JACKSON COUNTY ASSESSMENT & TAXATION REVIEW

By:
Oregon Department of Revenue
Property Tax Division
Date July 18, 2022

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Executive Summary

Pursuant to Oregon Revised Statute 306.115, and in cooperation with the Jackson County Assessor (Assessor), Administrator, and Internal auditor, the Oregon Department of Revenue (DOR) examined the current Jackson County assessment and taxation (A&T) programs. The review was performed during February 2022 to June 2022 to establish a baseline for assessing compliance with statutes, administrative rules, and the Department of Revenue procedural guidelines. The department examined functional areas using a combination of staff interviews, office policy and procedure review and field testing.

Our projection of future performance based on current status and our review find five areas that are adequate, 11 areas that are at risk, and one area considered inadequate. The areas that are at risk or inadequate need immediate attention.

The Oregon Department of Revenue will work with the county to create an adequacy plan by November 1, 2022, that will set out necessary steps to bring the A&T to full adequacy, including returning the county to compliance with ORS 308.232 (valuing property at 100 percent of real market value).

Introduction

Background

Pursuant to its oversight authority set out in ORS 306.115, the Oregon Department of Revenue (DOR) has undertaken this review of the Jackson County Assessor's and Tax Collector's offices to evaluate those offices' compliance with statutes, administrative rules, and the DOR procedural guidelines. The department examined core functions using a combination of site visits, personal interviews, along with examination of tax data, office policies, and procedures.

Goals

The intended goals of this review are to:

- Determine if the county's current A&T functions and systems meet statutory obligations.
- Make the assessor and governing body aware of any deficiencies identified.
- Recognize strengths of the county A&T system that may exist.
- Suggest more efficient and effective procedures for completing the statutorily required work, as appropriate.

Process / Methodology

DOR staff met with employees in the Jackson County Assessment and Tax offices, as well as the Finance Division, to discuss and analyze current process and procedures.

Our review focused on functional program areas and each of these areas were reviewed for compliance with Oregon Revised Statutes and Oregon Administrative Rules. Functions reviewed, applicable statutes and current program area status are included in the following summary table.

Staff findings are outlined in the Summary of Findings. The Summary of Findings represent the conclusions of the DOR as of the date of the review. Recommendations for improvements to program function areas have been made where applicable.

Program Area Status Definitions

Adequate: The current business process and/or practices found at this time are acceptable.

At Risk: The current business process and/or practices found during this review have potential to cause programs to be out of compliance with Oregon Revised Statutes and Rules.

Inadequate: Action is required. The current business process and/or practice found during this review are creating misalignment with Oregon Revised Statutes and Rules and places the county at risk of being unable to support values, functions, or actions.

Summary Table

Function Area	Authority	Current Status
Commercial/Industrial Appraisal	ORS 306.126, 308.232 to 308.236, 308.290, 308.330	Adequate
Mass Appraisal	ORS 308.232 to 308.236, 308.330	At Risk
Ratio Studies	ORS 308.050, 308.330, 309.200, 309.203	At Risk
Personal Property	ORS 308.290 to 308.296	Adequate
Special Assessment-Farm/Forest	ORS Chapters 308A and 321	At Risk
Seg/ Merge	ORS 308.146	At Risk
BoPTA/ Stipulations	ORS 308.242, 308.295(7), 308.296(8), 308.330, 309.100, 309.110, 311.208	At Risk
CAFFA Deposits	ORS 294.175, 294.178, 294.184, 294.187	Adequate
CAFFA Grants	ORS 294.175, 294.178, 294.184,294.187	At Risk
Exemptions	ORS Chapter 307 and 285C	At Risk
Roll Corrections	ORS 308.242, 311.205, 311.206, 311.216 to 311.232	At Risk
Tax Certification	ORS 310.060 to 310.070, 457.400, OAR 150-310-0040	At Risk
Tax Computation Including Urban Renewal	ORS Chapter 310, 198.955, 222.111, 311.175, 457.450, OAR 150-310-090 and 150-457-0450	Inadequate
Roll Turn	ORS 308.242, 308.320, 309.330, 310.110, and 311.105	At risk
Cartography	ORS 306.125	Adequate
Tax Collection	ORS 305.286, 306.245, 308.425, Chapter 311 & rules, Chapter 312 & rules	At Risk
Tax Distribution	ORS 311.390 and 311.391	Adequate

Summary of Findings and Recommendations

Function Area	**Commercial/Industrial Appraisal**
Authority/ORS	ORS 306.126, 308.232 to 308.236, 308.290, 308.330
Current Program Area Status	Adequate

Commercial/Industrial appraisal includes owner occupied and income producing property such as office buildings, medical facilities, shopping centers, retail stores, and industrial properties.

Summary of Findings:

- The commercial team uses Marshall and Swift, an industry recognized commercial cost data valuation service, to develop replacement costs, depreciated values of buildings and other improvements for commercial and industrial properties. Marshall and Swift is available nationally in electronic or paper “book” form and is updated by Marshall and Swift generally on a quarterly basis. Jackson County subscribes to the book form of Marshall and Swift. The county utilizes Marshall and Swift by calculating property components via pencil and paper. The results are manually entered into the Computer Assisted Mass Appraisal (CAMA) system.
- Jackson county subscribes to IncomeWorks which is a market-specific guide designed to provide information pertinent to income producing properties. Data reported in the IncomeWorks guide is the result of comparative data analyses, performed by IncomeWorks, utilizing national and local data. Income producing property must meet multiple criteria to be included in the IncomeWorks guide. For example, the property type must exist in enough quantity, exist in enough markets, be sold in arms-length transactions, have adequate market data available (such as rents, expenses, and capitalization rates) and be readily rentable in the marketplace. The six major property types studied and included in the IncomeWorks guide are commercial, industrial, lodging, office, retail, and multi-family. Each major property type is further refined and studied. For instance, the commercial property type includes, self-storage units, flex - space, mixed use property, auto service and shop/ utility type buildings. The IncomeWorks guide includes comparative data analysis for multi-year periods. Information provided in this guide assists the county in determining the appropriate income approach to value for income producing properties.
- Appraisal Works is an internal repository used by assessment staff. Appraisal Works includes documents such as appraisal procedures, benchmark appraisal studies, land studies, and appraisal procedures. In many cases, information located in Appraisal Works was determined to be outdated. For example, a study for commercial land value, available

for staff to review was from 2011. The most recent industrial and commercial land studies completed by county appraisers in 2014 and 2016 were not included in Appraisal Works.

- The county subscribes to Eagle View, which provides geospatial software and aerial imagery. Land value can be identified by tax lot and includes the real market value per square foot for commercial and industrial land.
- The commercial/industrial appraisal team stated they have confidence in completing work timely even with the addition of new construction red tags from the 2020 wildfires.
- The industrial appraiser shared concern that they are unsure if the county receives all value transmittal sheets (VTS) from DOR and wanted to know if there was a way to ensure they had all VTS's accounted for.

Recommendations:

- The county should maintain a list of all state appraised Industrial accounts that receive a value transmittal sheet from DOR. Additionally, there did not appear to be any error check notations concerning state appraised industrial accounts. Addition of an error check or reminder to run a final report could circumvent missing state appraised valuations.
- Updating land studies on an annual or bi-annual basis will allow for smaller increases to value rather than the potential for large jumps in value. Accurate land values will assist in compliance with ORS 308.232, maintaining 100% of real market value on the roll.
- Include all current studies in Appraisal Works to ensure that staff have access to current information.

Function Area	**Mass Appraisal**
Authority/ORS	ORS 308.232 to 308.236, 308.330
Current Program Area Status	At Risk

Mass appraisal is defined as the systematic appraisal of group(s) of properties as of a given date using standardized procedures and statistical testing. Data is collected and analyzed in mass quantities based on similar economic influences such as quality of homes, location, and external influences. Statistics are developed from the data and the results are applied to a large number of properties. Mass appraisal relies on accurate and updated modeling techniques to reflect market fluctuations that may affect real market value.

Summary of Findings

- Local Cost Modifier (LCM): Local cost modifiers (LCM) are a vital component of achieving an accurate cost estimate in each county. An LCM is a local market adjustment applied to the 2005 DOR Cost Factors for Residential Buildings (cost factor manual). The manual provides Oregon assessors with base cost data for each property type and class. Property classes range between Class 1 for basic shelter, and Class 8 representing the highest quality custom home. Additionally, comparison of local construction material and labor costs to the cost data in the manual should be performed on an annual basis. An LCM below 1.00 indicates that the base costs in the factor book need to be decreased. An LCM above 1.00 indicates that the base costs in the manual need to be increased.
- The average statewide Local Cost Modifier (LCM) adjustments for residential property classes are Class 3 LCM 1.48, Class 4 LCM 1.47, Class 5 LCM 1.41, Class 6 LCM 1.36. Analysis was performed on the same residential property classes in Jackson County which revealed inconsistencies in the LCM across all neighborhoods and classes of homes. In Jackson County the average Class 3 LCM is .88, Class 4 is .97, Class 5 is .90 and Class 6 is .93.

  The last studies related to the LCM were performed in 2009 utilizing MA-6 East Medford data and 2011 utilizing Central Point and Eagle Point data. County staff have indicated that the employee who was historically responsible for maintaining and updating the Computer Assisted Mass Appraisal (CAMA) tables is no longer with the county. Thus, even if a current LCM study was completed, updating the CAMA system would be problematic because it is unknown what other tables are intertwined and combined with this adjustment and how it would affect overall values. DOR reviewers noted that the Central Point Recalculation Summary performed in 2009 includes a statement on the summary tab stating "The initial On-Site Development is tied into the Local Cost Modifier of the stat class." DOR agrees with county staff concerns regarding updating the LCMs for residential homes and buildings. Changing these adjustments in the CAMA system without guidance or knowledge could lead to unintended value increases or decreases for a significant number of properties.

Local Cost Modifier Manufactured Structures (LCM): County staff have completed the LCM study for manufactured homes. County staff conferred with the DOR to assure that the process to develop the conclusions of the study was correct. Staff have stated that they have spent extensive time testing the changes in a test Computer Assisted Mass Appraisal (CAMA) environment to understand the results on overall value when the LCM is updated. The LCM change will go live in the CAMA system during the spring/summer 2022. DOR staff commends the county for embracing forward movement and taking steps to complete these studies. This completed study and work will provide a basis to be updated annually in conjunction with the Ratio Study.

- Residential Land Value: Total land value is made up of three components, the value of bare land with no improvements, onsite/offsite development, and landscaping costs. Additionally, land adjustments may be warranted to add or subtract for specific attributes such as view or traffic. Land studies should be performed on an annual basis. The most recent land studies were performed in 2009 utilizing 2008 sales in MA-6 East Medford and 2011 utilizing 2010 sales in Central Point and Eagle Point. It appears that historically tabled land values are being trended in the same manner as the improvements.

- Onsite/Offsite Development/Market Development (OSD): Onsite/Offsite development costs are those that improve land from a raw state to a buildable site ready for an improvement such as a house or manufactured home. Generally, there is significant cost associated with this process and varies across the state. Each county surveys local contractors as well as city and county jurisdictions to determine local costs associated with water, sewer, wells, septic, electric and local permit costs. It is typical to have OSD values above $25,000. For example, a property in the Grants Pass area of Jackson County has an OSD (code 1200 market development) value of $47,430 and a property in Medford is $68,120.

- County staff acknowledged that studies to support and document OSD market development costs have not been completed since 2009 and 2011. Research within the Computer Assisted Mass Appraisal (CAMA) system indicates that the previously established on-site/off-site development (OSD) is being trended in tandem with the improved property trend. Using the Medford example above, the OSD indicates a tabled value of $45,000. The trend for this study area is 151.37, bringing the OSD value to $68,120. It is unknown if this OSD value is accurate.

