

Chapter 458-07 WAC

VALUATION AND REVALUATION OF REAL PROPERTY

WAC

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WAC 458-07-010 Valuation and revaluation of real property—Introduction. The Washington state Constitution requires that all taxes be uniform upon the same class of property within the territorial limits of the authority levying the tax. In order to comply with this constitutional mandate and ensure that all taxes are uniform, all real property must be valued in a manner consistent with this principle of uniformity. Also, to comply with statutory and case law, the county assessor must value all taxable real property in the county on a regular, systematic, and continuous basis. This valuation may be accomplished on an annual basis for all real property in the county, or it may be accomplished on a multiyear basis with all the real property in the county revalued within a time period of not more than four years. Whether on an annual basis or a multiyear basis, the assessor must adhere to a revaluation plan that will ensure equality and uniformity in the valuation of real property, and must use proper appraisal methods. The administrative rules in this chapter describe and explain the processes to be used by the county assessor in valuing and revaluing real property for purposes of taxation.

[Statutory Authority: RCW 84.08.070. 00-01-043, § 458-07-010, filed 12/7/99, effective 1/7/00.]

WAC 458-07-015 Revaluation of real property—Annual counties. (1) **Appropriate statistical data defined.** In any county where all real property is revalued each year, the assessor must revalue the property at its current true and fair value using appropriate statistical data. For purposes of this chapter, "appropriate statistical data" means the data required to accurately adjust real property values and includes, but is not limited to, data reflecting costs of new construction and real property market trends.

(2) **Comparable sales data.** In gathering appropriate statistical data and determining real property market trends, the assessor must consider current sales data. "Current sales data" means sales of real property that occurred within the past five years of the date of appraisal and may include sales that occur in the assessment year. To the extent feasible, and in accordance with generally accepted appraisal practices, the assessor shall compile the statistical data into categories of comparable properties. Comparability is most often determined by similar use and location and may be based upon the following use classifications:

- (a) Single family residential;

- (b) Residential with from two to four units;
- (c) Residential with more than four units;
- (d) Residential hotels, condominiums;
- (e) Hotels and motels;
- (f) Vacation homes and cabins;
- (g) Retail trade;
- (h) Warehousing;
- (i) Office and professional service;
- (j) Commercial other than listed;
- (k) Manufacturing;
- (l) Agricultural; and
- (m) Other classifications as necessary.

(3) **Appraisal processes.** Appropriate statistical data shall be applied to revalue real property to current true and fair value using one or more of the following processes:

- (a) Multiple or linear regression;
- (b) Sales ratios;
- (c) Physical inspection; or
- (d) Any other appropriate statistical method that is recognized and accepted with respect to the appraisal of real property for purposes of taxation.

(4) **Physical inspection cycles.**

(a) For purposes of this chapter, "physical inspection" means, at a minimum, an exterior observation of the property to determine whether there have been any changes in the physical characteristics that affect value. The property improvement record must be appropriately documented in accordance with the findings of the physical inspection. In a county where all real property is revalued at its current true and fair value each year, using appropriate statistical data, the assessor must physically inspect all real property at least once within a six-year time period.

(b) Physical inspection of all the property in the county shall be accomplished on a proportional basis in cycle, with approximately equal portions of taxable property of the county inspected each year. Physical inspections of properties outside of the areas scheduled for physical inspection under the plan filed with the department (see WAC 458-07-025) may be conducted for purposes of validating sales, reconciling inconsistent valuation results, calibrating statistical models, valuing unique or nonhomogeneous properties, administering appeals or taxpayer reviews, documenting digital images, or for other purposes as necessary to maintain accurate property characteristics and uniform assessment practices. All properties shall be placed on the assessment rolls at current true and fair value as of January 1st of the assessment year.

(c) In any year, when the area of the county being physically inspected is not completed in that year, the portion remaining must be completed before beginning the physical inspection of another area in the succeeding year. All areas of the county must be physically inspected within the cycle established in the revaluation plan filed with the department.

(5) **Change of value notice.** In a county that revalues all real property each year, revaluation notices must be mailed by the assessor to the taxpayer when there is any change in the assessed value of real property, not later than thirty days after an appraisal or adjustment in value.

[Statutory Authority: RCW 84.08.070. 00-01-043, § 458-07-015, filed 12/7/99, effective 1/7/00.]

