376	369	362
Lodgepole Pine	LP	1	302	295	288	281	274
Ponderosa Pine	PP	1	570	563	556	549	542
		2	425	418	411	404	397
Western Redcedar <sup>3</sup>	RC	1	783	776	769	762	755
		2	683	676	669	662	655
		3	591	584	577	570	563
		4	408	401	394	387	380
Western Hemlock <sup>4</sup>	WH	1	533	526	519	512	505
		2	448	441	434	427	420
		3	422	415	408	401	394
		4	371	364	357	350	343
Other Conifer	OC	1	533	526	519	512	505
		2	448	441	434	427	420
		3	422	415	408	401	394
		4	371	364	357	350	343
Red Alder	RA	1	167	160	153	146	139
		2	167	160	153	146	139
		3	141	134	127	120	113
Black Cottonwood	BC	1	157	150	143	136	129
		2	134	127	120	113	106
		3	24	17	10	3	1
Other Hardwood	OH	1	131	124	117	110	103
		2	131	124	117	110	103
		3	44	37	30	23	16
Douglas-fir Poles and Piles	DFL	1	1057	1050	1043	1036	1029
Western Redcedar Poles and Piles	RCL	1	1195	1188	1181	1174	1167
Chipwood <sup>5</sup>	CHW	1	24	23	22	21	20
RC Shake Blocks	RCS	1	310	303	296	289	282
RC Shingle Blocks	RCF	1	118	111	104	97	90

RC & Other Posts <sup>6</sup>	RCP	1	0.45	0.45	0.45	0.45	0.45
DF Christmas Trees <sup>7</sup>	DFX	1	0.25	0.25	0.25	0.25	0.25
Other Christmas Trees <sup>7</sup>	TFX	1	0.50	0.50	0.50	0.50	0.50

<sup>1</sup> Log scale conversions Western and Eastern Washington. See conversion methods WAC 458-40-684 and 458-40-686.

<sup>2</sup> Includes Western Larch.

<sup>3</sup> Includes Alaska-Cedar.

<sup>4</sup> Includes Western Hemlock, Mountain Hemlock, Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir. Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir are all commonly referred to as "White Fir."

<sup>5</sup> Stumpage value per ton.

<sup>6</sup> Stumpage value per 8 lineal feet or portion thereof.

<sup>7</sup> Stumpage value per lineal foot.

**TABLE 6—Stumpage Value Table**  
**Stumpage Value Area 6**

January 1 through June 30, 1996

Stumpage Values per Thousand Board Feet Net Scribner Log Scale<sup>1</sup>

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-Fir <sup>2</sup>	DF	1	\$306	\$299	\$292	\$285	\$278
Engelmann Spruce	ES	1	234	227	220	213	206
Lodgepole Pine	LP	1	204	197	190	183	176
Ponderosa Pine	PP	1	514	507	500	493	486
		2	316	309	302	295	288
Western Redcedar <sup>3</sup>	RC	1	347	340	333	326	319
True Firs <sup>4</sup>	WH	1	243	236	229	222	215
Western White Pine	WP	1	409	402	395	388	381
Hardwoods	OH	1	50	43	36	29	22
Western Redcedar Poles and Piles	RCL	1	1205	1204	1203	1202	1201
Small Logs <sup>5</sup>	SML	1	32	31	30	29	28
Chipwood <sup>5</sup>	CHW	1	15	14	13	12	11
RC Shake & Shingle Blocks	RCF	1	92	85	78	71	64
LP & Other Posts <sup>6</sup>	LPP	1	0.35	0.35	0.35	0.35	0.35
Pine Christmas Trees <sup>7</sup>	PX	1	0.25	0.25	0.25	0.25	0.25
Other Christmas Trees <sup>8</sup>	DFX	1	0.25	0.25	0.25	0.25	0.25

<sup>1</sup> Log scale conversions Western and Eastern Washington. See conversion methods WAC 458-40-684 and 458-40-686.

<sup>2</sup> Includes Western Larch.

<sup>3</sup> Includes Alaska-Cedar.

<sup>4</sup> Includes Western Hemlock, Mountain Hemlock, Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir. Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir are all commonly referred to as "White Fir."

