



ARLINGTON COUNTY, VIRGINIA

**County Board Agenda Item
Meeting of April 24, 2010**

DATE: April 21, 2010

SUBJECT: Adopt the CY 2010 personal property tax rate and the allocation method of the State's vehicle tax relief provided to Arlington County.

C. M. RECOMMENDATION:

- 1) Adopt a Calendar Year 2010 personal property tax rate of \$5.00 per \$100 of assessed value using the attached resolution (Attachment I) and \$0.945 per \$100 of assessed value for public service corporations.
- 2) Adopt a Calendar Year 2010 resolution (Attachment II) fixing the methodology that shall be utilized in distributing the State's fixed block grant, including additional relief provided to qualifying clean fuel vehicles of 80 of the tax bill between \$3,000 and \$20,000.

ISSUE: What personal property tax rate and methodology for allocating personal property tax relief funds from the State should the County Board adopt?

SUMMARY: It is recommended that the County Board retain the current property tax rate of \$5.00/\$100 for personal property and increase the rate for public sector corporations to \$.945/\$100. It is also recommended that a resolution be adopted that sets the distribution method of State monies (\$31.3 million) providing 100 percent vehicle tax relief on assessed value up to \$3,000 and the balance of the relief to be equally distributed for each dollar of value up to \$20,000. In addition, 80 percent vehicle tax relief will be provided to the portion of qualifying clean fuel vehicles between \$3,000 and \$20,000. A public hearing on this matter was held and completed on March 25, 2010.

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.

County Manager: 

County Attorney: 

Staff: Richard Stephenson, Budget Director, Department of Management and Finance

37. C.

DISCUSSION: Adopting a personal property rate of \$5.00 per \$100 of assessed value would maintain that rate at the same level that it has been since FY 2007. State law 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 at a rate of \$.945 per \$100 of assessed value.

For CY 2010, it is proposed that the tax relief for clean fuel vehicle value between \$3,000 and \$20,000 be reduced from 90% to 80%, consistent with earlier Board guidance. As of January 2010, there were 3,558 clean fuel vehicles registered in the County, an increase of 866, or 32.2%, over January 2009.

It is estimated that the average clean fuel vehicle in the County will have an assessed value of roughly \$18,000 in CY 2010. Because of their fuel efficiency and small carbon footprint, these vehicles are retaining their assessed values extremely well. Thus, under this tax relief formula, the owner of an average clean fuel vehicle would have a tax bill of \$150 in CY 2010, compared with \$75 in CY 2009 and \$0 in CY 2008. However, this CY 2010 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 \$7,328 in CY2010, up 1% from \$7,255 in CY 2009. Based on the current CY 2010 PPTRA projection, the owner of an average conventional fuel vehicle would pay \$136 in personal property tax in CY 2010.

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

Attachment VI is the resolution fixing the distribution of state relief to qualifying personal property vehicles. The resolution is proposed for adoption at the time the Board adopts the personal property tax rate.

FISCAL IMPACT: The County Board has balanced the budget with a real estate tax rate of \$0.945 per \$100 and a personal property tax rate of \$5.00 per \$100, which includes the public service corporation tangible personal property tax rate of \$0.945 per \$100. The revenue generated from personal property taxes is \$94.0 and is included in the FY 2011 budget. 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 2010 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 2010 a tax of \$0.945 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.

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, 2010, 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 80% tax relief for each dollar of value between \$3,000 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