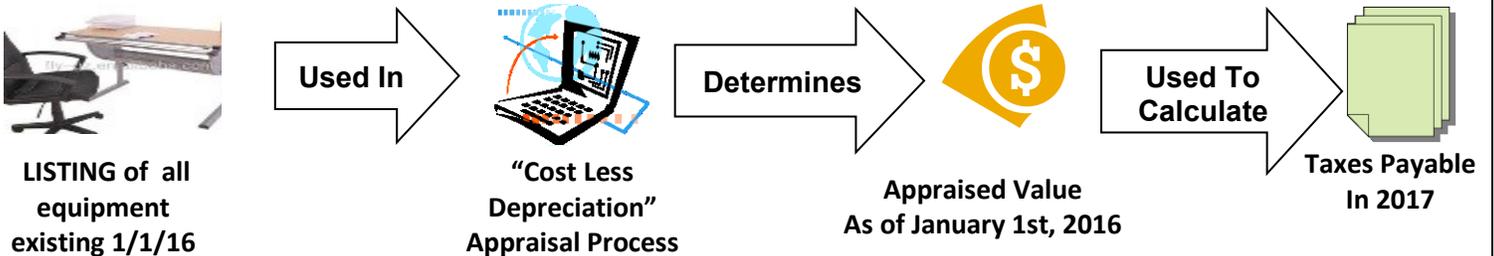


Personal Property Appraisal Process

Snohomish County Assessor 

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The Personal Property Appraisal Process:



Introduction

Purpose of this Document

The purpose of this document is to briefly outline the procedures used by the Snohomish County Assessor's Office to appraise **personal property** for *ad valorem*¹ tax purposes and to satisfy the legal requirement to supply documentation as to how an individual property value was determined when such documentation is requested by a property owner as part of the property value appeal process. [RCW 84.48.150](#)

Role of the Assessor

It is the responsibility of the Assessor to administer the property assessment system. A component of that responsibility is the appraisal of all property at 100% of its market value. The Snohomish County Assessor's office performs the appraisals on an annual basis.

Mission Statement

Our mission is to administer a property assessment system, that meets constitutional and statutory requirements, in an efficient and professional manner, while striving to provide excellence in service to our customers.

Personal Property

Personal property consists of every kind of property that is not real property. A chief characteristic of

¹ Items in *blue* italics can be found in the Glossary at the end of this document.

personal property is mobility. Personal property includes all equipment or assets used to conduct business, including assets attached to *real property*, such as *fixtures* or *leasehold improvements*.

Taxable Personal Property

Unless specifically exempt, all tangible personal property is subject to personal property tax. The major categories of **taxable** personal property include the following:

Machinery and Equipment, Fixtures and Furniture:

Most machinery, equipment, and fixtures are considered personal property unless permanently affixed to real property. Personal property is generally considered permanently affixed to real property if it cannot be removed without causing damage to the real property, or if it is adapted for use in only one location.

Taxable tangible personal property includes, but is not limited to:

- Office equipment such as computers and printers
- Office furniture and fixtures such as desks, chairs, etc.
- Store fixtures and equipment
- Computer software (canned and embedded)
- Manufacturing machinery and equipment
- Construction equipment
- Office trailers
- Signs

Leased Equipment: Equipment that is leased under a lease-purchase contract is subject to personal property tax. Both the lessor and the lessee may be requested to list the equipment. The assessor will determine which party is liable for the tax.

Farm Equipment, Machinery, Supplies and Tools: Most farm equipment, machinery and supplies are subject to personal property tax. An exemption or partial exemption may apply to some farm machinery and equipment. Contact your local assessor for exemption information.

Leasehold Improvements: Personal property tax applies when the lessee/tenant retains ownership of the leasehold improvements, or is required to removed them at the end of the lease. For example, the improvements a lessee makes to a leased space are taxable as leasehold improvements.

Supplies, Materials and Tools: Taxable materials and supplies include office, shop, janitorial, brochures, promotional materials, fuels held in storage, spare parts, etc. Tax does not apply to items that are held for resale or that become an ingredient or component of an article manufactured for sale.

Vehicles: Personal property tax applies to vehicles that are used off-road and not primarily designed for use on public streets or highways, licensed or not. Taxable vehicles include:

- Vehicles used entirely upon private property
- Special highway construction equipment, such as earth moving and paving equipment.
- Farm vehicles
- Off-road vehicles
- Racing vehicles

Intangible Personal Property

Personal property tax does not apply to intangible personal property such as monies, notes, certificates of deposit, personal service contracts, franchise agreements, trademarks, patents, brand names, copyrights, licenses and customer lists.