<sup>5</sup> Stumpage value per ton.

<sup>6</sup> Stumpage value per 8 lineal feet or portion thereof.

<sup>7</sup> Stumpage value per lineal foot. Includes Ponderosa Pine, Western White Pine, and Lodgepole Pine.

<sup>8</sup> Stumpage value per lineal foot.

**TABLE 7—Stumpage Value Table**  
**Stumpage Value Area 7**

January 1 through June 30, 1996

Stumpage Values per Thousand Board Feet Net Scribner Log Scale<sup>1</sup>

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-Fir <sup>2</sup>	DF	1	\$300	\$293	\$286	\$279	\$272
Engelmann Spruce	ES	1	234	227	220	213	206
Lodgepole Pine	LP	1	204	197	190	183	176
Ponderosa Pine	PP	1	514	507	500	493	486
		2	316	309	302	295	288
Western Redcedar <sup>3</sup>	RC	1	320	313	306	299	292
True Firs <sup>4</sup>	WH	1	233	226	219	212	205
Western White Pine	WP	1	409	402	395	388	381
Hardwoods	OH	1	50	43	36	29	22
Western Redcedar Poles and Piles	RCL	1	954	953	952	951	950
Small Logs <sup>5</sup>	SML	1	20	19	18	17	16
Chipwood <sup>5</sup>	CHW	1	11	10	9	8	7
RC Shake & Shingle Blocks	RCF	1	92	85	78	71	64
LP & Other Posts <sup>6</sup>	LPP	1	0.35	0.35	0.35	0.35	0.35
Pine Christmas Trees <sup>7</sup>	PX	1	0.25	0.25	0.25	0.25	0.25
Other Christmas Trees <sup>8</sup>	DFX	1	0.25	0.25	0.25	0.25	0.25

<sup>1</sup> Log scale conversions Western and Eastern Washington. See conversion methods WAC 458-40-684 and 458-40-686.

<sup>2</sup> Includes Western Larch.

<sup>3</sup> Includes Alaska-Cedar.

<sup>4</sup> Includes Western Hemlock, Mountain Hemlock, Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir. Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir are all commonly referred to as "White Fir."

<sup>5</sup> Stumpage value per ton.

<sup>6</sup> Stumpage value per 8 lineal feet or portion thereof.

<sup>7</sup> Stumpage value per lineal foot. Includes Ponderosa Pine, Western White Pine, and Lodgepole Pine.

<sup>8</sup> Stumpage value per lineal foot.

**TABLE 8—Stumpage Value Table**  
**Stumpage Value Area 10**

January 1 through June 30, 1996

Stumpage Values per Thousand Board Feet Net Scribner Log Scale<sup>1</sup>

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-Fir <sup>2</sup>	DF	1	\$732	\$725	\$718	\$711	\$704
		2	683	676	669	662	655
		3	602	595	588	581	574
		4	368	361	354	347	340
Lodgepole Pine	LP	1	204	197	190	183	176
Ponderosa Pine	PP	1	514	507	500	493	486
		2	316	309	302	295	288
Western Redcedar <sup>3</sup>	RC	1	769	762	755	748	741
		2	669	662	655	648	641
		3	577	570	563	556	549
		4	394	387	380	373	366

Western Hemlock <sup>4</sup>	WH	1	529	522	515	508	501
		2	461	454	447	440	433
		3	430	423	416	409	402
		4	348	341	334	327	320
Other Conifer	OC	1	529	522	515	508	501
		2	461	454	447	440	433
		3	430	423	416	409	402
		4	348	341	334	327	320
Red Alder	RA	1	153	146	139	132	125
		2	153	146	139	132	125
		3	127	120	113	106	99
Black Cottonwood	BC	1	143	136	129	122	115
		2	120	113	106	99	92
		3	10	3	1	1	1
Other Hardwood	OH	1	117	110	103	96	89
		2	117	110	103	96	89
		3	30	23	16	9	2
Douglas-fir Poles and Piles	DFL	1	1138	1131	1124	1117	1110
Western Redcedar Poles and Piles	RCL	1	1404	1397	1390	1383	1376
Chipwood <sup>5</sup>	CHW	1	24	23	22	21	20
RC Shake Blocks	RCS	1	310	303	296	289	282
RC Shingle Blocks	RCF	1	118	111	104	97	90
RC & Other Posts <sup>6</sup>	RCP	1	0.45	0.45	0.45	0.45	0.45
DF Christmas Trees <sup>7</sup>	DFX	1	0.25	0.25	0.25	0.25	0.25
Other Christmas Trees <sup>8</sup>	TFX	1	0.50	0.50	0.50	0.50	0.50

<sup>1</sup> Log scale conversions Western and Eastern Washington. See conversion methods WAC 458-40-684 and 458-40-686.