  DOR analysts noted that in many cases a $20.00 value was attributed to the OSD or Market Development landline. DOR staff randomly selected properties to determine if the $20.00 value was either a common or rare occurrence. The random samples showed that this $20.00 value appears frequently. Staff were unable to explain why the $20.00 was in place and suggested that it was a place holder that was applied when the CAMA system was converted in 2002.

- Landscaping: Landscaping is a component of land that adds to the overall desirability of a property. Landscaping can include basic grass, plants, trees, underground sprinklers, water features, stonework and so on. Studies should be completed to determine that the current costs associated with yard and landscaping improvements are appropriate for local market influences. While it is beneficial to perform this study yearly, it is reasonable that it could be addressed every three to five years. There is no indication that a study for this land component has been conducted since 2009 or 2011. The historically tabled values are trended using a cumulative trend. The value associated with this land component is unsupportable.

- Adjustments to Land: Adjustments to land value are determined through studies performed by the county. Often adjustments are made for views, high traffic areas, parks, corner lots, extreme topography, water access and so on. Land adjustments need to be supportable and documented.

  County staff indicate that the current land adjustments were put into place sometime prior to 2008. There is no documentation to support the adjustments. Many accounts have multiple land adjustments. For example, a property with 7.2 acres has nine land adjustments. Four of the adjustments are for topography, two are irrigation, and the remaining three are for access, view, and vegetation. Five of the adjustments are positive adjustments and four are negative adjustments. The highest adjustment is $40,000 for a view and the lowest is $40.00 for vegetation. Land adjustments are being trended using a cumulative trend. Generally, the trend is the same as the trend used for all other landlines. The land adjustments are not supportable.

- Condominiums: Condominiums are a type of property in which the owner does not own the land or other improvements known as common elements, outside of the individual condominium living structure. Value for the land, parking areas and other amenities are allocated to each condominium owner. DOR staff randomly sampled accounts with condominiums and noted that a $10.00 value is in place on the land line. Staff were unable to explain why the $10.00 was in place and suggested that it was a place holder that was applied when the Computer Assisted Mass Appraisal (CAMA) system was converted in 2002.

- Market Value Indicators: Market Value Increments (MVI) were developed prior to 2008 by previous data analysts. Conversations with appraisers indicate a lack of confidence in the current CAMA tables, thus they use MVI adjustments to bring the value of property to a level they believe is more likely to be correct or to "the right value." There are many MVI adjustments associated with each neighborhood. For example, staff indicated that one neighborhood had approximately 60 types of access adjustments from which an appraiser could choose. Supporting documents for the adjustments are unavailable and staff indicated studies to support the adjustments had not been completed.

- Appraisal Works is an internal repository used by assessment staff which includes documents such as appraisal procedures, benchmark appraisal studies, land studies, and appraisal procedures. Appraisal Works directs staff to include open covered porches as part of the total livable square footage of manufactured structures. Conversations with staff confirmed this is current practice. This means that the square footage of the porch is being valued the same as completed living space. This practice does not meet accepted appraisal and industry standards.

- The Year End Error List Summary document dated July 2011 was provided to DOR staff. This document contains 173 points to check for errors prior to roll certification.

Recommendations:

DOR staff recommends that the county develop a plan to update all necessary studies and incorporate the results into the Computer Assisted Mass Appraisal (CAMA) system. Updated studies are necessary to have credibly accurate real market values on the tax roll. These studies include but are not limited to Local Cost Modifier (LCM), Land, Onsite/Offsite Development/Market Development (OSD), Landscaping and Market Value Increments (MVI) adjustments. This work needs to be a priority and completed as soon as possible to assure credible real market value. Additionally, written procedures will need to be updated to reflect the proper use of updated studies and adjustments. Further training of appraisal staff in the appropriate use of adjustments will assist with providing supportable roll values.

DOR recommends that the county stop using cumulative trends. The establishment of a process to perform all annual studies noted above will allow the county to move away from this practice.

Non-living areas attached to a manufactured home should no longer be valued as living area. The procedure in Appraisal Works should be updated.

Function Area	**Ratio Studies**
Authority/ORS	ORS 308.050, 308.330, 309.200, 309.203
Current Program Area Status	At Risk

Real estate prices fluctuate throughout the year. Oregon Revised Statutes (ORS) mandate assessors track and measure the real estate market to maintain 100 percent of real market value (RMV) as of the January 1 assessment date. To demonstrate compliance has been achieved, assessors are required by ORS 309.200 to annually complete ratio studies and publish the Assessors Certified Ratio Study report. With the knowledge attained while completing the ratio study, the assessor can identify appraisal priorities. Staff were interviewed on site and provided the process for completing the ratio analysis and preparing the final ratio study.

Summary of Findings:

- Ratio studies are available on the public website.
- Land studies have not been performed in over 10 years.
- Residential Local Cost Modifier (LCM) studies that should be completed in conjunction with the ratio study have not been completed in over ten years.
- Cumulative trends are being used in place of updating necessary studies.
- Manufactured structure Local Cost Modifier (LCM) is being completed in collaboration with DOR staff.
- Local market studies to support real market value have not been performed in over 10 years.
- Onsite development costs are outdated or missing.
- Continuity of table maintenance in the Computer Assisted Mass Appraisal (CAMA) system is lacking.
- Sales verification letters are mailed timely to taxpayers and capture the data needed to confirm market transactions.
- Local market studies to support real market value have not been performed in over 10 years.
- Jackson County performs and provides a timely ratio study on an annual basis to DOR. Results of the study are incorporated into the Computer Assisted Mass Appraisal (CAMA) system which adjusts the value of properties.
- Due to the lack of annual studies that should be performed in conjunction with the ratio study, the results of the study may not be accurate.
- Some appraisers are adjusting components of value to meet the sale price of property. This is known as sales chasing; it is not an appropriate appraisal methodology and should cease.

Recommendations:

Update all necessary studies and incorporate the results into the Computer Assisted Mass Appraisal (CAMA) system. Updated studies will support the value on the roll. These studies include but are not limited to Local Cost Modifier (LCM), Land, Onsite/Offsite Development/Market Development (OSD), Landscaping and Market Value Increment (MVI) adjustments.

Appraisal staff should receive training to understand what the purpose of the ratio study is and how individual appraisal work affects the results of the study. This will increase the understanding of staff and be aware of sales chasing when it comes to analysis of the sales and the real market values and trend analysis.

Function Area	**Personal Property**
Authority/ORS	ORS 308.290 to 308.296
Current Program Area Status	Adequate

Taxable personal property generally includes items used in a business. These items can include business furnishings; libraries; certain machinery and equipment, including any business property not currently being used; property placed in storage; property held for sale not in the ordinary course of business; expensed items; or items fully depreciated by federal standards. Personal property is a self-reporting process on a Department of Revenue prescribed form.

<u>Summary of Findings</u>

- Updated process and procedures are current and being utilized by county staff.
- Desk audits are being completed as time allows, no field audits are being completed.
- Personal property returns are being reviewed and processed timely.
- DOR analysts were provided with the Business Personal Property Policies, Procedures and Checklists that were approved in February 2020. These procedures include direction on real vs. personal property, unsigned returns, typical values, discovery process, lessor/lessee relationships, and more.
- Office policy states that when staff believe items may have been omitted from the personal property return, they will add the account to the audit list. The audit list in 2019 contained approximately 20 accounts and personal property audits were suspended or reduced as business owners were managing the chaos of business slowdown or required government closures.
- The assessor indicated that he has directed personal property staff to depreciate some assets to zero value. ORS 307.190 (2)(a) describes the type of assets that are exempt from personal property assessment. OAR 150-307-0240 (1) states “Tangible personal property is assessed and taxed unless statutes specifically grant an exemption.”
  Depreciating assets to zero is akin to granting an exemption. The examples the assessor used as assets potentially being depreciated to zero are items such as sheets used in a hotel.
- In 2020, a short list of personal property accounts needing further review was developed but no accounts were reviewed, and no list or reviews were completed in 2021. Due to the Covid pandemic this has been common practice statewide.

<u>Recommendations</u>

- DOR recommends that, as resources allow, personal property desk and field audits resume. Field audits are important to discover omitted property that should be added to the tax roll.
- DOR recommends that personal property assets that are still on site, in use or in storage are valued appropriately. Personal property assets other than very limited assets such as molds, dies and jigs should be assessed and depreciated to a floored value.

Function Area	**Special Assessment- Farm/Forest**
Authority/ORS	ORS Chapters 308A and 321
Current Program Area Status	At Risk

The farm/forest special assessment program/processes and accounts were reviewed remotely and on site. The remote review consisted of reviewing farm/forest documents the county had supplied to the Department of Revenue (DOR), access to Jackson Counties Computer Assisted Mass Appraisal System (CAMA) and review of the property accounts via the Jackson County's website.

During the onsite visit, the Appraisal Manager and the farm/forest appraiser(s) provided additional information on the process and procedures used within the farm/forest program(s).

Summary of Findings

- The Farm Rent survey (ORS 308A.092) was last completed in 2010.
- Farm special assessed values have increased and decreased. There is no current farm rent study to support these valuation changes.
- The Oregon Department of Revenue's forestland maps that measure the productivity of forestland sites for the purpose of valuation are being used correctly when applying the forestland valuation to the land.
- Disqualification letters/templates are available.
- Disqualification letters have errors such as inconsistency in the amount of acreage being disqualified and effective tax year.
- Excel disqualification Potential Additional Tax calculation spreadsheets are available.
- Small Tract Forestland (STF) excel disqualification Potential Additional Tax calculation is using an incorrect formula.
- Special assessment program(s) information is available on the Jackson County website.
- Policies and procedures for farm/forest programs are available.
- Staff accurately decreased Maximum Assessed Value (MAV) when entering a property from Market into special assessment.
- The exception value was calculated correctly when removing a property from special assessment.
- In the event that the assessor lacks sufficient information to support a determination that land not in an EFU zone qualifies for special farm use assessment, the assessor is required to send gross income questionnaires (GIQ's) under ORS 308A.071 and OAR 150-380-1050(4)(a) on or before March 1 to non-EFU landowners to assure that non-EFU special assessed land under application continues to meet the farm gross income requirements under ORS 308A.071. GIQ's were sent out after March 1 with a return deadline of April 30. OAR 150-308-1050(4)(a) states that the landowner must provide the income information to the county assessor no later than April 15.

- The farm factor book supplied to the counties by the Department of Revenue (DOR) was last issued in 2009. No local cost modifier (LCM) study has been conducted to adjust the farm building(s) values to the current market.
- Incorrect Property Classifications (PC) are assigned to Designated Forestland (DFL) accounts. For example, an improved DFL account is receiving a PC of 601 which is "improved Highest and Best Use (HBU)" forestland, not designated. PC should reflect an improved DFL account as 641.
- Disqualification letter(s) for DFL and Small Tract Forestland (STF) are using the term "declass" when removing property from these programs. "Declass" is only used when the assessor removes a property from Highest and Best Use (HBU) forestland. The assessor's disqualification letter for DFL and STF needs to state "disqualified."
- The application for special assessment form has a box on the first page marked "For Assessor's Use only." It has information such as date received, approved, or denied, action date, and employee making the determination. In several cases this box was not completed.
- Disqualification letter(s) are required to list all alternate programs that the property may qualify for under the change in special assessment section (ORS 308A.724). The letters being used do not list the Conservation Easement program (ORS 308A.450) as a roll-over option.
- Disqualification letter(s) lacking appeal rights (in some cases).
- There are specific statutory requirements under ORS 308A.718 regarding the information that must be sent to a taxpayer when land is disqualified from special assessment. Review of multiple disqualification letter(s) found not all the components listed under ORS 308A.718 are being included in the disqualification letter(s). The disqualification notification letter required by ORS 308A.718 must:
    - State that the property will be assessed under ORS 308.156.
    - State the amount of additional tax liability that will be imposed, or if the land is not qualified for another specially assessed use, the amount of potential additional tax liability [ORS 308A.706 (1)].
    - Summarize options and have provisions to change (rollover) into another special assessment, if applicable, under ORS 308A.706(1)(d) or ORS 308A.727 (open space) as specified in ORS 308A.724.
    - Provide a statement of appeal rights within 90 days of date of disqualification.
- "Show Cause" letters, otherwise known as "intent to disqualify" are being sent out to non-EFU landowners prior to disqualification per OAR 150-308-1050.
- Declass letter for removal from Highest and Best Use Forestland (HBU) gave the landowner until October 8, 2021, to apply for DFL. ORS 321.358(2)(a) gives the landowner until December 15 of the year in which it was declassified to apply for DFL.
- Additional Tax calculation for disqualifying Small Tract Forestland (STF) is not being calculated accurately. The county is to use the certified Maximum Special Assessed Values (MSAV) certified by the DOR, taking the difference between the certified MSAV of the STF and the certified MSAV of the Designated Forestland (DFL) for the assigned forestland productivity class. The county is calculating an additional tax for DFL and applying 20 percent of the DFL calculated Additional Tax amount.

