



ARLINGTON COUNTY, VIRGINIA

<p>County Board Agenda Item Meeting of February 21, 2009</p>

DATE: February 13, 2009

SUBJECT: Request to advertise for a public hearing on March 26, 2009 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 26, 2009 on the proposed Calendar Year 2009 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 as requested to be advertised in the prior agenda item.

ISSUE: As part of the regular budget process, authorization from the County Board is being requested to advertise a public hearing on the proposed personal property rate.

SUMMARY: In order to establish a personal property tax rate for Calendar Year 2009 (Fiscal Year 2010), it is necessary to advertise a proposed personal property tax rate at this time. A public hearing will be held and completed on March 26, 2009, and the County Board will set the tax rate at its April meeting when the FY 2010 budget is adopted. Under State law, by advertising the rate of \$5.00 per \$100 of assessed value for personal property and the real estate tax rate recommended in the prior agenda item (26.A) for public service corporations, this is the maximum rate that the County Board can adopt.

The value of the County's motor vehicle assessment base is expected to decline approximately 12 percent in CY 2009. The dramatic decrease is a function of both the rapid spike in gasoline prices during the Spring and Summer of 2008 and the ongoing credit crisis that has devastated the market for new and used car sales. For perspective, as shown in the table on the following page, the personal property tax rate would need to be increased approximately \$.30 to generate the same level of revenue in FY 2010 as FY 2009 adopted budget levels. However, no increase to the personal property tax rate is recommended at this time.

<p>County Manager: _____</p>

<p>County Attorney: _____</p>

<p>Staff: Mark Schwartz, Director, Department of Management and Finance Richard Stephenson, Budget Director, Department of Management and Finance</p>

Effect of Personal Property Tax Rate Increases on FY 2010 revenue¹

Tax Rate Change	Personal Property Tax Rate	Projected Revenue (millions)	FY 2009 Adopted Revenue (millions)	Difference between FY 2010 revenue and FY 2009 revenue (millions)
\$.00	\$5.00	\$91.8	\$97.2	(\$5.4)
\$.01	\$5.01	\$92.0	\$97.2	(\$5.2)
\$.10	\$5.10	\$93.6	\$97.2	(\$3.6)
\$.20	\$5.20	\$95.5	\$97.2	(\$1.7)
\$.30	\$5.30	\$97.3	\$97.2	\$0.1

¹ Does not reflect the proposal to increase the penalty interest rate on delinquent taxpayers to 10% in CY 2009

Due to the significant decline in the County’s motor vehicle assessment base, it is anticipated that the state’s fixed \$31.3 million block grant for vehicle tax relief, which subsidize motor vehicle tax bills, will cover a significantly larger portion of vehicle owners’ personal property tax bills than in previous years. Based on preliminary analysis, 43% of conventional fuel vehicle value between \$3,001 and \$20,000 will be provided tax relief in CY 2009, up from 31% in CY 2008. This higher subsidy level, coupled with overall lower assessments, will substantially reduce personal property tax bills this year. However, this anticipated subsidy level is merely an estimate; the final tax relief formula for the portion of conventional fuel vehicle value between \$3,001 and \$20,000 will not be known until July, when the Commissioner of Revenue finalizes the majority of its CY 2009 vehicle assessments. In addition, following the guidance the County Board gave during the FY 2009 adopted budget process, it is proposed that the County reduce the tax relief for the portion of clean fuel vehicle values between \$3,001 and \$20,000 from 100% to 90%.

BACKGROUND: In 2004, the State General Assembly 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, which was previously provided under PPTRA. The amount of money received from the state (\$31.3 million) 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 the portion of vehicles’ value assessed below \$20,000 and indicate on tax bills the amount of tax relieved by the state monies.

In addition to the personal property tax rate adoption in April, the County Board will need to adopt a resolution allocating the \$31.3 million state PPTRA block grant. In CY 2006, the County Board adopted a resolution that provided 100% vehicle tax relief for automobile value assessed below \$3,000. Remaining state funds were then allocated equally to the portion of vehicle values between \$3,001 and \$20,000. For CY 2007, the Board adopted a resolution providing 100% relief for the first \$20,000 in assessed value of vehicles designed by the state Department of Motor Vehicles as “special clean fuel vehicles,” a designation that includes most hybrid vehicles. **Attachment V** shows how PPTRA funds have been allocated since 2006.

Tax rates for personal property and the resulting revenue for Fiscal Years 1990 to 2010 are shown in **Attachment II**. The current adopted real estate and personal property rates of neighboring jurisdictions are shown in **Attachment III**.

DISCUSSION: It is proposed that the County advertise a proposed personal property rate of \$5.00 per \$100 of assessed value, the same level that it has been since FY 2007. Under State law, the County may not adopt tax rates higher than those advertised. State law also requires that the tangible personal property of public service corporations and manufactured homes be taxed at the real estate tax rate. The tangible personal property of public service corporations and manufactured homes is therefore proposed for advertisement at a rate to be determined by the County Board. A public hearing on these issues is scheduled for March 26, 2009, with a final Board vote scheduled for the April 28, 2009, meeting.

For CY 2009, it is proposed that the tax relief for clean fuel vehicle value between \$3,001 and \$20,000 be reduced from 100% to 90%, consistent with earlier Board guidance. As of January 2009, there were 2,692 clean fuel vehicles registered in the County, an increase of 253, or 10.3%, over July 2008. While this growth is impressive, demand for clean fuel vehicles far exceeds supply. As a result, many Arlington residents have not been able to purchase clean fuel vehicles over the past year despite having wanted to do so, based on anecdotal reports from car dealerships.

It is estimated that the average clean fuel vehicle in the County will have an assessed value of roughly \$18,000 in CY 2009. Because of their fuel efficiency and small carbon footprint, these vehicles are retaining their assessed values extremely well. Thus, under the proposed tax relief formula, the owner of an average clean fuel vehicle would have a tax bill of \$75 in CY 2009, compared with \$0 in CY 2008. However, this CY 2009 bill is still significantly less than what the owner of a comparably-priced conventional fuel vehicle would pay.

By contrast, it is estimated that the average conventional fuel vehicle will have an assessed value of \$7,000 in CY2009, down from roughly \$7,900 in CY 2008. Based on the current CY 2009 PPTRA projection, the owner of an average conventional fuel vehicle would pay \$114 in personal property tax in CY 2009, down from \$169 in CY 2008. **Attachment IV** shows the projected CY 2009 tax bills on various vehicle assessment levels for both clean and conventional fuel vehicles.

Attachment VI is the resolution fixing the distribution of state relief to qualifying personal property vehicles.

FISCAL IMPACT: The personal property tax revenue proposed in the County Manager's FY 2010 Proposed Budget is based on the current tax rate of \$5.00 per \$100 of assessed value.

The projected formula for distributing state funds will also ensure that the aggregate value of the subsidies do not exceed the amount of the state block grant.

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 2009 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.10. there be levied for the calendar year 2009 a tax as outlined in the prior agenda item (26.A) 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.

Hope Halleck, 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, 2009, 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 \$3,000 of value. These vehicles shall also receive 90% tax relief for each dollar of value between \$3,001 and \$20,000. 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.

Hope Halleck, Clerk
Arlington County Board