



Physical Address 910 5th Avenue SE, Olympia, WA 98504
Mailing Address P.O. Box 401915, Olympia, WA 98504-0915
Voice (360) 753-5446 | Toll-Free (866) 788-5446 | Fax (360) 586-9020
Email bta@bta.state.wa.us | Website bta.state.wa.us

Strategic Plan

FY 2016–FY 2017

Effective: July 01, 2015, through June 30, 2017

About Us

In 1967, the Legislature created the Board of Tax Appeals (the Board) as an independent, quasi-judicial tribunal with specialized knowledge of state and local taxation. The members of the Board are appointed by the Governor with consent of the Senate for six-year terms. In addition to being experienced in matters pertaining to state and local taxation, the members must also be familiar with generally accepted appraisal practices, adjudication procedures, and statutes and rules pertaining to the tax matters that come before the Board.

The Board is the final administrative authority for the resolution of property and excise tax disputes in the state of Washington.

As an integral part of the state’s tax system, the Board provides a convenient and inexpensive forum for taxpayers to appeal property value assessments and excise tax assessments, and Department of Revenue actions, such as denial of excise tax refunds, property tax exemptions, or reconvenes of boards of equalization. The Board processes 2,500 to 3,000 new appeals annually, many of which present complex legal and valuation issues.

Core Values

- Professional and quality service to the people and organizations of the state of Washington
- Respect for all individuals seeking our service
- Integrity in all aspects of the way we do business
- Transparency in the manner of our operations

A. Mission Statement

The Board of Tax Appeals maintains public confidence in the state tax system by providing taxpayers and taxing authorities with an accessible, fair, and efficient process for resolving appeals in a timely and judicious manner through the issuance of comprehensive written decisions based upon generally accepted appraisal practices, Washington statutes and the state constitution, case law, and Board precedents.

B. Statutory and Regulatory Authority

The Board's enabling legislation is found in chapter 82.03 RCW, the Revised Code of Washington. The Board has jurisdiction over a variety of tax-related disputes, including state excise taxes (RCW 82.03.190), public utility valuations (RCW 82.03.130), property tax exemption decisions (RCW 84.36.850), and property assessment appeals (RCW 84.08.130). Rules governing the Board's informal and formal proceedings are found at chapters 456-10 and 456-09 WAC (the Washington Administrative Code) and chapter 34.05 RCW.

C. Agency Goals

The Board's specific goals are to conduct fair hearings and issue sound, high-quality, and timely decisions; improve processes to meet the needs of our customers, the taxpayers, especially those without professional representation; foster a culture of excellent performance, accountability, and professional development; use information technology to improve agency performance and service to both taxpayers and taxing authorities; and maintain public confidence in the state's tax system.

The following goals will contribute to and support the governor's priorities:

- Improving performance by specific measures
- Delivering more results to more stakeholders
- Providing 21st-century customer service
- Communicating swiftly with citizens about appeal decisions
- Building trust and confidence in state government

D. Agency Objectives

1. Maintain the ability to schedule 75 percent of all formal appeals within one year from the date of filing.
2. Continue to decrease the length of time between the filing of an appeal and the scheduling of a hearing.
3. Maintain the ability to issue 75 percent of all decisions within 90 days after the hearing.
4. Continue to decrease the length of time between the hearing date and the publication of the decision.
5. Decrease the number of appeals waiting to be scheduled for hearings.
6. Resolve, within 90 days of receipt, all exceptions to proposed decisions, petitions for review of initial decisions, and petitions for reconsideration of final decisions.
7. Maintain a quarterly clearance rate (number of filings ÷ resolutions) of 100 percent.
8. Maintain quality by having every tax decision reviewed at least twice before publication, with an emphasis on ensuring that each decision contains a sufficient explanation of the reasons the losing party's arguments or facts do not support their contentions.