- County website under "Exclusive Farm Use" (EFU) general information section quotes ORS 308A.056(1)(b) as "feeding, breeding and selling." Needs to read as "feeding, breeding or selling."
- County Web site under the "specially Assessed Value summary" and "Total Value Summary" have incorrect headings above the values (columns are not lined up correctly). For example, the SAV column has the acreage under it and the AV column in the "total value summary" has the total RMV.
- Tax statements need to list the Special Assessed Value (SAV) per OAR 150-311-0520.

Recommendations

- Conduct farm income/rent studies on a yearly basis to establish the Special Assessed Values (SAV) per ORS 308A.092.
- Mail out Gross Income Questionnaires (GIQs) to applicable property owners on or before March 1, per OAR 150-308-1050, with a return deadline of April 15.
- Conduct a Local Cost Modifier (LCM) study to apply to the 2009 farm factor book.
- Expand further on policies and procedures and develop a complete comprehensive set.
- Develop template disqualification letters for each special assessment program along with each reason for disqualification. Review each disqualification letter that is being sent to a taxpayer for accuracy for reason for disqualification, statutes, Oregon Administrative Rules, acres, and that the letter has all the necessary components as listed under ORS 308A.718 (account #, ORS/OAR, deferred or collected, assessed at market value, appeal rights).
- Correct property classification on forestland properties.
- Update webpage to reflect correct labels above values.
- Update webpage and any other necessary documents correcting the farm use language as defined under ORS 308A.056(1)(b) from "and" to "or."
- Correct the Small Tract Forestland Additional Tax calculation excel spreadsheet to reflect the correct methodology in OAR 150-308-1500.
- Edit tax statements to show the SAV values per OAR 150-311-0520.

Function Area	**Segregation and Merge**
Authority/ORS	ORS 308.156,308.159,308.162,308.166, 308.153, 308.146
Current Program Area Status	At Risk

Accounts that have had a segregation, merge, subdivision and/or a partition that were recorded were reviewed remotely from the documentation that the county provided. Further review was conducted onsite, this review involved an interview with the Data Analyst Manager along with two other staff members to gain an understanding of the current processes and procedures.

Summary of Findings

- Lot line adjustments for non-special assessed properties and special assessed properties worked and calculated correctly.
- Partitions for non-special assessed properties and special assessed properties worked and calculated correctly.
- Subdivisions for non-special assessed properties worked and calculated correctly.
- Subdivisions on special assessed properties or accounts that have an existing potential additional tax (PAT) liability–in a few cases the full PAT was not collected.
- Policies and procedures are in place for segregations, merges, subdivisions, and partitions.
- Segregation, merge, subdivisions, and partitions are being processed timely.
- Review of the account(s) are being completed.
- Staff has a good understanding of the process and procedures that are involved with segregation, merge, subdivision, and partition.
- When creating a subdivision (four or more lots), ORS 308A.116(1)(d) non-EFU, ORS 308A.465(4)(g) conservation easement, ORS 321.359(1)(D) Designated Forestland and ORS 321.716(1)(g) Small Tract Forestland all have provisions to disqualify the entire property included in the subdivision plat and collect the Potential Additional Tax (PAT) on the entire property. If the property had previously been disqualified with a remaining PAT on the account, the PAT must be collected. It was found that in some cases of platting a subdivision not all the PAT for all the land included in the subdivision plat was extended/collected.

Recommendations:

When a subdivision plat occurs, confirm that all the accounts and acreage involved have been disqualified from special assessment. (Exclusive Farm Use special assessed properties do not have a disqualification provision under statute.) The potential additional tax liability must be extended and collected on all acreage involved in the subdivision plat.

Function Area	**BoPTA/ Stipulations**
Authority/ORS	ORS 308.242, 308.295(7), 308.296(8), 308.330, 309.100, 309.110, 311.208
Current Program Area Status	At Risk

DOR reviewed BoPTA petitions and stipulations provided by the assessor via email. Review of the petitions was supplemented by emailed questions to staff asking to clarify processes and procedures for obtaining petitions, reviewing petitions, and stipulating values.

Summary of Findings

- The clerk scans BoPTA petitions into the assessor's software program, provides the assessor with the orders and retains the petitions. Orders and supporting documents are also scanned into Laserfiche.
- The appraiser makes a recommendation for stipulating or prepares to defend the existing value.
- The appraisals and concluded values are reviewed by the lead appraiser and/or appraisal manager.
- The office generally only stipulates when they believe their appraisal is incorrect.
- To meet a stipulated value, staff may make changes to the quality class, to accessories, or the land adjustments.
- Appropriate statutes are listed within the stipulation.
- It was stated their office generally only stipulates when they believe their value is incorrect. To meet a stipulated value, staff may make changes to the quality class, to accessories, or the land adjustments, that carries through into subsequent years. As noted in the Mass Appraisal Residential section of this document, the counties OSD, land, landscape and LCM studies are over 10 years old and may not be reflective of, nor support, the county's real market values.
- The assessor is using a current DOR *Stipulated Agreement, Real Property* form; 150-303-055-21 (Rev. 09-07).
- Assignment of petitions change each year. In previous years, the appraiser who valued the tax account would typically defend the county's value in BoPTA. Due to the increased workload from the wildfires and lack of personnel in 2020-2021, the assessor and Appraisal Manager handled most of the petitions and stipulations. It was stated the plan is to assign petitions to the appraiser who worked the account this coming fiscal year. This will provide growth opportunity for the appraisers.

- For the 2020-21 BoPTA tax year, the following petitions were filed:
  - Seven Residential—of these, two were stipulated after BoPTA convened.
  - 18 Commercial—of these two were stipulated after BoPTA convened.
  - One Industrial.
  - Three Forest.

- One Manufactured.
- One Business personal property, which was stipulated.

Recommendations:

Perform yearly studies noted in the Mass Appraisal Residential section of this document to document and support county values. Appraisals are opinions of value based on market research, documentation, and analysis. All values must be supportable and documented appropriately.

Continue allowing appraisers to defend values on the accounts worked, as work and county policy allows. This will provide growth opportunities for appraisal staff.

Function Area	**CAFFA Deposits**
Authority/ORS	ORS 294.175, 294.178, 294.184, 294.187
Current Program Area Status	Adequate

CAFFA deposits are reviewed on a quarterly basis by county submission through Revenue Online (ROL). Quarter 3 deposit for April 2022 warranted further conversation through email with the Finance Director.

Summary of Findings:

- April 2022-Q3 CAFFA deposit was submitted with a $12,669 overpayment of interest on the CAFFA, OLIS, and OHCS sections of the deposit. The deposit was rejected by staff at DOR. The Finance Director at Jackson County explained to DOR the error was only in the interest reported because the instructions were ambiguous where the account has a debit balance, which was occurring for the first time. Instructions have been updated.
- A copy of the CAFFA deposit instructions was attached to an email received by the county. The instructions were sent to an outdated contact at the county. It is the county's responsibility to update DOR when there are changes in staffing regarding who will be completing the CAFFA deposit for the quarter.
- When asked if there were processes in place to prevent errors in the deposit, a response was not provided.

Recommendations:

Update and maintain correct county contact for the CAFFA deposit with the DOR.

Implement procedures to verify deposits are accurate prior to submission to Revenue Online, to prevent potential errors with over/under payment of funds collected and deposited for CAFFA, OLIS, and OHCS.

Function Area	**CAFFA Grants**
Authority/ORS	ORS 294.175, 294.178, 294.184,294.187
Current Program Area Status	At Risk

CAFFA Grant applications are submitted by the counties no later than May 1 each year. The application includes information concerning budgets and expenditures, workload, and staffing to conduct appraisal and property tax collection activities. The estimated expenditures identify the resources necessary to maintain Assessment and Taxation adequacy minimums. The department certifies each county to participate in the grant if its budget maintains system adequacy as provided in ORS 294.175.

Summary of Findings

- The 2022-23 CAFFA Grant application was submitted timely and included the required documentation for submission.
- The county stated, in their 2021-22 application, the assessor's office had 6.5 FTE vacancies and found it difficult to hire due to the COVID-19 pandemic. The current 2022-23 grant application reiterated the same difficulties with hiring for this next fiscal year with 5.5 FTE vacancies. While interviewing staff, it was stated hiring was difficult due to COVID, and wildfires. However, higher wages from surrounding counties and the lack of experienced candidates also contribute to their hiring difficulties.
- The 2021-22 application's budgeted FTE was 39.36 between Assessment and Taxation offices. Staffing for 2022-23 has been budgeted for 39.40 FTE between Assessment and Taxation; with the increase of 0.04 FTE in Taxation.
- Current DOR staffing guidelines suggest 52.76 FTE may be needed between the Assessment and Taxation offices.

	Jackson 2022-23				
Function / Activity	**Model FTE**	**2022 Current FTE**	**2023 Budgeted FTE**	**Vacancies (based on ORG chart)**	**Actual filled Positions**
Assessment Admin, Support and Deed Clerks *(Sect A)*	14.28	8.00	8.00	2.5	5.50
Valuation Real Property *(Sect B)*	20.00	17.50	18.50	2	16.50
Valuation Personal Property *(Sect B)*	7.38	3.75	3.75	1	2.75
Valuation Totals	41.66	29.25	30.25	5.50	24.75
Clerk BoPTA (Sect C)	0.13	0.50	0.50	0	0.50
Tax Collection Admin, Support & Tax Distribution *(Sect D)*	5.97	5.36	5.40	0.5	4.90
Cartography *(Sect E)*	5.00	4.25	3.25	1	2.25
Total A&T w/o IT	**52.76**	**39.36**	**39.40**	**7.00**	**32.40**

- The assessor's office has increased their staffing budget for this upcoming fiscal year.
    - $20,000—Extra help hours
    - $22,800—Overtime
    - $50,000—Temporary employment for office support and cartography functions

  The county website, as of April 28, 2022, advertises openings for a Cartographer and a Property Data Specialist (Office Assistant III). Additionally, the county is resourcing temporary employment agencies to assist with recruiting qualified applicants to fill vacant positions.

Recommendations:

County Administration and the County Assessor's office should compare current staffing levels to the staffing model recommendations to determine if there are adequate resources to perform all necessary functions as recommended in this review.

Function Area	**Exemptions**
Authority/ORS	ORS Chapter 307 and 285C
Current Program Area Status	At Risk

Property Tax Exemptions are legislatively approved programs to relieve qualified individuals or organizations from paying all or part of their taxes. Each exemption program has its own set of unique criteria. Exemption programs are not static. They are constantly changing, requiring ongoing training and effort to increase program knowledge.

