



## 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 commercial 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 commercial utility tax rate to the statutory maximum.

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

**SUMMARY:** By increasing the commercial utility tax rate to the maximum allowed under the State Code, the County may realize approximately \$100,000 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 commercial and industrial consumers of electricity and natural gas. The tax is capped at 20% of the monthly amount that utilities charge consumers. This tax is collected by Dominion and Washington Gas and remitted monthly to the County.

Arlington has imposed a utility tax on commercial customers for the past 20 years. For FY 2006, the rate was increased by 30 percent to \$.06522 per 100 Cubic Feet (CCF) for natural gas and \$.00649 per kilowatt hour (kWh) for electricity. In addition, there is a base tax of \$1.15 per customer per month for electricity and \$.845 per customer per month for natural gas. In FY 2009, the commercial utility tax generated in excess of \$11 million, of which roughly 91% came from electricity charges.

**DISCUSSION:** The County does not have monthly consumer information for commercial natural gas and electricity consumption. Based on estimates of data from FY 2006, when the rate was last increased, it is estimated that there is very little additional tax revenue available to the County under the State cap restrictions on commercial consumers of natural gas and electricity.

County Manager: BMD/mjs

County Attorney: SAM

**22. O.**

Staff: Richard Stephenson, Department of Management and Finance

If the County wished to pursue this tax rate increase County staff would request information from Dominion and Washington Gas to assist in the forecast of revenue.

Electricity rates, in particular, are extremely complicated for commercial users, with rates varying depending on a number of variables, such as the season, the precise time of consumption and the amount of electricity consumed. The utilities' billing systems cap the total tax per customer at 20% (State mandated tax cap) if the County's tax rate would otherwise cause customers to exceed that threshold.

It is proposed that rather than increase the underlying rate, as it was done in FY 2006, the County increase the flat base tax that all customers pay, regardless of electricity or natural gas usage. The County's base tax for commercial utility customers, charged monthly regardless of the total volume of electricity or natural gas consumed, is \$1.15 for electricity and \$.845 for natural gas. There are approximately 2,200 commercial natural gas accounts and 4,400 commercial electricity accounts in the County. By raising the County's flat monthly tax to the statutory maximum of \$2.48 for electricity and \$2.23 for natural gas, the County may realize \$100,000 in additional commercial utility tax revenue in FY 2011.

Arlington's commercial utility tax rates are generally higher than those in many surrounding jurisdictions. Among Northern Virginia localities, only the City of Fairfax and Prince William County have a higher commercial electricity tax rate and only Prince William County has a higher rate for natural gas. However, Prince William and the City of Fairfax cap their monthly commercial taxes at \$100 and \$75 per utility, respectively. **Attachment II** compares the commercial utility tax rates in Northern Virginia.

**FISCAL IMPACT:** Increasing the commercial utility tax would generate an additional \$100,000. 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 COMMERCIAL 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~~ two dollars and forty-eight cents (~~\$1.15~~ \$2.48) 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~~ two dollars and forty-eight cents (~~\$1.15~~ \$2.48) 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 \$.00341 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 \$.00341 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~~ \$2.23 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 \$.03 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 \$.03 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—Commercial Utility Tax Rates in Northern Virginia**

**Electricity**

	Base Fee Per Month	Per kWh Charge	Maximum Tax Per Month
Falls Church	\$0.92	\$0.004807	-
Fairfax County	\$1.15	\$0.00594	\$1,000
Prince William	\$2.29	\$0.013487	\$100
Loudoun	\$0.00	\$0.005393	\$72
Alexandria	\$0.97	\$0.00461	-
City of Fairfax	\$1.72	\$0.010112	\$75
Arlington (current)	\$1.15	\$0.00649	-
<b>Arlington (proposed)</b>	<b>\$2.48</b>	<b>\$0.00649</b>	-

**Natural Gas**

	Base Fee Per Month	Per CCF Charge	Maximum Tax Per Month
Falls Church	\$0.676	\$0.04098	-
Fairfax County	\$0.845	\$0.04794	\$300
Prince William	\$3.35	\$0.085	\$100
Loudoun	\$0.676	\$0.0304	\$72
Alexandria	\$1.42	\$0.050213	-
City of Fairfax	\$1.27	\$0.05295	\$75
Arlington (current)	\$0.845	\$0.06522	-
<b>Arlington (proposed)</b>	<b>\$2.24</b>	<b>\$0.06522</b>	-