



**STATE OF WASHINGTON**  
**DEPARTMENT OF REVENUE**

June 2, 2008

The Honorable Marsha Weyand  
Kittitas County Assessor  
205 West Fifth Avenue, Suite 101  
Ellensburg, Washington 98926

Dear Marsha:

This memo is in response to your recent questions regarding when infrastructure improvements to a new subdivision can be added to the assessment roll. At your request, we are also sending a copy of this response to the other 38 county assessors.

**Adding New Value to the Assessment Rolls**

Distinction between “improvements to property” and “new construction.”

**Improvements**

The value of “improvements to property,” multiplied by the levy rate of the taxing district for the preceding year, is allowed to be added to a taxing district’s levy amount outside of (or in addition to) the 101% levy limit. (RCW 84.55.010) Other values, such as “new construction” and increases “in the assessed value of state assessed property,” and “increases in assessed value due to construction of electric generation wind turbine facilities classified as personal property,” multiplied by the levy rate of the taxing district for the preceding year, are also allowed to be added to a taxing district’s levy amount outside the 101% limit.

“Improvements” are defined, for this (levy) purpose, in WAC 458-19-005(2)(i), as follows:

‘Improvement’ means any valuable change in or addition to real property, including the subdivision or segregation of parcels of real property or the merger of parcels of real property.

Since utility infrastructure in new subdivisions generally do not require a “building permit,” the addition of infrastructure does not qualify as “new construction” value. (*See* definition of “new construction” in RCW 36.21.080 and see WAC 458-12-342 below.) However, the utility infrastructure in a subdivision is “a valuable change in or addition to real property,” the value of which is properly included in the value of “improvements to property.” As a valuable change to the property, the value of the infrastructure may be included for levy purposes outside the 101% levy limit, but unlike “new construction,” infrastructure improvements may only be added to the assessment roll in any county in accordance with the revaluation cycle of that county.

This differs from changes in value attributable to “new construction” (discussed below), segregations, and mergers which may be placed on to the assessment roll regardless of the revaluation cycle for the county. In such cases, the value is determined as of January 1<sup>st</sup> of the most recent year of revaluation for the “parent” parcel or the merged parcels. (RCW 84.40.042 and WAC 458-07-020(3)(f))

### **New Construction**

New construction is defined in RCW 36.21.080 and WAC 458-12-342. The rule provides as follows:

(1) New construction covered under the provisions of RCW 36.21.070 and 36.21.080, and defined in WAC 458-19-005(2)(q), shall be assessed at its true and fair value as of July 31st each year regardless of its percentage of completion. In instances when new construction continues after July 31 of any year, the increase in value of the property due to the new construction that occurs between August 1 of that year through July 31 of the following year is added to the assessment roll as 'new construction' in the following year. New construction as used in this section refers only to real property, as defined in RCW 84.04.090 and further defined in WAC 458-12-010, and also to improvements, as described in WAC 458-12-005(4), located on leased public land, for which a building permit was issued or should have been issued pursuant to chapter 19.27, 19.27A, or 19.28 RCW or other laws providing for building permits.

(2) The assessor is authorized to place new construction on the assessment rolls up to August 31st each year and shall notify the owner, or person responsible for payment of taxes, of the value of any new construction that has been assessed. The notice shall advise the owner, or person responsible for payment of taxes, that such owner or person has thirty days from the date of mailing of the notice, or up to sixty days when the county legislative authority has adopted a longer time period, whichever is later, to appeal the valuation to the county board of equalization as provided in WAC 458-14-056.

All values, except “new construction” value (and some exceptions noted above), are added to the assessment roll using the value as of January 1<sup>st</sup> of the year of revaluation. (RCW 84.40.020)

I have provided an example of how and when new construction and improvement value is added to the assessment roll below.