Property tax exemption policies and procedures were reviewed remotely prior to visiting the county. The property tax exemption process was reviewed onsite and the employees responsible for reviewing property tax exemption applications were interviewed. A random sample of exempt accounts were reviewed remotely.

Summary of Findings

- The assessor's office has one exemption tech position dedicated to reviewing and approving all exemption applications with a few exceptions. Enterprise Zone Exemptions are reviewed and approved by the appraisal manager. The Disabled Veteran, Surviving Spouse of a Veteran, Active-Duty Military, and Surviving Spouse of a Public Safety Officer exemptions are reviewed and approved by one staff member in the collector's office.
- The county has a process and procedure in place for tracking new applications, reviewing lease renewals, and auditing existing exemptions. Part of this process includes collaborating with neighboring counties for entities that cross county lines or exist in multiple counties to review for equal treatment of properties with like uses.
- Prior to COVID, the assessor's office would conduct field visits to every property applying for exemption.
- Exemption applications are retained indefinitely on Laserfiche. This includes all application materials, closed, and denied exemptions.
- Staff relies on DOR exemption manual and guidance for exemption review. Questionable exemptions or exemptions granted in error are escalated to the assessor.
- Although exemptions applications and account data can be seen by everyone, unless an application is escalated for review, there is no process for crosschecking work. On the same note, the veterans' exemptions approved by the collector's office do not receive final approval by the assessor's office.
- Enterprise Zone (EZ) Exemptions: Under the Standard Enterprise Zone Program, eligible businesses that locate or expand into an enterprise zone receive exemption from local property taxes for a three to five-year period. The county has two zones, both of which have opted in to allowing hotels, motels, and destination resorts.
- During the in-person staff interviews we determined that training is needed on enterprise zone exemption criteria and general processing of applications and other forms.

- Site visits are not done as part of the ongoing EZ exemption criteria verification process. Site visits are particularly important for enterprise zone property to determine which property is being used for the authorized project(s).
- There is currently no process for reviewing authorizations after two years (ORS 285c.165.) Enterprise zone authorizations are active for two years. If an authorized business does not start construction within the first two years of authorization, then the authorization must be renewed, or it will expire.
- There is currently no process for employment verification upon initial application or to review employment levels if a claim form indicates employment has dropped enough to signal substantial curtailment.
- A sampling of accounts with enterprise zone exemptions were reviewed and it was found that although the accounts show potential additional tax notations stating that the properties are subject to exemption and potential additional taxes, they do not indicate the amount of potential additional tax for each year of exemption as required by ORS 285C.175(7)(b). They appear to show the value of the property as if it were not exempt, but the notation does not clearly identify what the dollar amount represents.
- Another finding on multiple accounts was the notation indicating that the property was subject to the Commercial Facilities Under Construction property tax exemption, which is an exemption under ORS 307.330. Other notes on the accounts mention that the taxpayer filed an exemption claim form OR-AP-CIPEZ, which is the exemption under ORS 285C.170. It isn't clear to which exemption the property under construction is subject. These exemptions cannot be used interchangeably.

Recommendations

Assessor's office should review all exemption applications—including those received and processed by the collector's office (ORS 305.275).

The potential additional tax notations should be complete, consistent, and clearly state under which exemption the property under construction was approved.

Site visits should be completed on all EZ property to verify property on site under construction as well as continued activity at the site once the property has been placed into service.

Enterprise zone authorizations should be reviewed after two years to verify that either construction has started, or the business has been notified that they must renew their authorization, or it will expire.

Enterprise zone claim forms should be reviewed for compliance with exemption criteria. Policies and procedures should be developed for processing of enterprise zone exemption claims and for managing the properties over the duration of the exemption period.

Function Area	**Roll Corrections**
Authority/ORS	ORS 308.242, 311.205, 311.206, 311.216 to 311.232
Current Program Area Status	At Risk

Roll Corrections are the processes by which changes are made to either the current certified tax roll or previous certified tax rolls. There are limited circumstances when the roll may be changed and a specific process required by statute that must be followed to make changes, notify taxpayers, and bill any additional taxes due. The tax roll correction procedures were provided ahead of DOR's visit and the process was reviewed onsite. Employees responsible for initiating and completing the corrections were interviewed. A sample of roll corrections were reviewed remotely. Roll corrections require both the collector and assessor offices to work together to complete the correction.

<u>Summary of Findings</u>:

- Staff interviewed in both the assessor's and the collector's office stated that they do very few roll corrections.
- During interviews with collector's office staff, it was mentioned that most roll corrections are initiated by the assessor's office. The process is generally that assessors' office staff identifies corrections and once they have completed the required correction notification process to the taxpayer, they instruct the collector's office to make the necessary tax roll and billing changes. The notification between the offices is done via a combination of journal vouchers and email. The email is necessary because spacing limitations within their software means the journal voucher does not always include a full description of the correction or the appropriate ORS authorizing the correction. Journal vouchers may be used to document corrections to the roll, but the voucher must meet the requirements of ORS 311.150, which includes a full description of the change being made. The accompanying email documentation is not part of the tax roll and therefore does not meet the requirements under statute. Staff said that they have asked their software provider for a fix for the space limitation.
- For corrections where valuation judgment is allowed, such as those made under ORS 311.208 (December 1 increases) and ORS 308.242(2) (December 31 reductions) the assessor's office uses a "panel review" process to review corrections. When an appraiser finds a potential correction, they add the issue to a schedule to be reviewed by a panel of appraisers and supervisors. The group discusses the account and decides as a group if the correction should be made. If a correction is deemed appropriate there are designated staff that complete the correction process.
- For all other roll corrections initiated by the assessor's office the appraiser adds the identified correction to a spreadsheet that is worked by staff responsible for completing corrections as time permits. There are only two staff in the assessor's office that work on completing the corrections, including verifying the correction is needed, completing the notices to the taxpayer, and information the collector's office of the correction needed. Because of the lack of additional trained staff there may be corrections that are not completed.

- The roll corrections procedures provided appear to be complete and accurate. The sample roll correction notices to taxpayers reviewed meet statutory requirements.
- Lack of adequate staff may be contributing to the need for unnecessary roll corrections. During our onsite visit, the collector's office provided information on 162 accounts that were reduced to zero value on the 2021-22 tax roll prior to certification. The explanation was that these properties were in an area thought to be damaged by fire, but that the assessor's office did not have the staff resources to visit the properties prior to roll turn. The assessor's office completed roll corrections under ORS 311.208 to add the value back on the roll prior to December 1 and bill taxpayers for payment by December 15. Of the 162 accounts removed, approximately 30 were damaged.

Recommendations

Voucher documentation needs to match statutory requirements.

Additional assessor's office staff should be trained in roll correction procedures so that there are not bottlenecks and potentially missed years of corrections allowed.

Additional staff would avoid the need for many roll corrections by allowing for necessary site visits, and consequently accurate value determinations, prior to certification of the tax roll.

Function Area	**Tax Certification**
Authority/ORS	ORS 310.060 to 310.070, 457.440, OAR 150-310-0040
Current Program Area Status	At Risk

Tax certification is the process by which a city, school district, or other public corporations (collectively referred to as taxing districts) are authorized to place a tax or fee on the tax roll certify those amounts for the upcoming tax year to the assessor's office. The taxing districts must provide certain documents to the assessor by July 15, in accordance with ORS 310.060. Those documents include at minimum:

1. A copy of their governing body resolutions adopting their budget, making appropriations, imposing taxes, and categorizing the tax levy per its Measure 5 limitation.
2. The appropriate tax certification form, commonly referred to as the "LB-50," but could also be an ED-50, CC-50, or UR-50); and
3. A copy of the ballot measure language for any newly approved local option levies or general obligation bonds.

Taxing districts may request an extension to late file their required documents if they are unable to meet the July 15 deadline. Approval of an extension request is discretionary.

Tax certification procedures were provided by the county, and the employees responsible for reviewing tax certifications were interviewed.

Summary of Findings

- Staff interviewed were new to the certification process, they had assisted in the previous certification season, however, in previous seasons, most certifications had been completed by a staff member no longer employed with the county.
- Staff interviewed described their process for receiving the paper or electronic certification documents including scanning and dating the certifications when received, comparing rates certified to a spreadsheet of the previous year's rates and double checking that against the list of rates the county maintains as well as the rates provided by DOR in the Local Budgeting Manual. The levies are checked by multiple staff, including the Assessor, both before and after they are entered into the system for rate calculations. There is a separate set of software-specific procedures for entering rates into the system that were not reviewed by DOR staff.
- The county maintains a spreadsheet of rates for the taxing districts within their boundary, including their permanent taxing rate authority, and details of any local option levy of bonds currently active. Historically, the county has also maintained a binder with paper copies of the most recent tax certification, along with ballot measure for any recently passed local option levies and general obligation bonds.
- The county maintains a list of districts that have requested extension of their tax certification filing but does not have procedures or criteria for granting tax certification extension requests.

- The procedures provided sufficiently outline verifying the rates certified to the permanent rate authority of the taxing districts and to resolutions imposing the levy from the district. However, there were no clear procedures provided or available to verify authority for imposing special assessments, fees, and charges other than ad valorem taxes, or for what action is required if the county finds certified rates that do not match what is resolved to be imposed or the districts authorized rate authority.

Recommendations

Develop procedures for approving certification extension requests.

Develop procedures for verifying a district’s authority to place special assessments, fees, and charges other than ad valorem taxes on the roll.

Cross train backup staff to mitigate potential for certification errors.

Function Area	**Tax Computation Including Urban Renewal**
Authority/ORS	ORS Chapter 310, 198.955, 222.111, 311.175, 457.450, OAR 150-310-090 and 150-457-0450
Current Program Area Status	Inadequate

Tax Computation is the process by which the taxes certified to be imposed by the district are applied to the property values to determine the correct tax levy rates to be extended to each property. Tax computation involves sharing values with bordering counties if there is a levy, such as a school district bond levy, that crosses county lines. The shared values are used to calculate the rate used for taxpayers in both counties. Any discrepancies will result in taxpayers in the respective county paying different rates for the same levy.

Urban Renewal (UR) is included in the tax computation section because UR districts derive their revenue through a process called "tax increment financing," sometimes referred to as "division of tax." Tax increment financing involves a calculation that is done using the difference between the value of the UR plan area at the time the plan is adopted (frozen value) to the current value of the plan area to determine a portion of the tax rate that is diverted from the taxing districts to the UR plan.

Tax computation procedures were provided to DOR and staff responsible for tax computation were interviewed on site.

Summary of Findings

As with tax certification, the staff interviewed on site were new to tax computation. Because of the timing of this review and interviews, we were not able to walk through the process with staff.

The procedures provided ahead of our site visit show that the county relies on the CAMA system to calculate the rates, produce reports, calculate compression, and UR rates. There was very little documentation provided showing how the county does any review to ensure that the calculations, including Measure 5 compression, are completed correctly.

Procedures were provided for sharing values with neighboring counties prior to calculating taxes, but not for doing a final verification that those shared values hadn't changed prior to certifying the roll for collections. This is a very important step to ensure that the tax rates extended across both counties are uniform. DOR brought this issue to the attention of Jackson County in both 2020 and 2021 during the review of the County's Summary of Assessment and Levy (SAL) report.

- In tax year 2020-21 changes made to the shared area value between Jackson and Josephine County resulted in the Three Rivers School District 40's net levy amount exceeding the requested amount by approximately $200 and Rogue Community College's exceeding its requested amount by approximately $150.
- In tax year 2021-22 the difference for Rogue Community College was approximately $5 short of its requested levy.

- Though the two issues outlined above have a relatively small dollar amount impact, the issue could be drastically different if a large value change was made.
- There were no procedures provided for review for processing new UR plans and certifying the frozen value of those plans.
- The department found no other stand-out issues with the process used to calculate the tax rates and urban renewal tax increment financing.

