



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

February 2, 2009

**TO:** All County Assessors

**FROM:** Deb Mandeville, Ratio Specialist  
Property Tax Division

**SUBJECT: IDENTIFYING SHORT SALES, FORECLOSURE SALES AND AUCTION SALES FOR RATIO STUDY ANALYSIS**

The current economic climate has had a dramatic effect on the real estate market around the country and here in Washington.

The WSACA Ratio/Levy Committee voted at their meeting on Tuesday, January 27, 2009, to form a subcommittee to review and discuss some of the types of sales that are occurring in the current market and how said sales should be treated in the annual real property ratio study. The subcommittee will be comprised of assessors and their staff as well as Department of Revenue staff.

One of the subjects for review by the subcommittee will be how "Short Sales" should be handled for ratio purposes. County assessors and treasurers recently received some clarifying information from the Department of Revenue's Special Programs Division regarding the treatment of these sales for real estate excise tax purposes.

The committee will also be looking at what counties are seeing on a statewide basis with foreclosure sales (not the Trustee sales, but rather when the bank sells the foreclosed property). The IAAO has said that, although these sales have been considered invalid for sales ratio studies in the past, this may no longer always be the case. However, the IAAO cautions that these sales should be closely scrutinized to ensure that the characteristics of the property at the time of the sale are the same as the on-file characteristics that were utilized in determining the assessed value.

We've also gotten some questions regarding the treatment of "Auction" sales in the ratio study. The described circumstances involved new homes in entire plats being sold by auction houses for substantially less than assessed value, after having sat on the market for a lengthy period of time.

At the ratio/levy committee meeting on January 27<sup>th</sup>, the committee recommended developing a methodology for counties to begin tracking these different types of transactions as soon as

possible. This will enhance the subcommittee's abilities to gather and analyze data from counties on a statewide basis.

### **New Identification Codes**

In response to the committee's recommendation we ask that counties begin separately coding these types of sales for ratio study purposes. This will provide a better understanding of the quality and quantity of short and auction sales on a county-by-county basis.

- **Short Sales**

If you are able to determine that the sale was a "short sale," code it with a 30.

Typically there isn't evidence on the Real Estate Excise Tax Affidavit to identify that a transaction is a short sale. However, if in the course of your analysis, you discover that it is, code it as such.

- **Foreclosure Sales**

If you are able to determine that the sale was a foreclosure sale, code it with a 31.

These should not include transactions that occur when the bank forecloses on the property. They should be the transactions between the bank and the new purchaser.

- **Auction Sales**

If you are able to determine that the sale was through an auction, code it with a 32.

These should be sales of homes with circumstances similar to the earlier description, i.e., numerous sales of new homes in a plat whose developer/owner has contracted with an auction company to market the homes.

The goal is to have the "purest" form of these types of transactions. If the sales that you are analyzing would be considered invalid for any other of the 27 invalidation codes, utilize those codes instead. For example, if a property sold to a family member but also involved a short sale, use invalidation code 1 rather than code 30.

The additional codes (30, 31, and 32) are being recommended strictly for the purpose of making it easier to identify and sort these types of transactions. They are not required by the current WAC rules. If you can identify these types of sales in other ways that are easier in your county's environment (e.g., you've coded Auction sales with a code 27 and the comment "auction sale"), that's perfectly acceptable.

We appreciate that it's late in the sales study period for the 2009 real property ratio study. If you are able to easily identify these types of sales based on your initial coding, do so.

January 28, 2009  
Page 3

If that's not the case, we are not asking counties to go back to the August 1, 2008, starting date of the 2009 sales study period and retrace all of their work. Instead, we would ask that you incorporate a sorting plan based on these new criteria into the sales that you are reviewing from this point forward.

Once the subcommittee has had the opportunity to review and analyze these different types of transactions, any recommendations on how to handle these sales in the real property ratio study will be easier to incorporate if counties have successfully identified and coded them.

Contact Deb Mandeville at (360) 570-5863 if you have questions/concerns. You may also contact her via e-mail at [debm@dor.wa.gov](mailto:debm@dor.wa.gov)