



ARLINGTON COUNTY, VIRGINIA

**County Board Agenda Item
Meeting of March 17, 2007**

DATE: March 8, 2007

SUBJECT: Request to advertise for a public hearing on the personal property tax rate and the allocation method of the State's vehicle tax relief provided to Arlington County.

C. M. RECOMMENDATION:

Advertise for a public hearing on March 29, 2007 on the proposed Calendar Year 2007 personal property tax rate of \$5.00 per \$100 of assessed value using the attached resolution (Attachment I) and for public service corporations the real estate tax rate of \$0.818 per \$100 of assessed value as requested to be advertised in the prior agenda item.

ISSUE: What personal property tax rate should be advertised?

SUMMARY: In order to establish a personal property tax rate for Calendar Year 2007 (Fiscal Year (FY) 2008), it is necessary to advertise a proposed personal property tax rate at this time. A public hearing will be held and completed on March 29, 2007 and the County Board will set the tax rate at its April meeting when the FY 2008 budget is to be adopted. Under State law, by advertising the rate of \$5.00 per \$100 of assessed value for personal property and \$0.818 per \$100 of assessed value for public service corporations, this is the maximum rate that the County Board can adopt.

Two changes are recommended to the allocation method of State funds provided to Arlington County (\$31.3 million). The amount of subsidy that will be provided to vehicle value between \$3,001 - \$20,000 needs to be reduced from 40% to 33% to account for the projected growth in the vehicle assessment base and the fixed amount of relief the County receives from the State. In addition, it is proposed that 100% of the tax liability for clean fuel vehicles be paid with the State money for assessed value below \$20,000. This would provide a maximum subsidy of \$1,000 to clean fuel vehicles and be \$567 tax savings for clean fuel vehicles valued more than \$20,000. A table showing the comparative tax savings can be found on Attachment IV.

BACKGROUND: The State General Assembly in 2004 fundamentally changed the Personal Property Tax Relief Act (PPTRA) enacted in 1998 (Virginia Code § 58.1-3523 *et al.*). Beginning in FY 2007, the County began receiving an annual fixed block grant from the state as a replacement of the 70% reimbursement for vehicle taxes assessed below \$20,000 governed under

County Manager: _____

County Attorney: _____

Staff: Mark Schwartz, Director, Department of Management and Finance
Chuck Gubisch, Budget Director, Department of Management and Finance
Richard Stephenson, Revenue Analyst, Department of Management and Finance

the Personal Property Tax Relief Act (PPTRA) that was enacted in 1998. The amount of money (\$31.3 million) received from the state remains fixed regardless of the growth in the number of vehicles or vehicle value. The County is required to use this block grant money to reduce the tax liability on vehicle value below \$20,000 and indicate on tax bills the amount of tax relieved due to the state monies. Over time, as vehicle personal property value increases, this subsidy will become a smaller proportion of total personal property tax revenue increasing the cost to Arlington taxpayers.

DISCUSSION: In order to establish a personal property tax rate for Calendar Year 2007 (Fiscal Year (FY) 2008), it is necessary to advertise a proposed personal property tax rate at this time. A public hearing will be held and completed on March 29, 2007 and the County Board will set the tax rate at its April meeting when the FY 2008 budget is adopted. Under State law, by advertising the rate of \$5.00 for personal property and \$0.818 for public service corporations, this is the maximum rate that the County Board can adopt. Pursuant to State law, tangible personal property of public service corporations and manufactured homes is taxed at the real estate tax rate. The tangible personal property of public service corporations and manufactured homes is proposed for advertisement at a rate of \$0.818 per \$100 of assessed value.

Tax rates for personal property and the resulting revenue for Fiscal Years 1987 to 2007 are shown in **Attachment II**. The current (calendar year 2006) adopted real estate and personal property rates of neighboring jurisdictions are shown in **Attachment III**.

In addition to the personal property tax rate adoption in April, the County Board will adopt a resolution allocating the State provided vehicle tax relief monies (\$31.3 million). In CY 2006, the County Board adopted a resolution that provided 100% vehicle tax relief for automobile value assessed below \$3,000 that was provided with State monies. For vehicle value between \$3,001 and \$20,000 State monies provided 40% relief from taxation. For CY 2007, adjustments are needed to the allocation model due to the increase of the vehicle assessment base. The assessment base has grown due to the number of cars in the County and the increase in assessed value of qualifying vehicles with assessment less than \$20,000. The projected percentage of relief provided by State monies for vehicle value between \$3,001 and \$20,000 in CY 2007 is 33%.