Recommendations

Develop procedures for verifying shared value with joint counties prior to certifying the tax roll.

Develop procedures for properly certifying UR frozen value and amendments to current UR plans when notified by the adopting jurisdictions.

Cross-train staff on all tax computation procedures to ensure current staff are familiar with the methodology and procedures.

Function Area	**Roll Turn**
Authority/ORS	ORS 308.242, 308.320, 309.330, 310.110, and 311.105
Current Program Area Status	At Risk

Tax roll turn is the process by which the assessor's office finalizes the values and computation of the taxes and turns the roll over to the tax collector for billing. There were no written procedures for roll turn submitted from the county. Staff responsible for turning the roll were interviewed on site.

Summary of Findings

- As with the tax certification and tax computation, the assessor's office staff that has primarily been responsible for the roll turn process is no longer employed with the county. Staff has guides from their vendor for the steps necessary to turn the roll in their system, and some notes from the previous staff, but does not have documented office procedures for guidance. Without knowing more about the roll turn process, their plan was simply to follow the steps provided by the vendor at the appropriate times.
- During our visit, the collector informed us that 162 accounts were valued at $0 when the roll was turned in October 2021. The collector explained these properties were in an area thought to be damaged by fire, but that the assessor's office did not have the staff resources to visit the properties prior to roll turn. The assessor's office used its authority under ORS 311.208 to add the value back on the roll prior to December 1 and bill taxpayers for payment by December 15. Of the 162 accounts removed, approximately 30 were damaged. The assessor's decision to defer valuing the accounts was apparently not communicated to the collector prior to roll turn.
- Collector's office staff confirmed that they typically receive the certified tax roll from the assessor's office on or about October 5, which gives the collector's office sufficient time to prepare and mail tax statements by the statutory deadline of October 25.

Recommendations

The county should develop and document procedures for certifying the roll and turning it over to the collector. The entire process of creating the tax roll and turning it over to the collector is a weeks-long process with many steps to validate the data on the roll. Producing the roll impacts all the operations of the assessment office and there should be clear office procedures for the process.

The county should cross-train staff to ensure that familiarity and expertise about roll turn procedures are not lost when one person leaves the staff.

The assessor and tax collector should communicate regularly about any decisions that may impact the operation of the other's office.

Function Area	**Cartography**
Authority/ORS	ORS 306.125
Current Program Area Status	Adequate

The cartography program maintains property lines, ownership records and taxing district boundaries. The cartography system and process were reviewed remotely prior to the site visit. Two of the three county cartographers were interviewed in-person.

Summary of Findings

- The Cartography section has two full-time and one part-time cartographers. The cartographers rotate duties daily. Duties include updating account data, updating legal descriptions and ownership changes, and updating boundaries.

- The team generates work from various sources, primarily through a daily Helion Software services report of all recordings from the previous day. They typically have 20-30 property related recordings to work per day.

- A spreadsheet is used to track all changes. The team works the changes by date – they are locked out of making changes in early August prior to roll certification.

- As part of this review the cartography unit submitted procedures for: Plat Review, Assessor Maps and public availability of the maps, real property, and land record documents, tracking changes in ledger and map, certifying charges are paid under ORS 311.411, property boundary changes (lot line adjustments, segregations, consolidation, partitions, and subdivision), and annexation.

- The procedures submitted are complete and those along with staff interviews show a review and work approval process.

- DOR staff find the cartography procedures to be organized, thorough, well documented, and follow the Oregon Cadastral Map Standards.

Recommendations

The department has no recommendations for the cartography section.

Function Area	**Tax Collection**
Authority/ORS	ORS 305.286, 306.245, 308.425, Chapter 311 & rules, Chapter 312 & rules
Current Program Area Status	At Risk

Tax collection encompasses everything from generating tax statements to complex collection tools such as foreclosure and seizure of assets. The tax collector is responsible for completing corrections to the tax roll once it's been turned over for collections. The property tax collection process was reviewed onsite and the employees responsible for tax collection activities were interviewed. The collection procedures were provided ahead of the site visit.

Summary of Findings

- Since approximately 2008, the collector's office has been the sole reviewer and approver of the Disabled Veteran, Surviving Spouse of a Veteran, Surviving Spouse of a Public Safety Officer, and Active-Duty Military exemptions. Applications are routed directly to the collector's office. One staff member of the collector's office has full access to the assessment side of Helion to add the exemption to the account. All reviews and approvals are contained within the collector's office.
- Tax Statements – The county began using The Masters Touch to produce their tax statements starting in the 2021-22 tax year. DOR has found no errors with taxpayers' instructions/explanation language used on the statement. The county is providing additional information with tax statements to assist taxpayers with correctly remitting timely payments—the county provides taxpayers with payment coupons, payment locations, and an additional explanation of the statement.
- In a sample tax statement provided by the county, DOR did find that the statements for specially assessed property does not conform to statute and rule. Tax statements for specially assessed property must show the specially assessed value (SAV) for the prior and current year. On the sample provided, SAV is missing but the county includes an amount for "maximum assessed value" (MAV) that is just the MAV for the structures on the account. MAV is not required by statute or rule to be shown separately on the tax statement, but by county policy they have chosen to include it on all statements. However, including MAV for just structures and not showing the SAV for specially assessed property could be misleading to taxpayers. For specially assessed properties, the MAV is just one portion of the value used to compute the taxes. Staff said they could add the SAV information, but that specially assessed property would require a separate printing process from all other properties.
- For situations where there are multiple owners of the property the county sends statements to the first owner on the deed and only to other interested owners if requested. ORS 311.250(1) requires a statement be mailed to each owner. However, it is common practice among the counties to only send a statement to one owner unless otherwise requested.

- Payments—the county provided comprehensive procedures for payment processing, including verification, documenting payment batches, posting and applying payments in Helion, scanning remittances, and receipting taxpayers. The county currently processes remittances for Douglas, Curry, and Klamath Counties in addition to their own remittances. The county has procedures in place to ensure payments are processed one county at a time in the cash room. The cash room is monitored and visible when in use. Trash is checked daily for any missed payments.
- All reports are double checked by hand and address changes are pulled to work by hand. The county provides payment drop boxes for after hour payments. Drop box payments are accepted as timely if they are there in the morning.
- During interviews of staff, DOR was told that if errors are found on payments, the county has a policy to contact the taxpayer and allows them 10 days to fix the payment and keep any applicable early pay discount allowed in ORS 311.505. While this policy is beneficial to taxpayers that intended to pay timely, there is no authority in statute to extend the discount for taxpayer errors. ORS 311.507 provides for the only allowed extensions of the early pay discount.
- Personal Property Collections – The county is currently doing limited collection efforts for personal property. During the in-person interviews we were told in the past they had success in doing field collections. Specifically for mobile homes, they would visit parks and negotiate payment agreements. They are not currently able to make field collection attempts due to lack of training in these areas for current staff. The training deficiency was blamed on inadequate time to perform basic payment-related duties and train staff to do collection work on personal property accounts.
- The staff told us that the county allows payment plans on personal property accounts. If the taxpayer can pay in full within one year with the agreed payment amount, they do not warrant the account. They will allow for a longer payment period if the taxpayer is making progress. During interviews, collection staff stated that they do not warrant any personal property accounts until after May 16.
- Payment plans can be an effective tool to help taxpayers meet their tax obligation. However, under ORS 311.610 all delinquent personal property must be warranted 30 days after becoming delinquent. Personal property becomes delinquent whenever a trimester installment payment is missed (ORS 311.510).
- The county has procedures for foreclosure of real property accounts and is fulfilling its statutory obligations to initiate and complete foreclosure action on delinquent real property. Notice samples reviewed met statutory standards.
- Potential refund credits (PRC), ORS 305.286, are a risk management tool available to counties when large value appeals are filed or expected to be filed. The assessor may order the tax collector to issue credits for an amount reasonably at risk during the appeal. At the time of our visit the collector's office said they were working with the assessor's office to create a joint policy for determining the amount of credit to issue, for timely notice to the collector's office of the need to set up potential refund credit, and for providing updates on pending cases related to the credits. The tax collector expressed frustration at the timing of notices from the assessor's office in the past and lack of updates on the status of causes

related to the PRC. Assessor's office staff confirmed that this is a task that was handled by a previous employee. Currently, they are evaluating how to accurately determine the amount of tax at risk so the PRC can be set up for a reasonable amount that creates the least possible impact to revenue for tax districts, but still protects the county from a large refund.

- Just prior to this review DOR discovered errors in the calculation method used by the county for Proration of Tax under ORS 308.425 for prorations related to the 2020 wildfire season. After the discovery of those errors a legislative change was made that retroactively changed the proration of tax calculation method. The county is currently recalculating the previously prorated accounts and issuing the appropriate billing or refund as required under the amended law.

Recommendations

The county should review and amend their policies related to extending the early pay discount for payment errors made by taxpayers.

The county should also review and amend their policies related to warranting delinquent personal property so that they are in compliance with statute.

Tax statements for specially assessed accounts should be amended to show the required specially assessed value (SAV).

Develop policies and procedures around the issuance and status of potential refund credits.

Function Area	**Tax Distribution**
Authority/ORS	311.390 and 311.391
Current Program Area Status	Adequate

Tax distribution is the process by which property taxes are distributed to the taxing districts. We did not receive any written policies or procedures related to tax distribution. A copy of the current distribution schedule and SAL Table 4a were provided by the county. Collections staff were interviewed onsite.

<u>Summary of Findings</u>

- Upon receipt of the certified roll from the county assessor, the county collector files a percentage schedule with the county treasurer. The schedule is created by the collector and reviewed by staff. The districts are notified timely, within five working days of the amount of taxes imposed for each district for the current fiscal year (ORS 311.391).

- ORS 311.395 requires periodic statements to be made to the taxing districts of the exact amounts of taxes collected. Weekly statements are required starting on the first Monday following the last Friday in October through the last Friday in November. After that, the county makes quarterly statements. The collector's office is in compliance with these requirements.
- The collector's office noted that the 2021-22 tax distribution schedule was calculated based on the roll as initially certified before the addition of the 162 accounts that the assessor had valued as $0 and readded (see above). This meant the districts overlapping those properties had a distribution percentage less than they should have. ORS 311.390(2) requires the distribution schedule be recalculated when a levy or other tax on property is changed. If the collector finds it is not feasible to revise the distribution schedule, ORS 311.390(3) allows them to segregate the additional collections from those properties to be distributed to those specific districts. The collector's office should have recalculated the distribution schedule or set up a separate schedule for the additional taxes.

<u>Recommendations</u>

Additional communication between the assessor and the collector's office should be made so that the collectors office is aware of any pending roll corrections that would require adjustments to the distribution schedule.

The collector should ensure the distribution schedule is current and correct by recalculating it whenever a roll correction is made.

Conclusion

The County Assessor and Tax Collector perform duties imposed upon them with respect to ad valorem taxes by the laws of the State of Oregon. Assessment and Taxation (A&T) employees are responsible for performing professional, technical, and highly complex processes that affect every person in the county. To protect the public trust, the parties must practice due diligence, and due care when performing their duties. Our interviews with A&T administration and staff showed they are all committed to making any necessary changes to improve the functioning of their offices.

The A&T staff were all very cooperative and open to our inquiries. The county facilitated access to the A&T computer system and provided copies of policies and procedures. They also made all the A&T staff available for phone and in-person interviews.

Although the A&T offices are largely in compliance with statutes, administrative rules, and Department of Revenue guidance, documentation from our review show many areas where those requirements are not being fully followed. DOR staff have made numerous recommendations in this review that conform to authoritative documents, statutes, and administrative rules. These recommendations will assist with changes to bring the county into full compliance in all review areas.

A consistent finding in this review is that although county staff strive to meet statutory requirements, it is evident that reduced staffing levels and staff turnover are contributing to the ability of staff to manage valuation and taxation programs at a level necessary to assure supportable real market values and accurate taxation and collection.