WAC 458-07-020 Revaluation of real property—Multiyear counties. (1) **Introduction.** This rule provides information about the revaluation of real property in a county where all real property is not revalued each year. It explains when an assessor is authorized to revalue real property using appraisal judgment outside of the approved revaluation cycle. It also explains what happens when the area of the county being physically inspected and revalued in a particular year is not completed in that year. Finally, this rule explains the requirement that revaluation notices be mailed by the assessor to the taxpayer when there is any change in the assessed value of real property.

(2) **Revaluation cycles.** In a county where all real property is not revalued each year, all real property must be physically inspected and revalued at current true and fair market value on a proportional basis within the county each year of a two, three, or four-year cycle. Approximately equal portions of the taxable property of the county must be physically inspected and revalued each year of the cycle. Alternatively, the department may approve a plan whereby the county assessor physically inspects and revalues all real property in the county once every two years.

(3) **Revaluation outside of approved cycle.** In certain circumstances the assessor is authorized to revalue real property, using appraisal judgment, outside of the approved revaluation cycle. These revaluations must not be arbitrary or capricious, nor violate the equal protection clauses of the federal and state Constitutions, nor the uniformity clause of the state Constitution. The assessor may disregard the revaluation cycle and change a property valuation, as appropriate, in the following situations:

(a) If requested by a property owner, when a notice of decision pertaining to the value of real property is received under RCW 36.70B.130 (Notice of decision—Distribution; local project review), chapter 35.22 RCW (First Class Cities), chapter 35.63 RCW (Planning Commissions), chapter 35A.63 RCW (Planning and Zoning in Code Cities), or chapter 36.70 RCW (Planning Enabling Act);

(b) When the owner or person responsible for payment of taxes on any real property petitions the assessor for a reduction in the assessed value in accordance with RCW 84.40.039, within three years of adoption of a restriction by a government entity;

(c) When there has been a "definitive change of land use designation" by an authorized land use authority, and the revaluation is in accordance with RCW 84.48.065;

(d) When a bona fide mistake has been made by the assessor in a prior valuation made within the current valuation cycle. The change in property valuation is not retroactive to the prior year;

(e) When property has been destroyed, in whole or in part, and is entitled to a reduction in value in accordance with chapter 84.70 RCW; or

(f) When property has been subdivided or merged.

(4) **Revaluation areas—Incomplete revaluation.** In any year, when the area of the county being physically inspected and revalued is not completed in that year, the portion remaining must be completed before beginning the physical inspection and revaluation of another area in the succeeding year. For any portion of a revaluation area that was not completed in the year intended, the value of real property in that portion is still determined as of January 1st of the assessment year originally intended, but the new appraised value is placed on the assessment rolls, and is subject to appeal by the taxpayer, in the assessment year the property is actually inspected and revalued. All areas of the county must be physically inspected and revalued within the cycle established in the revaluation plan filed with the department.

(5) **Change of value notice.** In a county that revalues all real property on a multiyear cycle, revaluation notices must be mailed by the assessor to the taxpayer when there is any change in the assessed value of real property, not later than thirty days after an appraisal. For additional information about revaluation notices, refer to WAC 458-12-360.

[Statutory Authority: RCW 84.08.010 and 84.08.070. 03-22-025, § 458-07-020, filed 10/27/03, effective 11/27/03. Statutory Authority: RCW 84.08.070. 00-01-043, § 458-07-020, filed 12/7/99, effective 1/7/00.]

WAC 458-07-025 Revaluation of real property—Plan submitted to department of revenue. (1) **Revaluation plan—When submitted.** The assessor shall submit a proposed revaluation plan to the property tax division of the department of revenue on or before March 1st of the year prior to the first year of any revaluation and/or physical inspection cycle.

(2) **Revaluation plan—Contents.** The proposed revaluation plan must be sufficiently detailed to enable the department to determine whether the assessor will be able to successfully and timely complete the revaluation and/or physical inspection program and must include, but is not limited to, the following:

(a) A comprehensive analysis of the number and types of properties to be appraised each year;

(b) Specific geographical revaluation areas, taxing districts, or parcels included in the plan each year;

(c) A description of appraiser workload each year and the number of personnel required to implement the plan, including the number and duties of staff not directly involved in the appraisal of real property;

(d) The number of additional staff required, if any, and a description of their duties;

(e) Whether the plan anticipates the necessity of using appraisers hired on a contract basis or whether the plan anticipates requesting special assistance from the department of revenue;

(f) The current and anticipated use of and need for equipment, supplies, and space;

(g) The annual anticipated budget of the assessor's office; and

(h) A statement that all real property will be appraised at one hundred percent of its true and fair value unless specifically provided otherwise by law.