Appraisal Methodology

Mass Appraisal: The annual appraisal of properties in Snohomish County is performed using a technique known as 'mass appraisal'. Mass appraisal is defined as:

The process of valuing a group of properties as of a given date, using standard methods, employing common data, and allowing for statistical testing.²

Why Assessors Use Mass Appraisal

It is cost prohibitive for the Assessor's office to appraise approximately 300,000 real and personal property parcels each year by performing single property appraisals utilizing three comparable sales. Assessors instead use mass appraisal techniques to arrive at *assessed values*. For the valuation of personal property, the primary recommended mass appraisal methodology is the Cost Approach – Trended Investment Method. Washington State Department of Revenue (*DOR*) sets personal property valuation processes and standards to promote statewide uniformity and standardization in personal property assessment. DOR conducts valuation studies for physical depreciation of asset types to determine factors/indicators based on Producer Price Index Trends and Declining Balance Depreciation tables. Each year DOR publishes their *depreciation schedules*, trend rates and tables by asset type in Personal and Industrial Property Valuation Guidelines – Trended Investment Method. The Assessor employs DOR Guideline's "historical total *acquisition cost* less depreciation" personal property appraisal methodology. For Personal and Industrial Property Valuation Guidelines, including asset types, depreciation tables, and rates by purchase year for current and past assessment years go to:

dor.wa.gov/content/findtaxesandrates/propertytax/prop_psnlpropvalsched.aspx

Who Performs Personal Property Appraisals

Personal Property appraisal is performed by auditor-appraisers and auditor-analysts trained in personal property appraisal techniques and property assessment administration.

Personal Property Listing Requirements

Personal property listing is referred to as a "self-reporting system". As a property owner, you are responsible for filing a personal property listing each year that you have taxable property, even if you do

² *Glossary for Property Appraisal and Assessment*, IAAO, 1997.

not receive the form by mail. If you have multiple business locations, you must complete a separate listing for each location. The assessed value is allocated to the taxing district based on where the property is located. An illustrative "Business Sample" listing form is available at: www.snohomishcountywa.gov/DocumentCenter/View/1382. Washington Administrative Code (WAC) clearly defines the requirements for the listing of personal property:

WAC 458-12-060 Listing of personal property

(1) **Introduction.** This rule provides information about the listing of personal property subject to ad valorem taxation. This rule also provides specific information about the listing of personal property by manufacturers. For information about the listing of ships and vessels subject to property taxation, refer to WAC [458-17-101](#).

(2) **Who is required to list personal property with the county assessor?** Every person is required to list all taxable (i.e., nonexempt) personal property in the person's ownership, possession, or control. RCW [84.40.185](#) and [84.40.190](#). Every person required to list personal property must deliver to the county assessor a form listing all of the person's taxable personal property that was located in the county as of 12:00 p.m. on January 1st of the assessment year. The listing may be delivered to the assessor either in person, by mail, or by electronic transmittal (e.g., internet-based application, e-mail, or facsimile) if available. The listing does not need to be signed or verified under penalty of perjury. (Chapter 302, Laws of 2003.)

For purposes of this rule, the term "person" includes natural persons and artificial persons such as partnerships, corporations, limited liability companies, associations, trusts, and estates.

(a) **How should property be identified on the listing form?** Each item of taxable personal property may, but need not, be separately identified on the listing form. At a minimum, however, each category of taxable personal property must be separately identified on the listing form. For example, office equipment must be separately identified as personal computers

and peripherals, facsimile machines, copiers, telephone equipment, office furniture, supplies, and the like. RCW [84.08.020](#) and [84.40.040](#).

(b) **What other information must be included in the personal property listing?** In addition to a listing of all categories of taxable personal property, a listing form must also include:

(i) The year of acquisition for each category of personal property; and

(ii) The total original cost of each category of personal property. The value of any trade-in is not to be deducted from the acquisition cost. For purposes of listing taxable personal property, the total original cost includes all costs associated with making the property operational but excludes sales tax. For example, installation, freight, and engineering charges are costs that may be incurred while placing property into operation. RCW [84.08.020](#) and [84.40.040](#).

(c) **When are personal property listings due?** RCW [84.40.040](#) provides that personal property listings are due on or before April 30th. A penalty may be added to the amount of tax assessed if listing is not made by the due date. RCW [84.40.130](#). Refer to WAC [458-12-110](#) for detailed information about the penalties imposed under RCW [84.40.130](#).

