



STATE OF WASHINGTON
DEPARTMENT OF REVENUE

May 18, 2011

TO: All County Assessors

FROM: Deb Mandeville, Ratio Specialist
Property Tax Division

Deb Mandeville

SUBJECT: SPECIAL WARRANTY DEEDS

In conjunction with the Department of Revenue's (Department) recent memorandum regarding the treatment of Bargain and Sale Deeds in the state's annual real property ratio study, Special Warranty Deeds have been reviewed.

As mentioned in the May 2, 2011 memorandum, many counties have already completed their analysis for the current year's assessments. As a result, it would create duplication of work and impact uniformity across the state to allow the inclusion of Special Warranty Deed sales in the valid sales reports for the 2011 Ratio Study.

Recommendations for the 2011 Ratio Study

Special Warranty Deeds will continue to be considered invalid for state ratio purposes for the 2011 Ratio Study. Only sales with Warranty Deeds or Real Estate Contracts should be included in the valid sales reports. (WAC 458-53-080)

Recommendations 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 and Sale Deeds, Special Warranty Deeds, and other types of transactions included in the valid and invalid sales reports for future analysis.
- Special Warranty Deed sales will no longer be automatically considered invalid. They may be included in valid sales reports, along with Warranty Deeds, Real Estate Contract sales, and Bargain and Sale Deeds 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 process for establishing assessed values.

The Department's stance regarding Special Warranty Deed sales would be that we expect an assessor to "consider" those sales on a case-by-case basis and make a determination as to

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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?

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 for consideration with the Assistant Director of the Department’s Property Tax Division. 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.

Questions

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

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