



**STATE OF WASHINGTON
DEPARTMENT OF REVENUE**

November 7, 2011

TO: All County Assessors

FROM: Deb Mandeville, Ratio Specialist
Property Tax Division

SUBJECT: CHANGES TO THE 2012 STATE RATIO STUDY

Earlier this year two memorandums were sent to all county assessors regarding proposed changes to the Department of Revenue's (Department) annual real property ratio study. These changes, beginning with the 2012 study, addressed the possible inclusion of Bargain & Sale and Special Warranty deeds in the valid sales reports. Specific considerations were given for the inclusion of these sales and are outlined below.

Changes for the 2012 Ratio Study and future studies

Beginning in 2012, the Department will require a new reporting field in both the valid and invalid sales reports listing the document type. This will allow us to track the activity of Warranty Deeds, Real Estate Contracts, Bargain & Sale Deeds, Special Warranty Deed, and other types of transactions included in the valid and invalid sales reports for future analysis.

Bargain & Sale and Special Warranty deed sales will no longer be automatically considered invalid. They may be included in valid sales reports, along with warranty deeds and real estate contract sales for the 2012 Ratio Study and future studies. They should only be included in the valid sales reports if the sales were utilized in a county's benchmarking processes for establishing assessed values.

The Department's stance regarding Bargain & Sale and Special Warranty deed sales, as well as Warranty Deeds and Real Estate Contracts, is that we expect an assessor to "consider" those sales on a case-by-case basis, and make a determination as to whether or not they should be included in the benchmarking analysis. In "consideration," the assessor would typically look at things such as:

- Was the property listed on the open market?
- Does the sale reflect the market (or a significant portion)?
- Are there factors affecting the sale price, i.e., bank motivations and pricing?
- Can the sale be verified as to condition at the time of sale?

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Sales Involving government agencies

Historically, sales involving government agencies, either as the buyer or the seller, have been considered invalid for state ratio purposes. However, in the current market environment, there has been a significant increase in this type of sale, particularly in counties with large military populations.

Beginning with the 2012 Ratio Study, if analysis indicates that government sales have affected the market in specific market areas or neighborhoods, these sales may be considered valid. Each sale should be thoroughly researched prior to inclusion as a valid sale.

General trends in market value

WAC 458-53-135(6) says in part that the Department may consider general trends in property values.

If an assessor has concerns regarding the validity of the results of the sales and appraisal studies, they may request a review with the Assistant Director of the Property Tax Division for consideration. That consideration would require:

- That the necessary reports for real property ratio calculation (including valid and invalid sales reports, real property stratification reports, the Certificate of Assessment to the Board of Equalization, and the Certificate of New Construction) be provided to the Department no later than October 31 of the current year.
- Clear, documented, and demonstrable evidence addressing the areas of concern be provided no later than October 31 of the current year.

The changes outlined in these memorandums are in keeping with the current trends and changes in the economy and the real estate market environment.

At some point, when the economy rebounds, these changes will be reviewed to determine if they are still applicable or need to be rescinded.

Questions

If you have any questions or concerns, please contact Deb Mandeville at (360) 534-1406 or debm@dor.wa.gov.

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