Audit of Personal Property Listings

A primary component of the appraisal process is the auditing of filed Personal Property Listings. Personal Property Listing forms, mailed out each January, may be filed by paper or accessed via E-file. The filing due date is April 30th.

Auditing or inspecting of existing personal property accounts are primarily a verification of data previously collected on a property and also a time to note changes that may have occurred since the last reporting period. Changes may include additions or *dispositions/disposals* of furniture, fixtures, equipment, leasehold improvements and all other types of personal property. Inspections primarily consist of auditing of listings and depreciations schedules. On-site Inspections and audits of personal property accounts are not mandated but may be conducted.

Per RCW 84.40.025 Access to property required:

For the purpose of assessment and valuation of all taxable property in each county, any real or personal property in each county shall be subject to visitation, investigation, examination, discovery, and listing at any reasonable time by the county assessor of the county or by any employee thereof designated for this purpose by the assessor. In any case of refusal to such access, the assessor shall request assistance from the department of revenue which may invoke the power granted by chapter [84.08](#) RCW.

Appraisal When No Listing Filed

Per RCW [84.40.070](#) Companies, associations-Listing

The president, secretary, or principal accounting officer or agent of any company or association, whether incorporated or unincorporated, except as otherwise provided for in this title, shall make out and deliver to the assessor a statement of its property, setting forth particularly:

- (1) the name and location of the company or association;
 - (2) the real property of the company or association, and where situated; and
 - (3) the nature and value of its personal property.
- The real and personal property of such company or association shall be assessed the same as other real and personal property. *In all cases of failure or refusal of any person, officer, company, or association to make such return or statement, it shall be the duty of the assessor to make such return or statement from the best information he or she can obtain.* (italics added)

Appraisal if Incomplete or Inaccurate Listing Filed

As stated in WAC [458-12-060 \(2\)\(e\)](#)

(e) What if the assessor believes that an incomplete or inaccurate listing has been made?

When the assessor believes that an incomplete or inaccurate listing has been made, the assessor has the following options:

- (i) If the assessor believes that a person listing personal property for himself or herself, or

on behalf of a principal (e.g., any other person, company, or corporation), has not made a full, fair, and complete listing of such property, the assessor may examine the person under oath in regard to the amount of the property the person is required to list. If the person refuses to answer under oath, the assessor may list the property of that person, or of that person's principal, according to the assessor's best judgment and information. RCW [84.40.110](#). Any oath authorized to be administered under Title 84 RCW may be administered by any assessor or deputy assessor, or by any other officer having authority to administer oaths. Any person willfully making a false list, schedule, or statement under oath is subject to the penalties of perjury. RCW [84.40.120](#).

(ii) For the purpose of verifying any list, statement, or schedule required to be furnished to the assessor by any taxpayer, any assessor or the assessor's trained and qualified deputy may visit, investigate, and examine any personal property at any reasonable time. For the purposes of this verification, the records, accounts, and inventories, which will aid in determining the amount and valuation of the property, will also be subject to visitation, investigation, and examination. The visitation, investigation, and examination may be performed at any office of the taxpayer in this state. The taxpayer is required to furnish or make available all the information pertaining to property in this state to the assessor even though the records may be maintained at any office outside this state. RCW [84.40.340](#).

Mass Appraising Personal Property

Mass Appraisal does not require physical inspection of all property. For personal property, an inspection of Listings, and depreciation schedules when attached, can constitute an entire inspection.

Appraisal Date

RCW [84.40.020](#), instructs Assessors to appraise property as of January 1st of each year.

All real property in this state subject to taxation shall be listed and assessed every year, with

reference to its value on the first day of January of the year in which it is assessed.

Sales Comparison Approach / Direct Comparable Sales Not Used

The mass appraisal process in Personal Property does not use a *sales comparison* approach / direct comparable sales to establish value. It does not identify a set of comparable sales for each property, track which sales were selected, adjust them for differences, and use the results to establish the appraised value. As noted earlier in this document this methodology is cost prohibitive. Rather the personal property mass appraisal process employs DOR's "historical cost less depreciation" appraisal technique applying recommended depreciation trend rates and tables by asset type per Personal and Industrial Property Valuation Guidelines – Trended Investment Method.

Appraisal Level: Market Value

Statutory Authority

RCW [84.40.030](#) directs assessors as to the level at which all property is to be appraised.

All property shall be valued at one hundred percent of its true and fair value in money as assessed on the same basis unless specifically provided otherwise by law.

The definition of "true and fair value" can be found in the Washington Administrative Code (WAC [458-07-030](#)) (emphasis added).