Attachment V is the resolution fixing the distribution of State relief to qualifying personal property vehicles. It is recommended that the Board include a provision in the resolution that provides additional personal property tax relief to vehicles that qualify as "special clean fuel" as defined by Virginia's Department of Motor Vehicles. There are currently less than 1,000 clean fuel vehicles registered in the County. It is proposed that qualifying clean fuel vehicles receive 100% tax relief paid with State monies on the first \$20,000 in assessment. This would save the average clean fuel vehicle owner approximately \$567 in personal property taxes above a similarly priced non-clean fuel vehicle.

FISCAL IMPACT: The personal property tax revenue proposed in the County Manager's FY 2008 Proposed Budget is based on the current tax rate of \$5.00 per \$100 of assessed value and \$0.818 per \$100 on all public service corporation tangible personal property assets and the full allocation of State vehicle tax relief monies. Any adjustment to the existing methodology for the distribution of the State monies proposed will result in an adjustment to the allocation percentages so no more than \$31.3 million is expended on vehicle personal property tax relief.

RESOLUTION FIXING COUNTY PERSONAL PROPERTY LEVY

IT IS HEREBY RESOLVED AND ORDERED by the County Board of Arlington County, Virginia, as follows:

1. That there be levied for the year 2007 a tax of \$5.00 per one hundred dollars of assessed valuation on all taxable tangible personal property as defined in Sections 58.1-3500, 58.1-3501, 58.1-3502, 58.1-3503, 58.1-3506 and on machinery and tools as defined by Section 58.1-3507 of the Code of Virginia, except as otherwise provided in this paragraph. Without any limitation on the foregoing provisions, such property shall be considered to include all automobiles and trucks of public service corporations based upon the duly certified assessment thereof by the State Corporation Commission. Excluded from the levy of this paragraph (1) are the following:

- (a) All other personal property of public service corporations;
- (b) All classes of household goods and personal effects as classified by Section 58.1-3504 of the Code of Virginia; and
- (c) Manufactured homes as defined in Section 36-85.3 of the Code of Virginia.

2. That pursuant to Section 58.1-3506.A.9. there be levied for the calendar year 2007 a tax of \$0.818 per one hundred dollars of assessed valuation on all manufactured homes as defined in Section 36-85.3 of the Code of Virginia and pursuant to Section 58.1-2606 on all other tangible personal property of public service corporations based upon the duly certified assessment of the State Corporation Commission.

IT IS FURTHER ORDERED hereby that such taxes are levied for County and School purposes, and, when and if appropriated by the County Board of this County, shall be used to defray the County and School charges and expenses and all necessary charges incident to or arising from the execution of the lawful authority of the County Board of Arlington; and

IT IS FURTHER ORDERED that such taxes for County purposes appropriated or unappropriated and unused to defray County and School charges and expenses shall return to the General Fund of the County to be used to defray County charges and expenses on all necessary charges incident to or arising from the execution of the lawful authority of the County Board of Arlington County for the next fiscal year.

Antoinette Copeland, Clerk
Arlington County Board

RESOLUTION ALLOCATING STATE PERSONAL PROPERTY TAX RELIEF MONIES

IT IS HEREBY RESOLVED AND ORDERED by the County Board of Arlington County, Virginia, as follows:

1. In accordance with the requirements set forth in Section 58.1-3524(c)(2) and Section 58.1-3912(E) of the Code of Virginia, as amended by Chapter 1 of the Acts of Assembly (2004 Special Session 1) and as set forth in Item 503.E (Personal Property Tax Relief Program) of Chapter 951 of the 2005 Acts of Assembly any qualifying vehicle having situs within the County commencing January 1, 2007, shall receive personal property tax relief in the following manner:

- Qualifying vehicles shall receive 100% tax relief on the first \$3,000 of value, and the balance of relief then being equally distributed for each dollar of value up to \$20,000 in value. For any value of a qualifying vehicle in excess of \$20,000, there shall be no tax relief. The relief to be equally “distributed” shall mean the funds provided by the Commonwealth specifically for such tax relief.
- All other vehicles which do not meet the definition of “qualifying” will not be eligible for any form of tax relief under this program.
- Qualifying vehicles defined by the State’s Department of Motor Vehicles as clean special fuel vehicles shall receive 100% tax relief on the first \$20,000 of value. For any value of a qualifying vehicle in excess of \$20,000, there shall be no tax relief.

2. In accordance with Item 503.D.1, the entitlement to personal property tax relief for qualifying vehicles for tax year 2005 and all prior tax years shall expire on September 1, 2006. Supplemental assessments for tax years 2005 and prior that are made on or after September 1, 2006 shall be deemed “non-qualifying” for purposes of state tax relief and the local share due from the taxpayer shall represent 100% of the tax assessable.

Antoinette Copeland, Clerk
Arlington County Board