<sup>2</sup> Includes Western Larch.

<sup>3</sup> Includes Alaska-Cedar.

<sup>4</sup> Includes Western Hemlock, Mountain Hemlock, Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir. Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir are all commonly referred to as "White Fir."

<sup>5</sup> Stumpage value per ton.

<sup>6</sup> Stumpage value per 8 lineal feet or portion thereof.

<sup>7</sup> Stumpage value per lineal foot.

(3) **Harvest value adjustments.** Harvest value adjustments relating to the various logging and harvest conditions shall be allowed against the stumpage values as set forth in subsection (2) of this section for the designated stumpage value areas. See WAC 458-40-670 for more information about these adjustments.

The following harvest adjustment tables are hereby adopted for use during the period of January 1 through June 30, 1996:

**TABLE 9—Harvest Adjustment Table  
Stumpage Value Areas 1, 2, 3, 4, 5, and 10**

January 1 through June 30, 1996

Type of Adjustment	Definition	Dollar Adjustment Per Thousand Board Feet Net Scribner Scale
I. Volume per acre		
Class 1	Harvest of more than 40 thousand board feet per acre.	\$0.00
Class 2	Harvest of 20 thousand board feet to 40 thousand board feet per acre.	- \$4.00
Class 3	Harvest of 10 thousand board feet to but not including 20 thousand board feet per acre.	- \$7.00

Class 4	Harvest of 5 thousand board feet to but not including 10 thousand board feet per acre.	- \$9.00
Class 5	Harvest of less than 5 thousand board feet per acre.	- \$10.00

## II. Logging conditions

Class 1	Most of the harvest unit has less than 30% slope. No significant outcrops or swamp barriers.	\$ 0.00
Class 2	Most of the harvest unit has slopes between 30% and 60%. Some rock outcrops or swamp barriers.	- \$17.00
Class 3	Most of the harvest unit has rough, broken ground with slopes over 60%. Numerous rock outcrops and bluffs.	- \$25.00
Class 4	For logs that are yarded from stump to landing by helicopter. This does not include special forest products.	- \$145.00

Note: A Class 2 adjustment may be used for slopes less than 30% when cable logging is required by a duly promulgated forest practice regulation. Written documentation of this requirement must be provided by the taxpayer to the department.

## III. Remote island adjustment:

For timber harvested from a remote island - \$50.00

## IV. Thinning (see WAC 458-40-610(21))

Class 1	Average log volume of 50 board feet or more.	- \$25.00
Class 2	Average log volume of less than 50 board feet.	- \$125.00

**TABLE 10—Harvest Adjustment Table  
Stumpage Value Areas 6 and 7**

January 1 through June 30, 1996

Type of Adjustment	Definition	Dollar Adjustment Per Thousand Board Feet Net Scribner Scale
I. Volume per acre		
Class 1	Harvest of more than 8 thousand board feet per acre.	\$0.00
Class 2	Harvest of 3 thousand board feet to 8 thousand board feet per acre.	- \$7.00
Class 3	Harvest of less than 3 thousand board feet per acre.	- \$10.00
II. Logging conditions		
Class 1	Most of the harvest unit has less than 30% slope. No significant rock outcrops or swamp barriers.	\$0.00
Class 2	Most of the harvest unit has slopes between 30% and 60%. Some rock outcrops or swamp barriers.	- \$20.00
Class 3	Most of the harvest unit has rough, broken ground with slopes over 60%. Numerous rock outcrops and bluffs.	- \$30.00
Class 4	For logs that are yarded from stump to landing by helicopter. This does not include special forest products.	- \$145.00

Note: A Class 2 adjustment may be used for slopes less than 30% when cable logging is required by a duly promulgated forest practice regulation. Written documentation of this requirement must be provided by the taxpayer to the department.

