



## ARLINGTON COUNTY, VIRGINIA

County Board Agenda Item  
Meeting of February 20, 2010

**DATE:** February 4, 2010

**SUBJECT:** Request to advertise a public hearing on proposed amendments to Chapter 63 (Utility Tax) of the Arlington County Code, Section 63-2, to increase the residential utility tax rate.

### **C. M. RECOMMENDATION:**

Authorize advertising for a March 25, 2010, public hearing on proposed amendments to Chapter 63 (Utility Tax) of the Arlington County Code, Section 63-2, as shown in Attachment I, increasing the residential utility tax rate to the statutory maximum.

**ISSUES:** Should the residential utility tax rate be increased to its statutory maximum?

**SUMMARY:** By increasing the residential utility tax rate to the maximum allowed under the State Code, the County may realize approximately \$2.0 million in additional tax revenue. **This rate increase is not included in the County Manager's FY 2011 Proposed Budget and is intended to provide the County Board with revenue options during the budget process.**

**BACKGROUND:** § 58.1-3814 of the State Code allows Virginia localities to impose a utility tax on residential consumers of electricity and natural gas. The tax is capped at 20% of the monthly amount that utilities charge consumers and may not exceed \$3 per utility per month. This tax is collected by Dominion and Washington Gas and remitted monthly to the County.

In FY 2008, the County Board adopted a residential utility tax for electricity at the rate of \$.00341/kWh and \$.03/CCF for natural gas in order to provide a dedicated funding source for the County's Fresh AIRE program. Residential customers do not pay the tax on the first 400 kWh of electricity and 20 CCF of natural gas consumed in any given month. In addition, pursuant to State law, this tax is capped at \$3 per month per utility. In FY 2009, this tax generated \$1.6 million, of which approximately 65% came from electricity charges.

County Manager: BMD/mjs

County Attorney: CM

22. N.

Staff: Richard Stephenson, Department of Management and Finance

**DISCUSSION:** In addition to capping the residential utility tax at 20% of the monthly amount that utilities charge consumers, the State Code further limits this tax to \$3 per utility per month. Because the County has a progressive residential utility tax rate that exempts the first 20 CCFs of natural gas and 400 kWhs of electricity from taxation, relatively few residential customers hit the cap in any given month, although that number goes up for natural gas customers in the winter and for electricity customers in the summer.

The County Board could maximize revenue from the residential utility tax by a) eliminating the exemption floor and b) increasing tax rate so that customers would reach the \$3 cap when the utilities' charges hit \$15, or 20%. Based on Dominion and Washington Gas's current rates, the County's residential utility tax rate for electricity could be increased from \$.00341/kWh to \$.00483/kWh and for natural gas from \$.03/CCF to \$.092/CCF. In addition, to ensure that residential customers pay a minimum of 20% of what the utilities charge as a flat service charge, it is also recommended that the County impose a flat \$1.51 tax on electricity customers and a flat \$1.80 on natural gas customers. Under these rates, residential customers would hit the \$3 cap based on 13 CCF of natural gas consumption and 308 kWh of electricity consumption. Currently, it is estimated that only about 16% of the 49,500 residential natural gas customers and considerably less than a quarter of the 75,000 residential electricity customers hit the \$3 cap in any given month. This increase would correspond with approximately \$2 million in additional revenue, beyond what is currently collected, and would mean that the majority of residential customers would pay the maximum \$3 utility tax per utility in any given month.

Arlington's current residential utility tax rates are the lowest in the Northern Virginia region, although some jurisdictions, including the City of Alexandria, the City of Fairfax and Loudoun County have lower monthly caps for residential customers than Arlington. **Attachment II** compares the residential utility tax rates in Northern Virginia.

**FISCAL IMPACT:** Increasing the residential utility tax would generate an additional \$2 million. The revenue generated from the proposed rate increase is not included in the County Manager's FY 2011 proposed budget but is intended to provide the County Board with revenue options during the budget process.

## Attachment I

**AN ORDINANCE TO AMEND, REENACT, AND RECODIFY CHAPTER 63 (UTILITY TAX) OF ARLINGTON COUNTY CODE RELATING TO THE RESIDENTIAL UTILITY TAX ON ELECTRICITY AND GAS RATES, EFFECTIVE JULY 1, 2010. BE IT ORDAINED** that Chapter 63 of the Arlington County Code is amended, reenacted, and recodified as follows, effective July 1, 2010:

### Chapter 63 UTILITY TAX

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#### § 63-2. Levy; tax rate; rate payment.