The Oregon Department of Revenue will work with the county commissioners, the assessor, and the tax collector to create an adequacy plan by November 1, 2022, that will illustrate necessary steps to improve the functioning of the A&T program, and to bring the county to full compliance with the applicable laws and regulations.

JACKSON COUNTY

ASSESSMENT & TAXATION

ADEQUACY PLAN

As of

NOVEMBER 1, 2022

The following plan is submitted to the Oregon Department of Revenue.

1. Those parts of the plan that focus on assessment have been reviewed and are considered best estimates as November 1, 2022

David Arrasmith, Jackson County Assessor

November 1, 2022

2. Those parts of the plan that focus on taxation have been reviewed and are considered best estimates as November 1, 2022.

Shannon Bell, Jackson County Finance Director / Treasurer / Tax Collector

November 1, 2022

Table of Contents

Executive Summary

Pursuant to Oregon ORS 306.115 (General supervision over property tax system) the Oregon Department of Revenue (DOR) examined the current Jackson County assessment and taxation (A&T) programs.

- Five areas where rated adequate.
- Eleven areas were found at risk, and have the potential to cause programs to be out of compliance with Oregon Revised Statutes and Rules.
- One area was considered inadequate.
- Total of 17 rated areas of assessment or taxation reviewed by DOR

This three-year plan addresses the seventeen areas.

Introduction

Background

The DOR examined 17 core functions using a combination of site visits, personal interviews, the examination of tax data, office policies, and procedures.

DOR's review recommended that the county create an ***adequacy* plan** by November 1, 2022 that will set forth necessary steps to bring A&T to full adequacy, including returning the county to compliance with ORS 308.232 (Valuing property at 100% of real market value).

Adequacy Plan:

Adequacy definition: "the quality or state of being adequate; sufficiency for a purpose" (Webster's Third New International Dictionary)

Valuing property at 100% of real market value:

Per DOR manual Appraisal Methods for Real Property (page 7-9) Oregon Revised Statute 308.232 requires property to be appraised at 100 percent of its RMV. The ratio study is the primary tool used to test RMV. Ratios less than 100 percent indicated that the RMV is below market. If the ratio is greater than 100 percent, the RMV is above market. Adjustments to the RMV on the roll are made as required to bring values to current market conditions.

The coefficient of dispersion is the average absolute deviation to the median, converted to a percentage of a selected ratio. It is used to determine the reliability and uniformity of the RMV. A low percentage indicates a high degree of uniformity. A high percentage indicates a low degree of uniformity and may indicate the data is no longer reliable.

The 2022 ratio study, approved by DOR, shows that all 114 neighborhoods in the ratio study have COD percentages within the range allowed by statute. No COD converted percentage was high. (see addendum-18)

Although current COD percentages are adequate, it is anticipated that this adequacy plan will generate even lower COD percentages.

Goals

The intended goals of this plan are to:

- Identify staffing levels that will be adequate to carry out the plan
- Identify general deadlines for completion of all functions
- Identify remedy for each core area function

General Deadlines

- November 1, 2022: Quick fixes
- December 31, 2022 Not quick fixes, but easy fixes
- December 31, 2022 Setup study for Medford area residential land revaluation
- December 31, 2022 Setup study for County-wide Local Cost Modifier
- December 31, 2023 Setup study for next residential land area revaluation
- December 31,2024 Setup study for remainder of residential land revaluation

1. Commercial / Industrial (adequate)

DOR Review Recommendations:

1. Maintain a list of state appraised industrial accounts with an error check
2. Update land studies
3. Enter all current studies into Appraisal Works

Status Summary

Job	Progress	Remarks
1	75%	Assigned – policy and procedure, October 15, 2022 deadline
2	n/a	Next land study planned starting 2023
3	n/a	No current studies ready for entry in Appraisal Works

(For additional information see addendum-1)

2. Mass Appraisal (at risk)

DOR Recommendations:

1. Land Study: estimated purchase cost for bare land
2. Land Study: estimate value added to land for (OSD)- electricity, gas, landscaping
3. Improvement Study: Gather & Analyze builder’s cost for new houses
4. Improvement Study: Gather & Analyze builders cost new for pools, sheds
5. Improvement Study: Analyze improvement value loss from ageing (depreciation)
6. Improvement Study: Analyze ratio of 2007 costs divided by 2022 costs (Local Cost Modifier or LCM)
7. Create software table or grid: for computer assisted land value calculations
8. Create software table or grid: for computer assisted improvement value calculations
9. Enter land study and improvement study into Appraisal Works
10. Develop policies and procedures

NOTE: The work on this task began in April with field trips to several other counties to gather advice, templets, time lines, etc. Since then staff has been divided into teams with specific assignments. Both land study and improvement study are targeted for completion by December 31, 2022.

Status Summary

Job	Progress	Remarks
1	10%	25,000 accounts have been selected and work is in progress + MS
2	100%	Completed for entire county
3	10%	
4	80%	nearly complete
5	0%	
6	0%	
7	5%	Discussions with software vendor in progress
8	5%	Discussions with software vendor in progress
9	0%	This job will be completed last
10	5%	Work in progress

(For addition information see addendum – 2)

3. Ratio Studies (at risk)

DOR Recommendations

1. Restated importance of updating studies recommend for mass appraisal
2. Train appraisal to understand the purpose of the ratio study

Status summary

Job	Progress	Remarks
1.	duplicate	see Mass Appraisal section recommendations
2.	10%	planned completion by December 31, 2022

(For additional information see addendum – 3)

4. Personal Property (adequate)

DOR Recommendation:

1. As resources allow, resume personal property desk and field audits
2. DOR allows for molds, dies and jigs to be 100% depreciated, and recommends all other assets not be fully depreciated.

Status Summary

Job	Progress	Remarks
1.	100%	Staff will perform desk and fields audits from October Through December per written policy
2.	100%	This recommendation was completed before the DOR delivered The Assessment & Taxation Review

(see addendum-4 for additional information)

5. Special Assessment Farm / Forest (at risk)

DOR Recommendation:

1. Conduct yearly farm/rent studies
2. Mail out Gross Income Questionnaires
3. Conduct LCM study to apply to 2009 farm factor book
4. Develop policies and procedures
5. Develop template disqualification letters for each program
6. Correct property classifications on forest properties
7. Update webpage to reflect correct labels above values
8. Update webpage correcting farm use language
9. Correct the Small Tract Forest Additional Tax spreadsheet calculation
10. Edit tax statements to show SAV values

Status Summary

Job	Progress	Remarks
1.		
2.	50% -	Policy and Procedure, October 15, 2022 deadline
3.		
4.		
5.	50% -	Policy and Procedure, October 15, 2022 deadline
6.		
7.	100%	PDO fixed on September 15, 2022
8.	100%	Webpage Language was fixed on September 15, 2022
9.	50%	Policy, Procedure and spreadsheet correction, October 15, 2022
10.	100%	Is now on tax year 2022-23 tax statements

(see addendum – 5 for additional information)

6. Segregation and Merges (at risk)

DOR Recommendation:

1. When a subdivision plat occurs, confirm that all accounts and acreage involved have been disqualified from special assessment.
2. The potential additional tax liability must be extended and collected on all acreage involved in the subdivision plat.

Status Summary

Job	Progress	Remarks
1.	50%	Assigned policy and procedure, October 15, 2022 deadline
2.		

(see addendum – 6 for addition information)

7. BoPTA / Stipulations (at risk)

DOR Recommendation

1. Perform yearly studies noted in the Mass Appraisal section
2. Continue to allow appraisers to defend values.

Status Summary

Job	Progress	Remarks
1.	duplicate	see status summary in Mass Appraisal section
2.	100%	Policy and Procedure were completed on September 15, 2022. Staff has been notified

(see addendum-7 for additional information)

8. CAFFA Deposits (adequate)

DOR Recommendation:

1. Update and maintain correct county contact for the CAFFA deposit
2. Implement procedures to verify deposits are accurate prior to submission to Revenue Online

Status Summary

On February 8, 2021, I notified the Department of Revenue that Deputy Treasurer, Heidi Dufour had left the County and that the email treasurer@jacksoncounty.org should be used for correspondence. On October 6, 2021, I added Brandi Davis as an account manager for the CAFFA Grant. The email is still valid and the most efficient means to communicate with Treasury Staff. The Treasurer is ultimately responsible for the deposit.

We have procedures for validating the accuracy of the CAFFA, OLIS and OHCS amounts. The error that was discovered was related to interest and more specifically the Mark to Market interest adjustment which was at a historical level. This particular return was submitted without Treasurer review as the Deputy was trying to be proactive during a time of overlapping vacations.

Job	Progress	Remarks
1.	100%	No changes necessary
2.	100%	Additional validation checks added to Excel workbook for calculation

(see addendum-8 for additional information)

9. CAFFA Grants (at risk)

DOR Recommendation:

1. County Administration and the County Assessor's office should compare current staffing levels to the staffing model recommendation to determine if there are adequate resources to perform all necessary functions as recommended in this review.

FACTS:

1. DOR assessment staffing model indicates a need for 46.66 FTE
2. Assessor's current FTE is 33.50
3. DOR recommends Tax Collection Admin, Support & Tax Distribution at 5.97 FTE. The current budgeted staffing for the department is 5.40

Taxation's Analysis:

The Tax Collector believes that staffing is adequate given the technology and efficiencies in the department and that an additional 0.57 FTE is not needed.

Assessment Analysis:

Assessment's business plan prior to DOR review involved all appraisers working mid-December through mid-August adding new construction to the tax roll. The annual business plan after the DOR review will shorten the necessary time for inspections of new construction from the current nine months, to six months. The remaining six months will be for inventory review and annual set-up studies.

A time study was completed in 2021 and indicated it takes an experienced appraiser approximately 1.5 hours to complete a typical appraisal, but this conclusion was based on optimal factors. Four of the 10 residential appraisal staff have less than one year of experience, and it takes approximately 3 to 5 years to become truly competent. Finding staff with sufficient experience to become appraisers has been a challenge over the last few years, and we have moved to a model where we train them as data gatherers until they have the skills necessary to be invited to take the Department of Revenue's appraisal examination. After they meet that standard, they can apply for an open residential appraiser position. This model of training has been successful, evidenced by two previous data gatherers who are now data analysts that complete ratio studies for submission to the DOR.

The actual inspection numbers each year indicate completion of 50-70 accounts per month per appraiser, where completion includes identification of the property, research and inspection, completion of data entry, and identification of the value attributable to exception versus that attributable to ongoing maintenance and repair. Data gatherers and newer appraisers require the assistance of experience appraisers for property decision making to be in compliance with statutes, and to review and approve their work, so their numbers are at the low end of this range.

To meet the changes to deadlines, and add back the function of inventory review (which is a compliance driven function to correctly update real market value for the ratio study and identify omitted property), an additional 3 FTE data gatherers are requested. We anticipate an increase in red tags by 7%, which is consistent with the last three years increases. We need to train in basic appraisal function, cross train in special programs such as farm and forest, and prepare for attrition.

(see addendum-9 for additional information)

10. Exemptions (at risk)

DOR Recommendations:

1. Assessor's office to review all exemption applications – including those received and processed by the collector's office.
2. Potential additional tax notations should be complete, consistent, and clearly state under which exemption the property under construction was approved.
3. Site visits should be completed on all EZ property to verify property on site under construction as well as continued activity at the site once property has been placed into service.
4. Enterprise zone authorizations should be reviewed after two years to verify that either construction has started, or the business has been notified that they must renew their authorization, or it will expire.
5. Enterprise zone claim forms should be reviewed for compliance with the exemption criteria. Polies and procedures should be developed for processing of enterprise zone claims and for managing properties over the dur5ation of the exemption period.