## III. Remote island adjustment:

For timber harvested from a remote island - \$50.00

**TABLE 11—Domestic Market Adjustment****Public Timber**

Harvest of timber not sold by a competitive bidding process that is prohibited under the authority of state or federal law from foreign export may be eligible for the domestic market adjustment. The adjustment may be applied only to those species of timber that must be processed domestically. According to type of sale, the adjustment may be applied to the following species:

**Federal Timber Sales:** All species except Alaska Yellow Cedar. (Stat. Ref. - 36 CFR 223.10)

**State, and Other Nonfederal, Public Timber Sales:** Western Red Cedar only. (Stat. Ref. - 50 USC appendix 2406.1)

**Private Timber**

Harvest of private timber that is legally restricted from foreign export, under the authority of The Forest Resources Conservation and Shortage Relief Act (Public Law 101-382), (16 U.S.C. Sec. 620 et seq.); the Export Administration Act of 1979 (50 U.S.C. App. 2406(i)); a Cooperative Sustained Yield Unit Agreement made pursuant to the Act of March 29, 1944, (16 U.S.C. Sec. 583-583i); or Washington Administrative Code (WAC 240-15-015(2)) is also eligible for the Domestic Market Adjustment.

The adjustment amounts shall be as follows:

Class 1: SVA's 1 through 6, and 10 \$0.00 per MBF

Class 2: SVA 7 \$0.00 per MBF

Note: The adjustment will not be allowed on special forest products.

[Statutory Authority: RCW 82.32.330, 84.33.096 and 84.33.091. 96-02-057, § 458-40-660, filed 12/29/95, effective 1/1/96. Statutory Authority: RCW 82.32.330, 84.33.096 and 84.33.200. 95-18-027, § 458-40-660, filed 8/25/95, effective 9/25/95. Statutory Authority: RCW 82.32.300 and 84.33.096. 95-02-038, § 458-40-660, filed 12/30/94, effective 1/1/95. Statutory Authority: RCW 84.33.091, 84.32.300 [82.32.300] and 84.33.096. 94-14-048, § 458-40-660, filed 6/30/94, effective 7/1/94; 94-02-047, § 458-40-660, filed 12/30/93, effective 1/1/94; 93-14-051, § 458-40-660, filed 6/30/93, effective 7/1/93; 93-02-025, § 458-40-660, filed 12/31/92, effective 1/1/93; 92-14-083, § 458-40-660, filed 6/29/92, effective 7/1/92; 92-02-067, § 458-40-660, filed 12/31/91, effective 1/1/92. Statutory Authority: RCW 84.33.096 and 82.32.300. 91-14-077, § 458-40-660, filed 6/28/91, effective 7/1/91; 91-09-030, § 458-40-660, filed 4/12/91, effective 5/13/91; 91-02-088, § 458-40-660, filed 12/31/90, effective 1/31/91; 90-14-033, § 458-40-660, filed 6/29/90, effective 7/30/90; 90-02-049, § 458-40-660, filed 12/29/89, effective 1/29/90. Statutory Authority: Chapter 84.33 RCW and RCW 84.33.091. 89-14-051 (Order FT-89-2), § 458-40-660, filed 6/30/89; 89-02-027 (Order FT-88-5), § 458-40-660, filed 12/30/88; 88-14-032 (Order FT-88-2), § 458-40-660, filed 6/30/88; 88-02-026 (Order FT-87-5), § 458-40-660, filed 12/31/87. Statutory Authority: Chapter 84.33 RCW. 87-14-042 (Order 87-2), § 458-40-660, filed 6/30/87; 87-02-023 (Order 86-4), § 458-40-660, filed 12/31/86.]

**WAC 458-40-670 Timber excise tax—Stumpage value adjustments—Chipwood and small log destinations.**

(1) **Introduction.** This section explains the harvest value adjustments to the stumpage value tables (WAC 458-40-660) for various logging and harvesting conditions. It also describes the procedure by which businesses that process chipwood, chipwood products, and/or small logs can become designated chipwood or small log destinations.