E. Performance Measurements

The Board's performance is measured by the following benchmarks:

1. Percentage of formal appeals scheduled within one year of the filing of the appeal
2. Percentage of decisions issued within 90 days after the hearing
3. Number of appeals filed but not yet assigned a hearing date
4. Average number of days from the filing of an appeal to the scheduling of a hearing
5. Number of appeals filed and closed
6. Percentage of filings received divided by the number of resolutions produced (clearance rate)

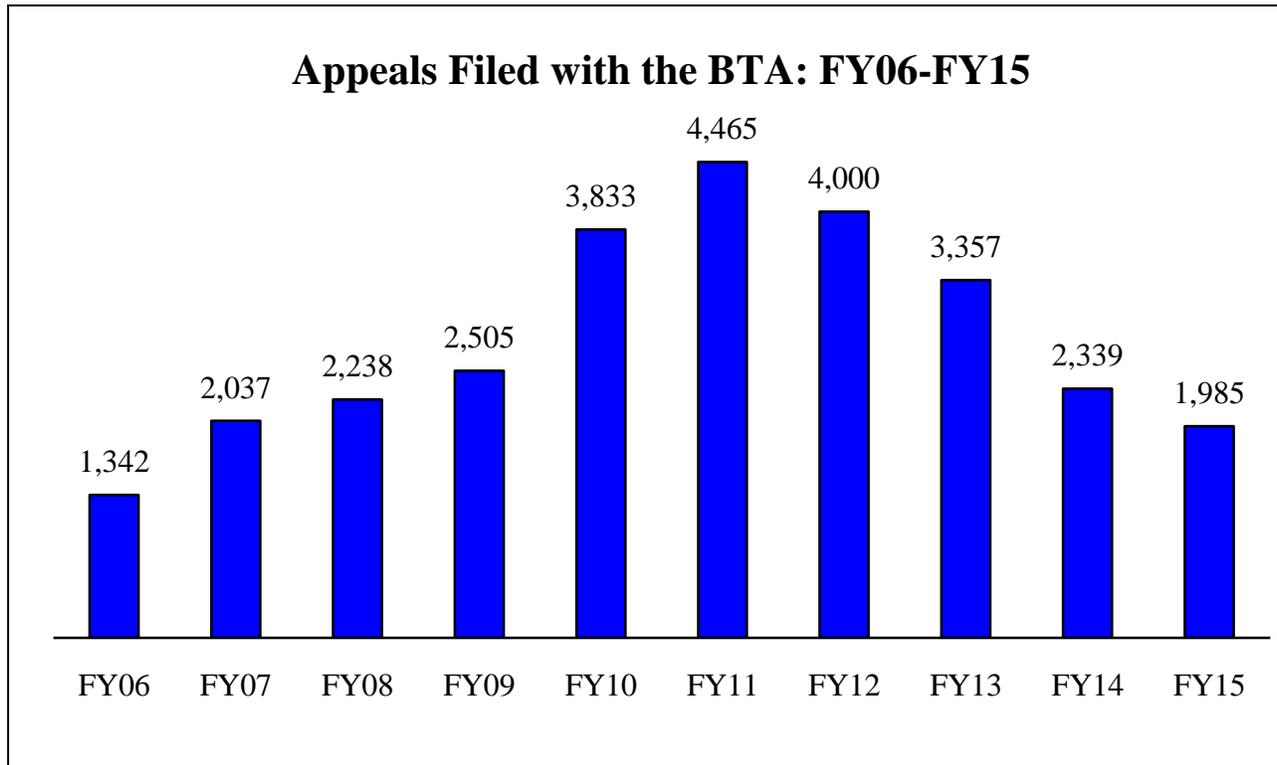
F. Strategies

1. Schedule prehearing conferences in selected, complex cases no later than two months after the appeal is filed; use the prehearing conference to focus the parties on issues and appropriate procedures.
2. Make adjustments, when necessary, in personnel, practices, and procedures when the number of filings exceeds the number of decisions issued.
3. Schedule professional education and training, when funding is available.
4. Because the property appraisal business is often complex and can take years to fully master, conduct classes taught by Board staff on appraisal principles and practices, and invite members to share, in roundtable discussions at monthly staff meetings, their work on unusual, complex valuation cases previously heard and/or decided.
5. Improve the timeliness and quality of written decisions by continuing to seek the services of law students as interns/externs, who may research and write legal memorandums, identify case issues, prepare decision outlines, organize case documents, prepare drafts of decisions, and review and edit decisions and motions for final publication.
6. Review all decisions for consistency and quality within three days of writing.
7. Decrease the backlog by promoting the expedited hearing process, whereby a taxpayer may elect an earlier hearing date in exchange for a shorter hearing and less detailed decision.
8. Continue leveraging information technology to move towards a paperless operation and to improve the efficiency of the staff and hearing officers, thus increasing customer satisfaction.
9. Periodically tell the organization's story through outreach programs.