(3) **Revaluation plan—Approval or disapproval.** The department shall review the proposed revaluation plan to

determine whether it complies with all lawful requirements and to determine whether it can be successfully and timely completed. The department shall notify the assessor in writing if it disapproves a proposed revaluation plan and shall give the reasons for its disapproval. If the proposed revaluation plan is not approved by the department, the assessor shall, with the assistance of the department of revenue, develop a revaluation plan that will comply with the provisions of chapter 84.41 RCW and this chapter of the Washington Administrative Code.

(4) Revaluation plan—Progress report—Changes—Satisfactory progress.

(a) The assessor of each county shall submit a report to the department of revenue not later than October 15th of each year detailing the county's progress in implementing its revaluation and/or physical inspection program. The report must be submitted on forms supplied by the department and must note any additions or corrections to, or deviations from, the plan during the past year.

(b) Any significant or substantial changes to the plan must be submitted to and approved by the department prior to implementation of the changes.

(c) If the department finds that the revaluation and/or physical inspection program in any county is not proceeding in accordance with the county's revaluation plan or that the revaluation and/or physical inspection program is not making satisfactory progress, the department shall notify both the county legislative authority and the assessor of that finding. Within thirty days after receiving the notice, the county legislative authority shall take one of the following actions:

(i) Authorize such expenditures as will enable the assessor to complete the revaluation and/or physical inspection program as directed; or

(ii) Direct the assessor to request special assistance from the department of revenue for aid in effectuating the county's revaluation and/or physical inspection program.

[Statutory Authority: RCW 84.08.070. 00-01-043, § 458-07-025, filed 12/7/99, effective 1/7/00.]

WAC 458-07-030 True and fair value—Defined—Criteria—Highest and best use—Data from property owner. (1) **True and fair value—Defined.** All property must be valued and assessed at one hundred percent of true and fair value unless otherwise provided by law. "True and fair value" means market value and is 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.

(2) **True and fair value—Criteria.** In determining true and fair value, the assessor may use the sales (market data) approach, the cost approach, or the income approach, or a combination of the three approaches to value. The provisions of (b) and (c) of this subsection, the cost and income approaches, respectively, shall be the dominant factors considered in determining true and fair value in cases of property of a complex nature, or property being used under terms of a franchise granted by a public agency, or property being operated as a public utility, or property not having a record of sale within five years and not having a significant number of sales of comparable property in the general area. When the cost or

income approach is used, the assessor shall provide the property owner, upon request, with the factors used in arriving at the value determined, subject to any lawful restrictions on the disclosure of confidential or privileged tax information.

(a) **Sales.** Sales of the property being appraised or sales of comparable properties that occurred within five years of January 1st of the assessment year are valid indicators of true and fair value. In valuing property, the following shall be considered:

(i) Any governmental policies or practices, regulations or restrictions in effect at the time of appraisal that affect the use of property, including a comprehensive land use plan, developmental regulations under the Growth Management Act (chapter 36.70A RCW), and zoning ordinances. No appraisal may assume a land usage or highest and best use not permitted under existing zoning or land use planning ordinances or statutes or other government restrictions, unless such usage is otherwise allowed by law;

(ii) Physical and environmental influences that affect the use of the property;

(iii) When a sale involves a real estate contract, the extent, if any, to which the down payment, interest rate, or other financing terms may have increased the selling price;

(iv) The extent to which the sale of a comparable property actually represents the general effective market demand for property of that type, in the geographical area in which the property is located; and

(v) Sales involving deed releases or similar seller-developer financing arrangements shall not be used as sales of comparable property in determining value.

(b) **Cost.** In determining true and fair value, consideration may be given to cost, cost less depreciation, or reconstruction cost less depreciation.

(c) **Income.** In determining true and fair value, consideration may be given to the capitalization of income that would be derived from prudent use of the property, as limited by law or ordinance. Consideration should be given to any agreement between an owner of rental housing and any government agency that restricts rental income, appreciation, and liquidity and to the impact of government restrictions on operating expenses and on ownership rights in general of such housing.