(2) **Harvest value adjustments.** Harvest value adjustments relating to the various logging and harvest conditions shall be allowed against the stumpage values as set forth in WAC 458-40-660 for the designated stumpage value areas with the following limitations:

(a) No harvest adjustment shall be allowed against special forest products, chipwood, or small logs as those terms are defined in WAC 458-40-610.

(b) Stumpage value rates for conifer and hardwoods shall be adjusted to a value no lower than one dollar per MBF.

(c) Timber harvesters planning to remove timber from areas having damaged timber may apply to the department for adjustment in stumpage values. The application shall contain a map with the legal descriptions of the area, a description of the damage sustained by the timber with an evaluation of the extent to which the stumpage values have been materially reduced from the values shown in the applicable tables, and a list of estimated additional costs to be incurred resulting from the removal of the damaged timber. The application must be received by the department before the harvest commences. Upon receipt of an application, the department will determine the amount of adjustment allowed and notify the harvester. In the event the extent of the damage or additional costs is not known at the time the application is filed, the harvester may provide relevant information to the department for a period not exceeding ninety days following completion of the harvest unit.

(d) The harvest adjustment tables are set forth in WAC 458-40-660(3).

(3) **Chipwood destinations.** Businesses that process logs to produce chips or chip products may be designated as approved "chipwood destinations." Logs delivered to the log yards designated as "chipwood destinations" for the purpose of being chipped may be reported as chipwood and have the volume measured by weight.

(a) The department of revenue will maintain a current list of approved chipwood destinations. This list will be updated as necessary and will be formally reviewed by the department at least twice a year. A list of approved chipwood destinations is available from the special programs division, forest tax section of the department.

(b) A log processor in the business of processing logs to produce chips or chip products that has not been designated as an approved destination may file an application to be listed as an approved chipwood destination. The application should be submitted to the Department of Revenue, Forest Tax Section, P. O. Box 47472, Olympia, Washington 98504-7472, to be included in this listing. To qualify as an approved destination, not less than ninety percent of the weight volume of logs delivered to and purchased by the log processor at a specified log yard or location must be processed to produce chips or chip products.

(c) Any applicant seeking administrative review of the department's decision made under (b) of this subsection may appeal the decision in accordance with WAC 458-20-100.

(4) **Logs chipped in the woods.** Logs chipped in the woods may also be reported as chipwood. Volume shall be measured in net weight of green chips.

(5) **Other chipwood processing locations.** Logs processed at locations other than those listed on the approved



list of chipwood destinations maintained by the department and other than as provided in subsection (4) of this section may be reported as chipwood volume when scaled as utility grade logs, based on log scaling or upon approved sample log scaling methods.

If a harvester reports chipwood volume that was delivered to a location that is not listed as an approved chipwood destination and there has been no log scaling or approved sample log scaling, the chipwood volume so reported will be converted by the department to the appropriate sawlog volume in accordance with WAC 458-40-684 and 458-40-686 for purposes of timber excise taxation.

(6) **Small log destinations.** Businesses that process small logs as defined in WAC 458-40-610 may be designated as approved "small log destinations."

(a) The department of revenue will maintain a current list of approved small log destinations. This list will be updated as necessary and will be formally reviewed by the department at least twice a year. A list of approved small log destinations is available from the special programs division, forest tax section of the department.

(b) A log processor in the business of processing small logs that has not been designated as an approved destination may file an application to be listed as an approved small log destination. The application should be submitted to the Department of Revenue, Forest Tax Section, P. O. Box 47472, Olympia, Washington 98504-7472, to be included in this listing.

(c) Any applicant seeking administrative review of the department's decision made under (b) of this subsection may appeal the decision in accordance with WAC 458-20-100.