G. Performance Assessment

The Board is a specialized administrative tribunal that centers on one task: the adjudication of tax appeals. As the Board's administrative rules indicate, the Board aims to provide a "just, speedy, and economical determination of every action" (WAC 456-09-001 and 456-10-001). Feedback shows that taxpayers appreciate the swift scheduling of their hearings and the rapid publication of a written tax decision. Unfortunately, the Board's ability to provide a "speedy" resolution of tax disputes has been seriously compromised by inadequate funding and reduced staffing.

As the following bar graph shows, with the beginning of the economic downturn (or Great Recession) in 2008, the number of appeals filed with the Board began to climb, increasing dramatically between July 2009 and July 2013:

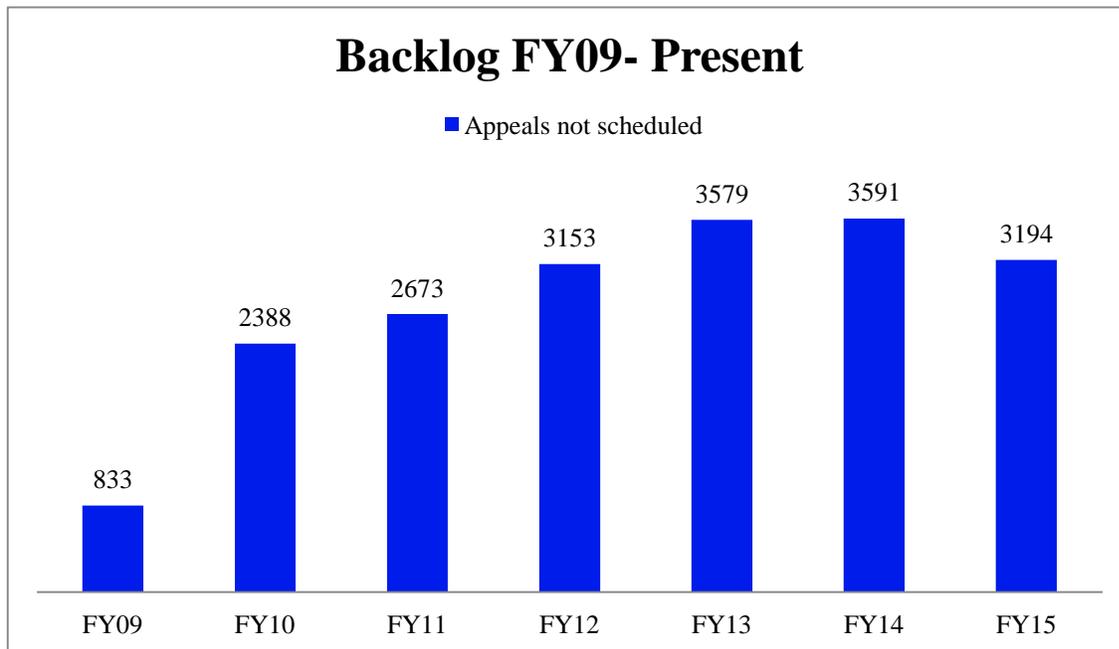


The following table shows that, as the number of filed appeals climbed, the Board’s funding and staffing fell. In FY 2011, the Board received 4,465 appeals—an increase from the number filed in FY 2006 of more than 200%. Coinciding with the dramatic increase in the Board’s workload, the Board’s funding declined by 20% from the biennium ending in FY 2009 to the biennium ending in 2013, and the Board has, since FY 2011, been short a full-time, senior hearing officer.