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.**

Please note that in personal property appraisal, market value is not the same as *net book value*, *liquidation value*, *salvage value* or *scrap value*.

Fair and Equitable Appraisals

Uniformity, or equity in appraisals is achieved by applying the trends, rates and schedules set for Washington State, as published annually in DOR's Personal and Industrial Property Valuation Guidelines – Trended Investment Method. The Assessor's office works diligently to meet the published standards.

Annual Audit by Department of Revenue

Washington State Department of Revenue has powers to supervise, control, administer and audit the performance of assessments in the state. Each year DOR conducts an audit of personal property assessments. The purpose of these audits is to ensure uniformity and equity in taxation throughout the state to the maximum extent possible and determine the ratio of assessed value to the full true and fair value of the property in each county.

DOR Powers and Authority

RCW [84.08.010](#) Powers of Department of Revenue -- General supervision -- Rules and processes -- Visitation of counties.

The Department of Revenue shall:

(1) Exercise general supervision and control over the administration of the assessment and tax laws of the state, over county assessors, and county boards of equalization, and over boards of county commissioners, county treasurers and county auditors and all other county officers, in the performance of their duties relating to taxation, and perform any act or give any order or direction to any county board of equalization or to any county assessor or to any other county officer as to the valuation of any property, or class or classes of property in any county, township, city or town, or as to any other matter relating to the administration of the assessment and taxation laws of the state, which, in the department's judgment may seem just and necessary, to the end that all taxable property in this state shall be listed upon the assessment rolls and valued and assessed according to the provisions of law, and equalized between

persons, firms, companies and corporations, and between the different counties of this state, and between the different taxing units and townships, so that equality of taxation and uniformity of administration shall be secured and all taxes shall be collected according to the provisions of law.

(2) Formulate such rules and processes for the assessment of both real and personal property for purposes of taxation as are best calculated to secure uniform assessment of property of like kind and value in the various taxing units of the state, and relative uniformity between properties of different kinds and values in the same taxing unit. The department of revenue shall furnish to each county assessor a copy of the rules and processes so formulated. The department of revenue may, from time to time, make such changes in the rules and processes so formulated as it deems advisable to accomplish the purpose thereof, and it shall inform all county assessors of such changes.

(3) Visit the counties in the state, unless prevented by necessary official duties, for the investigation of the methods adopted by the county assessors and county boards of commissioners in the assessment and equalization of taxation of real and personal property; carefully examine into all cases where evasion of property taxation is alleged, and ascertain where existing laws are defective, or improperly or negligently administered.

Personal Property Audit Performance & Ratios

WAC 458-53-010 Declaration of purpose.

This chapter is promulgated by the department of revenue in compliance with RCW [84.48.075](#) to describe procedures for determination of indicated *ratios* of real and personal property for each county, so as to accomplish the equalization of property values required by RCW [84.12.350](#), [84.16.110](#), [84.48.080](#) and [84.52.065](#). The procedures in this chapter describing the department's annual *ratio study* are designed to ensure uniformity and equity in property taxation throughout the state to the maximum extent possible.

(13) "Ratio" is the percentage relationship of the assessed value of real or personal property to the market value of real or personal property.

(14) "Ratio study" is the department's annual comparison of the relationship between the county assessed values of real and personal property with the market value of that property as determined by the department's analysis of sales, appraisals, and/or audits or the comparison of the relationship between the county assessed values of real property classified under chapter [84.34](#) RCW (current use) with the current use value of that property as determined by the department.

Snohomish County Personal Property Ratio Results

Below are the results of Snohomish County's Personal Property Ratio studies in recent years. Each year DOR randomly selects personal property accounts for detailed audit. The result of each personal property account audit is written in detail and an appraised market value is determined for that account by DOR. The DOR market value is compared to the assessed value made by the Snohomish County Assessor. A ratio of the Assessor's correctness is determined for each separate account, and then an overall ratio of correctness is determined for the Audit Year. Any ratio less than 100% indicates the Assessor's assessed values were slightly below market value as determined by DOR.

The result of Snohomish County Assessor's Office overall ratio in recent years is listed below.

| Audit Year | Final Ratio of All Accounts Audited |
|------------|-------------------------------------|
| 2016 | 98.3% |
| 2015 | 98.5% |
| 2014 | 100.0% |
| 2013 | 98.5% |
| 2012 | 99.9% |
| 2011 | 98.5% |
| 2010 | 99.6% |

Assessor's Office Contact Information

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Website...www.snohomishcountywa.gov/Assessor

Glossary

Acquisition Cost.....The cost used in accounting to represent the purchase price of an asset. If installation and other associated costs are included, the term "total acquisition cost" should be used.