[Statutory Authority: RCW 82.32.330, 84.33.096 and 84.33.200. 95-18-027, § 458-40-670, filed 8/25/95, effective 9/25/95. Statutory Authority: RCW 84.33.091, 84.32.300 [82.32.300] and 84.33.096. 94-14-048, § 458-40-670, filed 6/30/94, effective 7/1/94; 94-02-047, § 458-40-670, filed 12/30/93, effective 1/1/94; 93-14-051, § 458-40-670, filed 6/30/93, effective 7/1/93; 93-02-025, § 458-40-670, filed 12/31/92, effective 1/1/93; 92-14-083, § 458-40-670, filed 6/29/92, effective 7/1/92; 92-02-067, § 458-40-670, filed 12/31/91, effective 1/1/92. Statutory Authority: RCW 84.33.096 and 82.32.300. 91-14-077, § 458-40-670, filed 6/28/91, effective 7/1/91; 91-02-088, § 458-40-670, filed 12/31/90, effective 1/31/91; 90-14-033, § 458-40-670, filed 6/29/90, effective 7/30/90; 90-02-049, § 458-40-670, filed 12/29/89, effective 1/29/90. Statutory Authority: Chapter 84.33 RCW and RCW 84.33.091. 89-14-051 (Order FT-89-2), § 458-40-670, filed 6/30/89; 89-02-027 (Order FT-88-5), § 458-40-670, filed 12/30/88; 88-14-032 (Order FT-88-2), § 458-40-670, filed 6/30/88; 88-02-026 (Order FT-87-5), § 458-40-670, filed 12/31/87. Statutory Authority: Chapter 84.33 RCW. 87-14-042 (Order 87-2), § 458-40-670, filed 6/30/87; 87-02-023 (Order 86-4), § 458-40-670, filed 12/31/86.]

**WAC 458-40-680 Timber excise tax—Volume harvested—Approved scaling and grading methods.** (1) Acceptable log scaling and grading rules—Stumpage value areas 1, 2, 3, 4, 5, and 10: The acceptable log scaling and grading rule shall be the Scribner Decimal C log rule as described in the most current edition of the "Official Log Scaling and Grading Rules" handbook developed and authored by the Northwest Log Rules Advisory Group. These are the official rules for the following log scaling and grading bureaus: Columbia River, Grays Harbor, Northern California, Puget Sound, Southern Oregon, and Yamhill.

(2) Acceptable log scaling rule—Stumpage value areas 6 and 7: The acceptable log scaling rule shall be the Scribner Decimal C log rule described in the most current

edition of the "National Forest Log Scaling Handbook" (FSH 2409.11) as published by the United States Forest Service. Provided, the maximum scaling length is twenty feet and maximum trim allowance shall be six inches for logs eight to twenty feet in length; and provided, further, that lodgepole pine harvested in stumpage value areas 6, 7, or 10 shall be scaled using a one inch taper allowance per log segment.

(3) **Special services scaling:** Special services scaling as described in the Northwest Log Rules Advisory Group handbook shall not be used for tax reporting purposes without prior written approval of the department; and all measurements and grades must be converted to standard Scribner Decimal C log rules as they are described in the handbook.

[Statutory Authority: RCW 82.32.330, 84.33.096 and 84.33.120. 96-02-056, § 458-40-680, filed 12/29/95, effective 1/29/96. Statutory Authority: RCW 82.32.300 and 84.33.096. 95-14-084, § 458-40-680, filed 6/30/95, effective 7/31/95. Statutory Authority: Chapter 84.33 RCW. 87-02-023 (Order 86-4), § 458-40-680, filed 12/31/86.]

**WAC 458-40-684 Timber excise tax—Volume harvested—Conversions to Scribner Decimal C Scale for Western Washington.** The following definitions, tables, and conversion factors shall be used in determining taxable volume for timber harvested that was not originally scaled by the Scribner Decimal C Log Rule. Conversion methods, other than those listed are not to be used for tax reporting purposes without prior written approval of the department.

(1) **Weight measurement.** If the original unit of measure was by weight, and the harvester has not applied for approval of sample scaling (WAC 458-40-682), the following table shall be used for converting to Scribner Decimal C. Harvesters must keep records to substantiate the species and quality codes reported. For tax reporting purposes, a ton equals 2,000 pounds.

(Stumpage Value Areas 1, 2, 3, 4, 5, & 10)  
BOARD FOOT WEIGHT SCALE FACTORS  
(TONS/MBF)

Quality Code	DF*	WH**	Species code	
			RC	RA***
1	5.0	6.0	4.5	7.0
2	6.0	6.5	5.0	7.75
3	6.5	7.5	6.5	8.5
4	7.5	8.25	7.0	

\*Includes Douglas-fir, and Sitka Spruce.