Funding and Staffing: FY06-FY15

| Fiscal Year | Budget | FTE |
|-------------|-----------|------|
| 2006 | 1,405,931 | 12.5 |
| 2007 | 1,224,592 | 12.5 |
| 2008 | 1,569,493 | 12.5 |
| 2009 | 1,343,000 | 12.5 |
| 2010 | 1,403,805 | 12.2 |
| 2011 | 1,139,972 | 11.4 |
| 2012 | 1,190,607 | 11.2 |
| 2013 | 1,150,415 | 11.2 |
| 2014 | 1,219,795 | 11.2 |
| 2015 | 1,178,000 | 11.2 |

As a consequence of the increased filings and the inadequate funding and staffing, the Board faced a growing backlog of appeals—appeals that the Board received, but could not set for hearing.



The current backlog stands at over 3,000 cases, and taxpayers and taxing authorities must now wait over 20 months to have their hearings scheduled. The agency has developed internal techniques and practices to handle newly filed appeals and to offer expedited hearings, but such measures, no matter how creative, cannot solve the problem created by an increased workload and a reduced staff.

Not only do the Board's funding levels leave the agency understaffed, the inadequate funding has limited the current staff's opportunities for external professional development and expanded training. The quality of the Board's tax decisions is attributable to the experience and dedication of the Board's support staff and hearing officers and to the enthusiastic participation of hearing officers in monthly in-house presentations and discussions.

In sum, the Board's continuing challenge will be to maintain productivity, quality, and workplace morale, while pursuing and obtaining a level of funding that will improve timeliness and, in turn, customer satisfaction. Going forward, the Board will remain focused on the strategies and performance measurements set forth in sections E and F, above.

H. Appraisal of External Environment

Though the majority of property assessment issues are resolved by county assessors or by the local boards of equalization, an average of 3,000 appeals per year have been filed with the Board over the past five years. Year after year, the complexity of these appeals has increased, due in part to the increasing participation of tax professionals representing taxpayers. Monitoring and anticipating changes in the number of filings is critical to mission accomplishment because resource allocation is in large part driven by inputs. Consequently, monitoring how those external factors, most importantly market trends, are having an impact on these numbers, and planning for change accordingly, is critical.

A rising population and external economic factors pressure the state's housing and commercial property markets. Residential and commercial property values have risen slightly and indicators show an uptick in property markets in most areas. This is especially true in the state's more densely populated counties of King, Pierce, Snohomish, Kitsap and Thurston. Because of the timing involved in the state's property-tax assessment system, including the appeals process, there is often a disparity in time between when an annual assessment is rendered and when market trends are generally perceived to affect a property's value. For example, when property values decline due to market trends, such as during a recession, but property-value assessments do not reflect the current trend because they are based on a prior year's (higher) values, taxpayer disaffection increases. As a result, many more taxpayers believe their assessments are too high. Historical data indicates that, under these circumstances, many more appeals are filed with this Board. As the economy rebounds, there is less general dissatisfaction with the tax system. Consequently, tax appeal filings decrease.

Although uncertainty in real estate markets contributes to the increase in filings, the Board has also experienced an increase in the number of agents soliciting appeals. This also has increased the number of appeals filed.

Interest rates and the slow economic recovery have caused a slight increase in the building of commercial real estate properties in some areas. However, commercial properties, such as apartments, small businesses, restaurants, manufacturing, hotels, and retirement homes do not appear to have lost as much value over recent years as have residential properties. The rate of business property value has remained steady, even though many businesses have

experienced declines in net incomes. The popularity of real estate investments remains healthy. Though hard to anticipate and quantify, shifts in market forces impact the Board's operations.

Changes in governmental tax policies, depending on their scope, can have a significant impact on the Board's caseload. Recently, the legislature has been active in passing laws affecting excise taxes and exemptions to taxes. These new policy initiatives, the impact of which has not yet been fully actualized, may have a significant impact on the Board's caseload. For example, new exemptions available for taxpayers raise the potential for more exemption appeals.

Six of the Board's twelve employees adjudicate tax appeals. Because of the stability of the supporting staff and the cross-training required to effect a smooth and efficient office, the Board does not anticipate any outsourcing of office functions.

Risks

As discussed in section G, above, the Board has a critical need for increased funding and staffing to address its significantly increased workload.