Actual Age.....The actual number of years that have elapsed since the completed construction of an improvement; also referred to as historical age or chronological age.

Ad Valorem.....According to value.

Appraised ValueMarket Value. The estimate of the value of a property before application of any fractional assessment ratio, partial exemption, or other adjustments.

Assessed ValueA value set on real estate and personal property by a government as a basis for levying taxes. Taxable Value (Market Value adjusted for any exemptions).

Cost ApproachOne of three approaches to value, the cost approach is based on the principle of substitution – that a rational, informed purchaser would pay no more for a property than the cost of building an acceptable substitute with like utility. The cost approach seeks to determine the replacement cost new of an improvement less depreciation plus land value.

Depreciation Schedules...Tables used in mass appraisal that show the typical loss in value at various ages or effective ages for different types of properties.

Disposal/Disposition....To transfer or part with, as by giving or selling, or act of throwing out or away.

DOR.....Washington State Department of Revenue.

Fixture.....(1) Attached improvements that can be real or personal property.

If attached to the realty in such a manner that its removal would damage the real property or the fixture, the fixture is realty. If the fixture is removable without damage, it is generally considered personal property. (2) An item of equipment that, because of the way it is used, the way it is attached, or both, has become an integral part of a building or other improvement. A fixture such as a bathtub, is classified as real property, but trade fixtures (fixtures used in the conduct of business) are classified as personal property.

Improvements.....Anything done to raw land with the intention of increasing its value. A structure erected on the property constitutes one very common type of improvement.

IAAO International Association of Assessing Officers

Leasehold Improvements...Items of personal property such as furniture and fixtures associated with a lessee (the tenant) that have been affixed to the real property owner by a lessor.

Liquidation Value..... The estimated gross dollar amount that could be typically realized at properly conducted public auction held under forced conditions and under present-day economic trends.

Liquidation Value-in-Place...The estimated proceeds of a forced sale of an entire facility or property.

Net Book Value.....The value at which an asset is carried on the balance sheet. An asset's book value at any time is its cost less accounting depreciation.

PRD.....Price Related Differential. Measures the uniformity of appraisals between high value and lower value properties.

Personal Property.....Consists of every kind of property

that is not real property; movable without damage to itself or the real estate; subdivided into tangible and intangible. Also called "personalty".

Ratio..... is the percentage relationship of the assessed value of real or personal property to the market value of real or personal property.

Ratio Study.....is the department's annual comparison of the relationship between the county assessed values of real and personal property with the market value of that property as determined by the department's analysis of sales, appraisals, and/or audits or the comparison of the relationship between the county assessed values of real property classified under chapter 84.34 RCW (current use) with the current use value of that property as determined by the department

Real Property..... Consists of the interests, benefits, and rights inherent in the ownership of land plus anything permanently attached to the land or legally defined as immovable; the bundle of rights with which ownership of real estate is endowed. To the extent that "real estate" commonly includes land and any permanent improvements, the two terms can be understood to have the same meaning. Also called "realty."

RCW.....Revised Code of Washington

Revaluation.....Systematic reappraisal of property for property tax purposes.

Sales Comparison.....One of three approaches to value, the sales comparison approach estimates a property's value by reference to comparable sales.

Sale, Arm's-Length..... . A sale in the open market between two unrelated parties, each of whom is reasonably knowledgeable of market conditions and under no undue pressure to buy or sell.

Sale, Distress..... A sale made to meet the immediate and pressing needs of the seller at whatever price the property will bring.

Sale, Forced..... A sale made pursuant to law; usually an auction sale that is involuntary on the part of the owner.

Sale, Normal..... A sale in which neither the buyer nor the seller acts under legal or economic compulsion, in which both parties are reasonably well informed, and in which both are primarily actuated by economic motives. *Compare market value and arm's-length sale.*

Salvage Value..... .. The value which badly depreciated improvements, machines, or equipment would have if dismantled and sold in separate parts or pieces; the value of an asset at the end of its economic life. *Compare scrap value.*

Scrap Value..... .. The value that the basic, recoverable materials (usual metals) of a physical property would have as junk if it were completely broken up or too badly deteriorated to serve its normal purpose; the value of an asset at the end of its physical life. *Compare salvage value.*

USPAP..... .. Uniform Standards of Professional Appraisal Practice

WAC..... Washington Administrative Code

Note: Basic definitions of the appraisal terms in the glossary are derived or paraphrased from "The Glossary for Property Appraisal and Assessment", IAAO, Editions, 2013 & 1997