\*\*Includes Western Hemlock, Mountain Hemlock, Pacific Silver Fir, Noble Fir, Grand Fir, Subalpine Fir, and other conifers not separately designated. Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir are all commonly referred to as "White Fir."

\*\*\*Maple, Black Cottonwood and other hardwoods.

(2) **Cord measurement.** A cord is a measure of wood with dimensions of 4 feet by 4 feet by 8 feet (128 cubic feet).

(a) Logs with an average scaling diameter of 8 inches and larger shall be converted to Scribner volume using 400 board feet per cord. Logs having an average scaling diameter of less than 8 inches shall be converted to Scribner volume using 330 board feet per cord.

(b) A cord of Western Redcedar shake or shingle blocks shall be converted to Scribner volume using 600 board feet per cord.

(3) **Cants or lumber from portable mills.** To convert from lumber tally to Scribner volume, multiply the lumber

tally for the individual species by 75% and round to the nearest one thousand board feet (MBF).

(4) **Eastern, western log scale conversion.** Timber harvested in stumpage value areas 1, 2, 3, 4, and 5 and which has been scaled by methods and procedures published in the "National Forest Log Scaling Handbook" (FSH 2409.11) shall have the volumes reported reduced by eighteen percent to reflect the difference between eastern and western scaling practices.

(5) **Timber pole volume table.** Harvesters of poles in stumpage value areas 1, 2, 3, 4, and 5 shall use the following table to determine the Scribner board foot volume for each pole length and class:

Pole Length	Pole Class <sup>1</sup>	Total Scribner Board Foot Volume by Pole Length by Pole Class <sup>2</sup>			
20'	1	50	40'	H4	240(240)
	2	50		H3	200(200)
	3	40		H2	180
	4	40		H1	180
	5	30		1	150
	6	30		2	120
	7	20		3	120
	9	20		4	90
	10	20		5	70
				6	60
25'	1	60	45'	H6	380(380)
	2	60		H5	340(340)
	3	50		H4	340(340)
	4	50		H3	280(270)
	5	40		H2	230(130)
	6	40		H1	230(130)
	7	30		1	190(110)
	9	30		2	150
	10	30		3	120
				4	120
30'	1	110	50'	5	90
	2	70		6	90
	3	60		H6	430(430)
	4	60		H5	370(370)
	5	50		H4	370(370)
	6	50		H3	300(300)
	7	40		H2	260(260)
	9	40		H1	260(150)
				1	210(120)
				2	160
35'	H2	160	55'	3	140
	H1	160		4	140
	1	130		5	100
	2	100		H6	470(470)
	3	80		H5	410(410)
	4	80		H4	410(410)
	5	60		H3	330(330)
	6	60		H2	280(160)
	7	50		H1	280(160)
				1	230(130)
40'			60'	2	180
				3	150
				4	150
				H6	540(540)
				H5	470(470)
				H4	470(470)
				H3	410(410)
				H2	340(210)
				H1	340(210)
				1	290(180)