Status Summary

Job	Progress	Remarks
1.	0%	Scanning queue will be modified to include Assessor end of year2.
2.		
3.		
4.		
5.		

(see addendum-10 for additional information)

11. Roll Corrections (at risk)

DOR Recommendation:

1. Voucher documents needs to match statute requirements
2. Additional assessor's staff should be trained in roll correction procedure so that there are not bottlenecks and potentially missed years of corrections allowed.
3. Additional staff would avoid the need for many roll corrections by allowing for necessary site visits, and consequently accurate value determinations, prior to certification of the tax roll.

Status Summary

Job	Progress	Remarks
1.	100%	assessor + taxation email notifications
2.	0%	ETA end of year
3.		

(see addendum-11 for additional information)

12. Tax Certification (at risk)

DOR Recommendation:

1. Develop procedures for approving certification extension requests.
2. Develop procedures for verifying a districts authority to place special assessments, fees, and charges other than ad valorem taxes on the roll
3. Cross train backup staff to mitigate potential for certification errors.

Status Summary

Job	Progress	Remarks
1.	50%	Assigned – policy and procedure, October 15, 2022 deadline.
2.	50 %	Assigned – policy and procedure, October 15, 2022 deadline.
3.		

(see addendum-12 for additional information)

13. Tax Computation including Urban Renewal (inadequate)

DOR Recommendation:

1. Develop procedures for verifying shared value with joint counties prior to certifying the tax roll.
2. Develop procedures for properly certifying UR frozen value and amendments to current UR plans when notified by the adopting jurisdictions.
3. Cross-train staff on all procedures.

Status Summary

Job	Progress	Remarks
1.	100%	Policy and Procedure developed on October 3, 2022
2.		
3.		

(see addendum-13 for addition information)

14. Roll Turn (at risk)

DOR Recommendation:

1. The county should develop and document procedures for certifying the roll and turning it over to the tax collector.
2. The county should-cross-train staff to ensure that familiarity and expertise about roll turn procedures are not lost when one person leaves the staff.
3. The assessor and tax collector should communicate regularly about any decisions that may impact the operation of the other's office.

Status Summary

Job	Progress	Remarks
1.		
2.		
3.	100%	Communications Plan in Place
		Regular meetings and transparent communication

(see addendum-14 for additional information)

15. Cartography (adequate)

DOR Recommendation:

1. The department has no recommendations for the cartography section.

Status Summary

Job	Progress	Remarks
1.	n/a	no DOR recommendation

(see addendum-15 for additional information)

16. Tax Collection (at risk)

DOR Recommendation

1. The county should review and amend their policies related to extending the early pay discount for payment errors made by taxpayers.
2. The county should also review and amend polices related to warranting delinquent personal property so that they are following statute.
3. Tax statements for specially assessed accounts should be amended to show the required specially assessed value (SAV)
4. Develop policies and procedures around the issuance and status of potential refund credits.

Status Summary

1 - This was a courtesy to taxpayers who paid timely, but there was an unintentional error in their written check. These checks may not be returned by the bank to the County for weeks after being deposited and sometimes after the discount date. The Tax Collector allowed the taxpayer 7 days to remedy the issue and honored discount. However, there is no statute allowing this practice, therefore this process will cease immediately.

2 - The Tax Collector performed an informal poll of other counties and found that only 1 was fully in compliance with ORS311.610 regarding the warranting of delinquent personal property 30 days after delinquency (whenever a trimester payment is missed ORS311.510). The Tax Collector is working with the state association to do a legislative change from SHALL to MAY warrant as this would be an administrative and economic burden to the County.

Job	Progress	Remarks
1.	100%	Process has ceased with 2022-23 Tax year
2.	50%	Legislative language changes have been proposed
3.	100%	Done on 2022-23 Tax Statements
4.	100%	Tax and Assessment have created a mutually acceptable process.

(see addendum-16 for addition information)

17. Tax Distribution (adequate)

DOR Recommendation:

1. Additional communication between the assessor and the collector's office should be made so that the collectors office is aware of any pending roll corrections that would required adjustments to the distribution schedule.
2. . The collector should ensure the distribution schedule is current and correct by recalculating it whenever a roll correction is made.

Status Summary

Communication has increased in frequency and type (in person as well as email check-ins).

Recalculating the distribution schedule after each roll correction is an administrative burden, impractical, and makes it difficult to audit and for districts to accurately budget. A legislative change is being reviewed by the Oregon Tax Collector's association as it is not commonly followed by Oregon Counties.

Job	Progress	Remarks
1.	75%	Transparent and frequent communication occurring
2.	0%	Up for legislative review

(see adeendum-17 for additional information)

Conclusion

JACKSON COUNTY
Oregon

MEMO
INTER-OFFICE

Administrator's Office

Danny L. Jordan
County Administrator

10 South Oakdale, Room 214
Medford OR 97501
Phone: (541) 774-6003
Fax: (541) 774-6705
JordanDL@jacksoncounty.org

To: Board of Commissioners
From: Danny Jordan, County Administrator
Subject: Jackson County Assessment and Taxation Review by Oregon Department of Revenue
Date: September 7, 2022

The Oregon Department of Revenue, Property Tax Division (DOR), performed a comprehensive review of Jackson County's Assessment and Taxation Offices to evaluate compliance with Oregon Revised Statutes (ORS), Oregon Administrative Rules (OAR), and the DOR procedural guidelines. This is the first time that the DOR has examined a County.

The fieldwork was performed from February through June of 2022, and the final report was issued on July 18, 2022.

The DOR reviewed 17 program areas within Assessment and Taxation.

- One program area was deemed to be **inadequate,** meaning that action is required to bring the program back into alignment with ORS and OAR to avoid the risk of the County being unable to support values, functions, or actions. (5.55 percent of total)

- Eleven (11) were deemed to be **at risk**, defined as the current business process and/or practices have potential to be out of compliance with ORS and OAR. (64.71 percent of total)

- The remaining five programs were determined to be adequate, two of which are 100 percent Taxation programs. (29.74 percent of total)

SUMMARY OF FINDINGS

The DOR indicated that three of the Assessment programs, specifically Commercial/Industrial Appraisal, Personal Property, and Cartography had acceptable business processes and practices. They also indicated that the roll correction procedures were complete and accurate even though the program in its entirety was deemed to be "at risk."

The Commercial/Industrial Appraisal program relies on outside sources for valuation and information including Marshall and Swift, IncomeWorks, and EagleView. All of which assist the Office in proper valuation of these properties.

It was noted that the Personal Property program was using updated processes and procedures, and that the work was completed on a timely basis. The DOR specifically commended the Cartography program for having organized, thorough, and well-documented procedures that follow Oregon Cadastral Map Standards.

Jackson County Board of Commissioners
Meeting Submission No. 1
Offered by: Danny Jordan
Date: 09/08/22 Received by: M. Cook

The review highlighted three opportunities for improvement within the Taxation Office; they are included within the Tax Collection section below.

The underlying issue found in the review is that the Assessor's Office is over 10 years behind on its core appraisal activities including land studies, residential local cost modifier studies, and local market studies and is, instead, relying on trending including cumulative trending. This creates the inability to create supportable property values in the tax roll.

In addition, the tables within the Computer-Assisted Mass Appraisal (CAMA) system that is used to calculate tax values has not been maintained in a timely manner. It was noted that the Assessor's Office no longer has an employee who knows how to maintain the system, and no training has been done by current employees to learn how to make the updates.

In most programs, the DOR found that the Assessor's Office is understaffed and lacks proper policies and training to assist with training and cross-training of staff.

In the remainder of this memo, I have summarized the findings for each of the programs that the DOR deemed as "at risk" or "inadequate."

Inadequate Program Area – Tax Computation Including Urban Renewal

This is the process where taxes imposed by each district are applied to the property values to determine the correct tax levy rates to be extended to each property. This is a critical function of the Assessment Office.

The DOR found the following weaknesses:

- Little to no documentation provided showing how the County reviews the calculations (including Measure 5 compression) are calculated correctly by the CAMA system.
- Final verification of shared values with neighboring counties (Josephine) is not performed. This is an important step to ensure uniformity across both counties. There were errors discovered in the 2020-2021 and 2021-2022 distributions to the shared districts of Three Rivers School and Rogue Community College.
- No procedures provided for review of processing new Urban Renewal plans and certifying the frozen value of those plans.

At Risk Program Area – Mass Appraisal

This is the systematic appraisal of groups of properties as of a given date using standardized testing procedures and statistical testing. The DOR found the following weaknesses:

- Inconsistencies in the Local Cost Modifiers (LCM) across all neighborhoods and classes of homes. The LCM are a vital component of achieving an accurate cost estimate in each county. An LCM below 1.00 indicates that the base cost in the factor book needs to be decreased. A comparison of Jackson County to the statewide average is as follows:

Residential Property Class	Jackson County	Statewide Average
Class 3	0.88	1.48
Class 4	0.97	1.47
Class 5	0.90	1.41
Class 6	0.93	1.36

The last studies related to the LCM were done in 2009 for Medford, and 2011 for Central Point and Eagle Point.

The County staff member who was historically responsible for maintaining and updating the CAMA tables, including LCM, is no longer with the County. This calculation is used for new construction, and having outdated values has the potential of having a negative effect on Phoenix and Talent as they rebuild from the 2020 Almeda Fire.

- Land studies are not being performed on an annual basis. Most recent land studies were in 2009 for East Medford, and 2011 for Central Point and Eagle Point. Rather than performing land studies, historically tabled land values are being trended in the same manner as improvements.

- Onsite/Offsite Development/Market Development (OSD) studies to support and document OSD market development costs have not been completed since 2009 and 2011. Historical costs are being trended with the improved property trend. In addition, during their review the DOR found many values of $20.00 being attributed to the OSD. This $20.00 was potentially a placeholder amount during the 2002 CAMA system conversion.

- The value for the landscaping land component is unsupportable as no study has been conducted since 2009 or 2011, and has been trended using a cumulative trend.

- Land adjustments are not supportable. Land adjustments were established sometime prior to 2008. There is no documentation to support adjustments and many accounts have multiple land adjustments, both negative and positive. Land adjustments are being trended using a cumulative trend.

- Market Value Increments (MVI) were developed prior to 2008, are inconsistent, and there is no supporting documentation or studies done to support the adjustments.

- Covered porches are being included in total livable square footage of manufactured structures, which does not meet accepted appraisal and industry standards.

At Risk Program Area – Ratio Studies

ORS mandates that Assessors track and measure the real estate market to maintain 100 percent of real market value (RMV) as of the January 1 assessment date. To demonstrate compliance, Assessors are required by ORS 309.200 to annually complete ratio studies and to publish the Assessors Certified Ratio Study Report.

This report captures many of the different programs and functions within the assessor's responsibility and the results of the ratio study can provide the assessor with information needed to identify appraisal priorities.

The DOR found the following weaknesses within the report, many of which are highlighted within their applicable program:

- Land studies have not been performed in over 10 years.
- LCM studies have not been completed in over 10 years.
- Cumulative trends are incorrectly being used in place of updating necessary studies.
- Local market studies to support RMV have not been performed in over 10 years.
- Onsite development costs are outdated or missing.
- Table maintenance in the CAMA system is lacking.
- Some appraisers are adjusting the components of value to meet the sale price of the property. This is known as sales chasing and is not an appropriate appraisal methodology.

At Risk Program Area – Special Assessment – Farm/Forest

The DOR found the following weaknesses within the program:

- The Farm Rent Survey was last completed in 2010; per ORS 308A.092, the study is to be done annually.
- Farm Factor Book has not been updated to adjust buildings to the current market since 2009.
- Incorrect property classifications are being used.
- Small Tract Forestland is using an incorrect formula.
- Due dates are not meeting statutory requirements:
    - Necessary documentation from landowners had a due date 15 days past the OAR deadline.
    - Landowner right to apply for designated Forestland after removal from Highest and Best Use was October 8, rather than the statutory deadline of December 15.
- Multiple oversights in letters including the omission of appeal rights.
- Additional tax calculation for disqualifying Small Tract Forestland is not accurate.
- Errors on County website regarding the program.