### **Example**

This example assumes a county on a four-year revaluation cycle. A subdivision has been given final plat approval and recorded on June 30, 2003. An advance tax deposit was paid in accordance with RCW 58.08.040 because the plat was recorded after May 31<sup>st</sup> and before the date of collection of taxes in the next year. The original parcel was last revalued, in cycle, in 2001. The new values for the newly established parcels were put on the assessment roll by the

assessor on September 30, 2004. In 2005, the subdivision was revalued, in cycle. In 2006, utility infrastructure was added to the subdivision. In 2007, houses were built. In 2009, the subdivision is revalued, in accordance with its four-year cycle.

Under RCW 84.40.042, when the plat is recorded and advance tax paid, the assessor puts the market value of the newly created lots on the assessment roll by October 30 of, in this example, 2004, the year following the recording of the plat. The value put on those lots is the value they would have had on January 1, 2001, as though the subdivision had been recorded in 2001. The increase in value for the lots due to the segregation is an “improvement” for purposes of increasing the appropriate taxing districts’ levy amounts above the levy limitation in the 2004 levy, for collection in 2005. (RCW 84.55.010) This increase in value can be put on the assessment roll in 2004, “out of cycle.” (WAC 458-07-020(3)(f)). Also, if sales of the lots includes an amount for utility infrastructure to be installed in the future, then the value of that infrastructure may be put on the roll along with the increase in value due to the segregation; and this may be done “out of cycle.” However, no additional value for “improvements” may be added to the assessment roll later when the infrastructure improvements are actually installed. If the sales of the lots do not include any amount for infrastructure improvements, then those improvements may be added to the roll later, but only in accordance with the county’s revaluation cycle.

If the plat had been recorded prior to May 31, 2003, then no advance tax deposit would have been necessary under RCW 58.08.040. In this situation, RCW 84.40.042 requires the assessor to put the true and fair value on the lots not later than the end of the calendar year following the recording of the plat. (*See also*, WAC 458-07-035.)

In 2005, the subdivision is revalued in cycle, and the 2001 values for the new parcels are adjusted to market value for January 1, 2005.

In 2006, when the utility infrastructure is actually installed, the value of the utility infrastructure will not be added (again) if it was already included in the sale price of the lot and if that sale price was used by the assessor to determine the assessed value of the lot. However, if the utility infrastructure value was not included in the sale price of the lot, even though the installation of utility infrastructure adds value to the land, there is no authority to add such value to the assessment roll out of cycle, and there is no change to the assessment roll for 2006.

In 2007, houses are built. Since these houses qualify for valuation as new construction, the new value is put on the assessment roll by the end of August, at the value of the new construction on July 31, 2007. New construction can be added to the assessment roll outside the normal four-year cycle. The land value is not adjusted; only the new construction value is added.

In 2008, to the extent that there was additional “new construction” carried out after July 31, **2007**, that value as of July 31, **2008**, can be added to the roll by the end of August 2008. (WAC 458-12-342).

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In 2009, the subdivision is again revalued, in cycle, as of January 1, 2009. To the extent that the utility infrastructure improvements have not been valued previously, that "improvement" value is put on the roll and is used (along with any additional new construction or increases in the value of state assessed property, etc.) to increase the appropriate taxing districts' levy amounts outside the 101% levy limit.

### **Ratio Issue**

Using the example above, the new lots were valued by the assessor on September 30, 2004. The lots of the new subdivision cannot be part of the Department's ratio valid sales study until the assessor has valued the lots. WAC 458-53-080 provides in numerical code 26 that: "Current year segregations that have not been appraised" may not be used in the ratio valid sales study, but should be included in the invalid report if the sale occurs between August 1<sup>st</sup> of the previous year and March 31st of the current year. So, these lots (because they were valued in September 2004) may be used as part of the ratio sales study for the 2005 assessment year. (See WAC 458-53-070(2)). However, because the lots were in the part of the county that was revalued in 2005, the ratio for the county should not be significantly impacted by the ratio sales study. It should also be noted that sales of lots that were not timely assessed (based upon statutory requirements) are considered valid sales for purposes of the ratio program. The inclusion of such sales in the study could significantly impact the county ratio.

I hope that this information addresses your questions and provides the assistance you need. Please let me know if I can be of further assistance.

Sincerely,



Brad Flaherty  
Assistant Director  
Property Tax Division

BF:slc

cc: All County Assessors