65'	H6	610(610)	95'	H6	1170(1170)
	H5	520(520)		H5	1000(1000)
	H4	520(520)		H4	1000(1000)
	H3	420(420)		H3	870(870)
	H2	380(230)		H2	870(870)
	H1	380(230)		H1	750(600)
	1	320(190)		1	640(510)
	2	260(160)		2	540(440)
	3	210			
	4	210		H6	1190(1190)
70'	H6	650(650)	100'	H5	1030(1030)
	H5	560(560)		H4	1030(1030)
	H4	560(560)		H3	900(900)
	H3	480(480)		H2	900(900)
	H2	400(240)		H1	760(610)
	H1	400(240)		1	660(530)
	1	350(210)		2	550(450)
	2	270(170)			
	3	230		H6	1310(1310)
	4	230		H5	1160(1160)
75'	H6	700(700)	105'	H4	1160(1160)
	H5	600(600)		H3	1000(1000)
	H4	600(600)		H2	1000(1000)
	H3	520(520)		H1	860(700)
	H2	520(520)		1	740(600)
	H1	520(330)		2	610(510)
	1	440(270)			
	2	290(180)		H6	1370(1370)
	3	250		H5	1220(1220)
				H4	1220(1220)
80'	H6	820(820)	110'	H3	1050(1050)
	H5	700(700)		H2	1050(1050)
	H4	700(700)		H1	910(740)
	H3	600(600)		1	780(640)
	H2	600(600)		2	650(540)
	H1	540(360)			
	1	440(290)		H6	1440(1440)
	2	360(240)		H5	1280(1280)
	3	290(200)		H4	1280(1280)
				H3	1100(1100)
85'	H6	910(910)	115'	H2	1100(1100)
	H5	800(800)		H1	960(780)
	H4	800(800)		1	860(670)
	H3	660(660)		2	680(570)
	H2	660(660)			
	H1	660(520)		H6	1660(1660)
	1	570(450)		H5	1460(1460)
	2	490(340)		H4	1460(1460)
	3	360(200)		H3	1300(1300)
				H2	1300(1300)
90'	H6	1080(1080)	120'	H1	1140(960)
	H5	930(930)		1	970(820)
	H4	930(930)		2	820(700)
	H3	820(820)			
	H2	820(820)		H6	1840(1840)
	H1	690(560)		H5	1600(1600)
	1	590(480)		H4	1600(1600)
	2	490(420)		H3	1410(1410)
	3	400(210)		H2	1410(1410)
				H1	1250(1100)
90'			125'	1	1080(940)
				2	930(830)

130'	H6	1920(1920)
	H5	1680(1680)
	H4	1680(1680)
	H3	1490(1490)
	H2	1490(1490)
	H1	1310(1160)
	1	1120(990)
	2	970(870)

<sup>1</sup> Pole class definitions taken from American National Standard specifications and dimensions for wood poles as approved August 7, 1976 under American National Standard Institute, Inc. codified ANSI 05.1-1972.

<sup>2</sup> The number, enclosed in parenthesis after the total Scribner pole volume for each pole length and class, is the volume per pole for Number 2 Sawmill and better log grade, where applicable.

(6) **Timber piling volume table.** Harvesters of piling in stumpage value areas 1, 2, 3, 4, and 5 shall use the following table to determine the Scribner board foot volume for each piling length and class:

Piling Length	Piling Class <sup>1</sup>	Total Scribner Board Foot Volume by Pole Length by Pole Class <sup>2</sup>
20'	A	80
	B	70
25'	A	100
	B	90
30'	A	130
	B	110
35'	A	130
	B	110
40'	A	150
	B	120
45'	A	150
	B	120
50'	A	160
	B	140
55'	A	180
	B	150
60'	A	190
	B	160
65'	A	210
	B	180
70'	A	230
	B	190
75'	A	230
	B	200
80'	A	250
	B	210
85'	A	260(140)
	B	210

90'	A	260(150)
	B	220
95'	A	290(150)
	B	240
100'	A	310(160)
	B	250
105'	A	330(170)
	B	270
110'	A	380(220)
	B	300(180)
115'	A	400(230)
	B	310(190)
120'	A	500(290)
	B	400(240)

<sup>1</sup> Piling class definitions as per American Society for Testing and Materials for "round timber piles." As the designation: D 25-58 (reapproved 1964).

<sup>2</sup> The number, enclosed in parenthesis after the total Scribner board foot volume for each piling length and class, is the volume per piling for Number 2 Sawmill and better log grade, where applicable.

(7) Harvesters who wish to use a method of conversion other than those listed above must obtain written approval from the department before harvesting.

[Statutory Authority: RCW 82.32.300 and 84.33.096. 95-14-086, § 458-40-684, filed 6/30/95, effective 7/1/95. Statutory Authority: RCW 84.33.091, 84.32.300 [82.32.300] and 84.33.096. 92-14-083, § 458-40-684, filed 6/29/92, effective 7/1/92. Statutory Authority: Chapter 84.33 RCW. 87-02-023 (Order 86-4), § 458-40-684, filed 12/31/86.]

## Title 460 WAC FINANCIAL INSTITUTIONS (SECURITIES DIVISION)

### Chapters

- 460-10A Definitions.
- 460-16A General rules.
- 460-20A Broker-dealers and salesmen.
- 460-20B Broker-dealer registration.
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