There is hereby imposed and levied by Arlington County upon each and every consumer of a utility service a tax in the following amounts with respect to each utility service, which tax in every case shall be collected by the service provider from the consumer and shall be paid to the service provider for the use of Arlington County at the time the purchase price or such charge shall become due and payable under the agreement between the consumer and the service provider. There shall be no tax computed on bills submitted on sales of electric utility service for resale.

- (a) *Electric utility consumer tax.* In accordance with Virginia Code § 58.1-3814, there is hereby levied a monthly tax on each purchase of electricity delivered to consumers by a service provider, classified as determined by such provider, as follows:
1. *Commercial consumers* --Such tax shall be one dollar and fifteen cents (\$1.15) plus the rate of \$0.00649 on each kWh delivered monthly to commercial consumers.
  2. *Industrial consumers* --Such tax shall be one dollar and fifteen cents (\$1.15) plus the rate of \$0.01043 on each kWh delivered monthly to industrial consumers.
  3. *Residential consumers*—For electricity consumption ~~in excess of 400 kWh~~ such tax shall be \$1.51 plus \$~~.00341~~ ~~\$.00483~~ on each kWh delivered monthly to residential consumers not to exceed \$3.00 per month; provided, however, in the case of any multi-family dwelling served by a master meter or meters, such tax shall be \$1.51 per individual dwelling unit plus \$~~.00341~~ ~~\$.00483~~ on each kWh delivered monthly ~~in excess of the number of units times 400 kWh~~ with the tax not to exceed \$3.00 multiplied by the number of individual dwelling units served by the master meter or meters.
- (b) *Local natural gas utility consumer tax.* In accordance with Virginia Code § 58.1-3814, there is hereby levied a monthly tax on each purchase of natural gas delivered to

consumers by pipeline distribution companies and gas utilities classified by "class of consumers" as such term is defined in Virginia Code § 58.1-3814 J., as follows:

1. *Commercial and industrial consumers* --Such tax shall be \$0.845 plus the rate of \$0.06522 on each CCF delivered monthly to commercial and industrial consumers.
2. *Interruptible nonresidential consumers* --Such tax shall be four dollars and fifty cents (\$4.50) plus the rate of \$0.01187 on each CCF delivered monthly to nonresidential consumers of interruptible gas service.
3. *Residential consumers*— For natural gas consumption ~~in excess of 20 CCF~~ such tax shall be \$1.80 plus \$0.03 ~~\$0.92~~ on each CCF delivered monthly to residential consumers not to exceed \$3.00 per month; provided, however, in the case of any multi-family dwelling served by a master meter or meters, such tax shall be \$1.80 per individual dwelling unit plus \$0.03 ~~\$0.92~~ on each CCF delivered monthly ~~in excess of the number of units times 20 CCF~~ with the tax not to exceed \$3.00 multiplied by the number of individual dwelling units served by the master meter or meters.

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**Attachment II—Residential Utility Tax Rates in Northern Virginia**

**Electricity**

	Base Fee Per Month	Per kWh Charge	Maximum Tax Per Month
Falls Church	\$0.70	\$0.007575	\$5.00
Fairfax County	\$0.56	\$0.00605	\$4.00
Prince William	\$1.40	\$0.01509	\$3.00
Loudoun	\$0.63	\$0.006804	\$2.70
Alexandria	\$1.12	\$0.12075	\$2.40
City of Fairfax	\$1.05	\$0.01136	\$2.25
Arlington (current)	\$0.00	\$0.00341 (first 400 kWh exempt)	\$3.00
<b>Arlington (proposed)</b>	<b>\$1.51</b>	<b>\$0.00483</b>	<b>\$3.00</b>

**Natural Gas**

	Base Fee Per Month	Per CCF Charge	Maximum Tax Per Month
Falls Church	\$0.70	\$0.0039	\$5.00
Fairfax County	\$0.56	\$0.05259	\$4.00
Prince William	\$1.60	\$0.06	\$3.00
Loudoun	\$0.00	\$0.63	\$2.70
Alexandria	\$1.28	\$0.124444	\$2.40
City of Fairfax	\$1.05	\$0.05709	\$2.25
Arlington	\$0.00	\$0.03 (first 20 CCF exempt)	\$3.00
<b>Arlington (proposed)</b>	<b>\$1.80</b>	<b>\$0.092</b>	<b>\$3.00</b>