- Tax statements need Special Assessed Value to be displayed.

At Risk Program Area – Segregation and Merge

Relates to accounts that have had a segregation, merge, subdivision, and/or a partition. The DOR found that when a subdivision plat occurs, the potential additional tax liability was not always extended and collected on all acreage involved in the plat.

At Risk Program Area – BoPTA/Stipulations

As mentioned in earlier sections, due to outdated ratio studies, the values cannot be appropriately supported. In addition, the appraiser who appraised the account should be able to defend the value rather than only the Assessor representing the County.

At Risk Program Area – County Assessment Function Funding Assistance (CAFFA) Grants

The DOR believes that there are not enough staff nor planned expenditures to conduct necessary appraisal activities.

At Risk Program Area – Exemptions

The DOR noticed a lack of knowledge regarding Enterprise Zone exemptions, including the lack of follow-up and verification of exemptions.

At Risk Program Area – Roll Corrections

Roll corrections are the processes by which changes are made to the current certified tax roll or pervious certified tax rolls. The DOR found the following weaknesses:

- The tax roll vouchers need to have all of the documentation to meet the statutory requirements (software issue).

- The Assessor's Office has limited staff that complete tax roll corrections.

- Additional field work <u>prior</u> to certification would avoid many time-consuming tax roll corrections.

At Risk Program Area – Tax Certification

The process by which taxing districts are authorized to place a tax or fee on the tax roll to certify those amounts for the upcoming tax year to the Assessor's Office. The DOR has recommended that the Assessment Office develop and document procedures for approval, verification, and review of the certification documents and process.

At Risk Program Area – Roll Turn

The process by which the Assessor's Office finalizes the values and computation of the taxes and turns the roll over to the Tax Collector for billing. The DOR recommends developing procedures for certifying the roll, and have documentation of compliance with these procedures. In addition, the DOR recommends regular communication between the Assessment and Taxation Offices.

At Risk Program Area – Tax Collection

Tax collection defines the process from generating tax statements to complex collection such as foreclosure and seizure of assets. The DOR found the following weaknesses:

- Tax statements for Specially Assessed property did not include the Specially Assessed Value (SAV). This will require a program change.

- The calculations used by the County for Proration of Tax under ORS 308.425, relating to the 2020 wildfire season, were incorrect.

- The Taxation Office allows 10 days for the correction of an "honest mistake" on the written line of a check presented for payment, which may extend the period for receiving the discount by the taxpayer. The DOR indicated that there is no ORS allowing early pay extension for payment errors.

- Warranting of personal property is only done once per year, while ORS indicates that personal property shall be warranted after each trimester. From a tax perspective, this is expensive to the taxpayer and the County, and a legislative change to "may be warranted after each trimester" would be prudent.

- No policies and procedures around issuance and status of potential refund credits. These are for the large refunds, like Charter. It has been a problem in the past, but Taxation and Assessment have developed a mutually beneficial process for the future.

Review of Oregon Department of Revenue Audit of Assessment/Taxation (Audit Dated 7/18/22)

The Oregon Department of Revenue (DOR) reviewed 17 different areas. I grouped the areas as follows, and then summarized the negative findings in the table below.

1. Data Analytics (Mass Appraisal, Ratio Studies)
2. Programs (Commercial/Industrial, Farm/Forest, Personal Property, Exemptions, Segregation/Mergers, and Cartography)
3. Tax Roll and Related Activities (BoPTA/Stipulations, Roll Corrections, Roll Turn, Tax Certification, Tax Computation Including Urban Renewal, Tax Collection, Tax Distribution)
4. CAFFA (CAFFA Deposits, CAFFA Grants)

Summary of Negative Findings

Data Analytics (Mass Appraisal, Ratio Studies)
Mass Appraisal – Local Cost Modifier (LCM) studies, which allow for market adjustments to be made to cost factors, were last conducted in 2009 (East Medford) and 2011 (Central Point and Eagle Point). DOR analysis (performed as part of this review) revealed inconsistencies in the LCM across all neighborhoods and classes. Additionally, there is concern that if an LCM were to be conducted, updating the Computer Assisted Mass Appraisal (CAMA) tables might have unattended consequences (i.e., no one is sure how changing one table might affect the other tables). Because LCMs have not been conducted for onsite/offsite market development (OSD) and landscaping values, the Assessor's Office has been trending OSD and landscaping costs along the same trendline that pertains to improved property. As a result, these values are unsupported and may be inaccurate. Placeholder values of $20.00 for OSD and $10.00 for condos were found in the tables for many properties. Because of the lack of confidence in the CAMA tables, appraisers have been using Market Value Increments (MVI) to bring values in line with what the appraises think the properties should be valued at. However, supporting documents for the adjustments are unavailable and studies to support the adjustments have not been completed. In addition, for manufactured homes, the square footage of covered porches is being valued as the same as completed living spaces. This practice does not meet accepted appraisal and industry standards. *Because of the lack of recent studies, the Office does not have credibly accurate real market values on the tax roll. The DOR recommends that the Office prioritize development and implementation of a plan to update all studies (including but not limited to LCM, OSD, Landscaping, and MVI), and incorporate the results into the CAMA system. Concurrently, it should update written procedures to reflect the proper use of updated studies and adjustments. The DOR also recommended that the use of cumulative trending be stopped (trending had been used in lieu of mass appraisals). It also recommended that procedures be updated so that non-living areas of manufactured homes are no longer be valued as living spaces.*

Jackson County Board of Commissioners

Meeting Submission No. 2

Offered by: Danny Jordan

Date: 09/08/22 Received by: m. Cook

Ratio Studies - The ratio study results may not be accurate because local market studies, discussed in the mass appraisal section (land studies, LCM, and OSD) have not been completed in 10 years. Additionally, some appraisers are adjusting components of value to meet the sale price of a property (referred to as sales chasing) which is not an appropriate appraisal methodology.
Programs (Commercial/Industrial, Farm/Forest, Personal Property, Exemptions, Segregation/Mergers, Cartography)
Commercial/Industrial – The information that appraisers need exists, but the appraisers may not have access to it. The Assessor's Office has an internal repository named "Appraisal Works" into which their studies are to be placed, but the most recent industrial and commercial land studies completed by County appraisers in 2014 and 2016 were not included in Appraisal Works. Also, they do not have a system to ensure that they receive all value transmittal sheets (VTS) for State-appraised industrial accounts. Recommendations were to: maintain a list of all State-appraised industrial accounts that receive a VTS from the DOR and add an error check or final report to ensure there are no missing State valuations, update land studies annually or biennially, and include all studies in Appraisal Works to ensure staff have access to the studies.
Farm/Forest - No current farm rent study supports valuation changes that have occurred subsequent to the last study, which was conducted in 2010.
An incorrect formula was found in the Excel spreadsheet used for Small Tract Forestland Potential Additional Tax Disqualifications (a second finding is also listed that pertains to this).
No LCM study has been conducted to adjust farm building values to current market (Report mentions that the DOR last issued a farm factor book in 2009).
Incorrect Property Classifications are assigned to Designated Forestland accounts.
There were eight separate findings pertaining to form letters having inaccurate and incomplete information.
The "Office Use Only" section on the Application of Special Assessment was not always completed.
On the County's website, the column headings are not lining up correctly with the values (GIS issue), and the website quotes the Oregon Revised Statute (ORS) as "feeding, breeding, and selling," when it should read "feeding, breeding, or selling."
Tax statements do not list the Special Assessed Values.
Personal Property – Desk and field audits of accounts suspected to have omitted property have not been occurring since the COVID-19 pandemic (there are 20 accounts on the list) and should be resumed, as resources allow.
Some property has been depreciated to $0.00 (e.g., hotel sheets) but the DOR interprets that the ORS prohibits exemptions to mean that all property must retain some value for taxing purposes.
Exemptions - There were two findings relating to checks and balances in approving exemptions: 1) One person reviews/approves all exemption applications and no one reviews this. 2) Tax Collector's Office approves veteran's exemption applications (report indicates that, per ORS, Assessor's Office should give final approval).
There were five findings relating to Enterprise Zone exemptions. They are not conducting site visits to determine which property is being used for the authorized project and they are not verifying construction has started within two years of approval. Two of the five findings pertained to information that should be included in the account files, but was not. The final finding was that they did not have a process for employment verification (I assume the exemption requires the applicant to create a certain number of jobs).
Segregation/Merge – The Office needs a process to ensure that, when a subdivision plat occurs, all accounts and acreage involved have been disqualified from any applicable special assessment and that potential additional tax (PAT) liability is collected. The review had found that in a few cases the full PAT was not collected.
Cartography – No findings or recommendations

Tax Roll and Related Activities
BoPTA – Section restates that Mass Appraisal studies need to be done annually to support valuations. The County should also allow the appraiser who valued the tax account to defend the County's valuation.
Roll Corrections - When Journal vouchers are used to make corrections, space limitation in the Journal voucher system is prohibiting the entries from including all info that is required per ORS. The report also mentions that more staff should be trained in roll correction procedures. It also mentions that having more staff would avoid the need to make corrections in the first place. (162 properties in the fire footprint were not taxed on the roll because at the time of certification their damage was unknown. They were later added back in when the Office determined only 30 of the 162 had been damaged).
Roll Turn (Finalizing values, computing taxes, and turning roll over to Tax Collector) – The Office was reliant on one individual (no longer employed) and lacks documented procedures other than the guidelines provided by the software company. Procedures (when developed) should include a process to notify the Tax Collector about any decision that would affect the Tax Collector.
Tax Certification of District Taxes/Fees – The Office needs procedures for approving tax certification extension requests and it needs procedures for verifying a district's authority to place special assessments, fees, and charges other than ad valorem taxes on the roll. The Office also needs to cross train backup staff.
Tax Computation Including Urban Renewal (Inadequate) – Reliance on CAMA with no documentation provided showing the County does any review to ensure that the calculations, including Measure 5 compression are completed accurately. In addition, with shared values (when a property crosses county lines) there was little documentation to show that calculations are completed correctly, and there was no procedure for doing a final verification that shared values were equal to the levy rate prior. Also, there were no procedures for processing new urban renewal plans and certifying the frozen value of those plans. Developing these procedures and cross training staff were recommended.
Tax Collection – Tax statements for specially assessed values do not conform to ORS and Oregon Administrative Rules (OAR) because the statements are missing the specially assessed value for the prior and current years. The policy of allowing a taxpayer 10 days to fix a payment error without forfeiting the early discount violates the ORS governing discounts. Staff are no longer making field collection attempts to negotiate payment agreements with mobile home owners. When payment plans are agreed upon, accounts are not "warranted" if full payment will be made within a year; however, ORS required personal property to be warranted whenever a trimester payment is missing.
Tax Distribution – Because of the issue with the 162 accounts initially valued at $0.00, ORS required that either the distribution schedule be recalculated when the tax on properties was changed, or that the Tax Collector segregate the additional collection from those properties to be distributed to those specific districts. The report recommended better communication between the Assessor and Tax Collector's Office so that the Tax Collector is aware of any pending roll corrections that require adjustments to the distribution schedule.
CAFFA Deposits and Grants
CAFFA Deposits – There was a minor issue involving an overpayment of interest that was caught by the DOR and corrected with the help of the Finance Director. In addition, the DOR sent instructions to a person no longer with the County. The DOR recommended the County provide them with updated contact information when applicable, and that procedures be implemented to verify deposits are accurate prior to making submittal.
CAFFA Grants – The DOR recommended that the County compare staffing levels to staffing model recommendations to determine if there are adequate resources to perform all necessary functions as recommended in this review.