(d) **Manuals.** Appraisal manuals or guides published or approved by the department of revenue shall be considered in conjunction with the three approaches to value. The data contained in these manuals or guides must be analyzed and adjusted by the assessor to consider time, location, and any other applicable factors to properly reflect market value in the county.

(3) **True and fair value—Highest and best use.** Unless specifically provided otherwise by statute, all property shall be valued on the basis of its highest and best use for assessment purposes. Highest and best use is the most profitable, likely use to which a property can be put. It is the use which will yield the highest return on the owner's investment. Any reasonable use to which the property may be put may be taken into consideration and if it is peculiarly adapted to some particular use, that fact may be taken into consideration. Uses that are within the realm of possibility, but not reasonably probable of occurrence, shall not be considered in valuing property at its highest and best use.

(4) **Valuation of land and improvements.** In valuing any lot, tract, or parcel of real property, the assessor must determine the true and fair value of the land, excluding the value of any structures on the land and excluding the value of any growing crops. The assessor must also determine the true and fair value of any structure on the land. The total value of the land and the structures must not exceed one hundred percent of the true and fair value of the total property as it exists at the time of appraisal.

(5) **Valuation data from property owners.** The assessor may require property owners to submit pertinent data regarding property in their control, including sales data, costs and characteristics of improvements, and other facts necessary for appraisal of the property.

[Statutory Authority: RCW 84.08.070. 09-04-035, § 458-07-030, filed 1/29/09, effective 3/1/09; 00-01-043, § 458-07-030, filed 12/7/99, effective 1/7/00.]

WAC 458-07-035 Listing of property—Subdivisions and segregation of interests. (1) **Introduction.** This rule explains when the assessor must begin the listing and valuation of property in the county. It also provides information relating to the listing and valuation of subdivisions of real property. Finally, this rule explains when a person will be allowed to pay property taxes on their partial interest in a parcel of real property.

(2) **Listing of property.** The assessor must begin the listing and valuation of all property in the county, except new construction and mobile homes not previously assessed in this state, not later than December 1st of each year, and complete the listing and valuation not later than May 31st of the succeeding year. The listing and valuation of new construction and mobile homes not previously assessed in this state must be completed by August 31st of each year.

(3) **Valuation of subdivisions.** The assessor must list and value all subdivisions of real property at one hundred percent of true and fair value as follows:

(a) If an advance tax deposit was paid in accordance with RCW 58.08.040, each lot of a subdivision must be valued by October 30th of the year following the recording of the plat, replat, or altered plat. The value established will be the value of the lot as of January 1st of the year the original parcel was last revalued. Each lot of a subdivision that is valued on or before May 31st, or the closing of the assessment roll, whichever is later, must be placed on the roll for that assessment year. Each lot of a subdivision that is valued after May 31st, or the closing of the assessment roll, whichever is later, must be placed on the roll for the succeeding assessment year; and

(b) If no advance tax deposit was paid, each lot of a subdivision must be valued by the end of the calendar year following the recording of the plat, map, subdivision, or replat. The value established must be the value of the lot as of January 1st of the year the original parcel was last revalued. Each lot of a subdivision that is valued on or before May 31st, or the closing of the assessment roll, whichever is later, must be placed on the roll for that assessment year. Each lot of a subdivision that is valued after May 31st, or the closing of the assessment roll, whichever is later, must be placed on the roll for the succeeding assessment year.

(4) **Petition for payment of taxes on partial interest.** Any person desiring to pay taxes on only their interest in a

parcel of real property, whether their interest is a divided interest or an undivided interest, may do so by applying to the assessor of the county where the property is located. The assessor must determine the value of the applicant's interest and certify that value to the county treasurer who will accept payment of taxes for the applicant's interest in the property. No segregation of the property can be made unless all current year and delinquent taxes and assessments on the entire parcel have been paid in full, except for the following situations, in which all current year and delinquent taxes and assessments on the entire parcel need not first be paid in full:

(a) When property is being acquired for public use; and

(b) When a person or financial institution desires to pay the taxes and any penalties and interest on a mobile home upon which they have a lien by mortgage or otherwise.

[Statutory Authority: RCW 84.08.010 and 84.08.070. 08-16-059, § 458-07-035, filed 7/30/08, effective 8/30/08; 03-22-025, § 458-07-035, filed 10/27/03, effective 11/27/03. Statutory Authority: RCW 84.08.070. 00-01-043, § 458-07-035, filed 12/7/99, effective 1/7/00.]