I. Assessment of Internal Capacity and Financial Health

1. Workforce

A significant strength of the organization lies with its small but stable workforce. The staff is knowledgeable, professional, and dedicated to the mission. Most have been employed with this organization or in state government for more than 15 years. Compensation levels, equaling those of comparable positions in other small organizations performing adjudicative functions, principally the hearing officers, have lagged behind. However, because of a stagnant economy the workforce remains stable.

Unfortunately, having a small workforce has its limitations. Advancement within the organization is not possible. This job disincentive must be offset by other means. Further, a cross-trained support staff in numerous functional areas is critical to mission success. Having a small organization that is only "one person deep," however, detracts from optimal customer service. Absences for training, sickness, meetings, appointments, and vacations erode the ability to perform efficiently and add stress to an overworked staff. Hiring additional support staff to cover these gaps and assist hearing officers in preparing their cases is essential for mission accomplishment.

The organization has not had sufficient resources to fund needed job training for its employees. Management actively seeks training opportunities to improve the skills of all personnel.

2. Information Technology

The Board's focus has been on the continued integration and upgrading of the Case Tracking System (CaTS), a case management software tool and document management system. CaTS utilizes an SQL database and is the platform for refining workflow, correspondence, and calendaring processes. CaTS permits staff to input critical case data and provides taxpayers with online form-filing capabilities. CaTS enables the Board to research decisions and monitor an appeal's status. Further upgrades in the CaTS system could provide taxpayers and tax professionals with online capability to view case evidence and participate in hearings by electronic means, but such enhancements are contingent on the Board's receiving adequate additional funding.

The Board's website at <http://bta.state.wa.us> is a significant resource for internal and external use. On the website, users will find forms and instructional information regarding the appeal process, a searchable program of the Board's decisions, links to applicable regulations and statutes (the WACs and RCWs), and other materials. Improvements to the website are ongoing; in particular, the Board envisions developing a website-based video to guide *pro se* (unrepresented) taxpayers through the informal appeal process.

The Board's vision remains the creation of a paperless system. Over the years, litigation and appellate practices have gradually moved to paperless systems of conducting business. Critical to these changes has been the development of sound policies and procedures and upgrades to existing technologies. The Board recognizes these trends and, with adequate funding, would be able to develop a paperless system. Moving individual taxpayers in this direction may be difficult, but a substantial number of Board appeals are handled by CPAs, appraisers, attorneys, and other professionals, all of whom have electronic capabilities. At the same time, the Board is committed to improving the abilities of the *pro se* taxpayer to meaningfully participate in the process.

The Board's capital and technology needs are influenced by standards set by the Department of Enterprise Services (DES) and the need to maintain a line of communication with other state agencies and with taxpayers.

3. Business Processes

The Board has stable, repetitive business processes. The basic steps for processing a tax appeal, no matter what the specifics, are the same: input data from the notice of tax appeal into the case management software system, notify parties of the receipt of the appeal, schedule a hearing, conduct a hearing, write a decision, and publish and post the decision.

4. Facilities

The Board's facility in Olympia is conveniently located for a significant number of taxpayers and representatives of taxing authorities. Because of limited funding, however, most property valuation hearings are now conducted by telephone. The building, which is currently leased, provides the workforce with an adequate work environment.

Future Direction

Although the Board does not anticipate major changes in its core functions, the Board recognizes that unknown and unpredictable market forces can have a major impact on the Board's operation. The Board will continue to explore new ways of doing business to enhance the Board's efficiency, the quality of its decisions, and its service to taxpayers and taxing authorities. The Board sees, as critical to achieving its objectives, the leveraging of technological innovations and the continued progress towards a paperless operation.

Conclusion

Under the law, taxpayers are entitled to fair treatment in the apportionment of the tax burden and a reasonable opportunity to be heard if they perceive error in their property or excise tax assessments, or in responding to adverse actions of the Department of Revenue. The Board of Tax Appeals provides both taxpayers and taxing authorities with a simple, timely, and inexpensive forum through which to adjudicate their cases. The Board is a unique and independent appellate body performing an important function for the citizens of this state.