



ARLINGTON COUNTY, VIRGINIA

**County Board Agenda Item
Meeting of February 23, 2007**

DATE: February 15, 2008

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 27, 2008 on the proposed Calendar Year 2008 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 \$0.838 per \$100 of assessed value 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 2008 (Fiscal Year 2009), it is necessary to advertise a proposed personal property tax rate at this time. A public hearing will be held and completed on March 27, 2008 and the County Board will set the tax rate at its April meeting when the FY 2009 budget is to be adopted. Under State law, by advertising the rate of \$5.00 per \$100 of assessed value for personal property and \$0.838 per \$100 of assessed value for public service corporations, this is the maximum rate that the County Board can adopt.

One change is recommended for the allocation method of State funds provided to Arlington County (\$31.3 million). The amount of the subsidy that can be provided to the value of conventional fuel vehicles between \$3,001 and \$20,000 will be reduced from 33% to 30% to account for the projected growth in the vehicle assessment base and the rapidly increasing number of clean fuel vehicles owned by County residents. A table showing the comparative tax savings for owners of conventional fuel vehicles and clean fuel vehicles can be found in **Attachment IV**.

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

County Manager: _____

County Attorney: _____

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

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. Over time, as vehicle personal property values increase, this subsidy will become a smaller proportion of total personal property tax revenue, thereby increasing the cost to Arlington taxpayers.

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 of \$0.838 per \$100 of assessed value. A public hearing on these issues is scheduled for March 27, 2008, with a final Board vote scheduled for the April 19, 2008, meeting.

Tax rates for personal property and the resulting revenue for Fiscal Years 1989 to 2009 are shown in **Attachment II**. The current 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 need to adopt a resolution allocating the state PPTRA block grant (\$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 and 40 percent relief for the portion of vehicles' value assessed between \$3,000 and \$20,000. Last year's resolution to allocate personal property tax funds from the state provided 100% relief for the first \$20,000 in assessed value of vehicles designed as "special clean fuel vehicles" by the State Department of Motor Vehicles. At the same time, the tax relief for conventional fuel vehicle values between \$3,000 and \$20,000 was reduced from 40% to 33%.

For CY 2008, adjustments are needed to the allocation formula due to the increase in the vehicle assessment base and the anticipated growth in the number of clean fuel vehicles registered in the County. During CY 2008, the County anticipates relatively modest growth in the motor vehicle assessment base, due to the uncertain economic and interest rate environment, and continued rapid growth in the number of clean fuel vehicles in the County, reflecting the growing awareness among County residents of the dangerous consequences of global warming. As a result of these projections, it is recommended that the percentage of relief for conventional fuel (i.e. non-clean fuel) vehicle values between \$3,001 and \$20,000 decrease from 33% to 30%. No change is recommended to the current 100% relief for the first \$20,000 of clean fuel vehicle values.

Attachment V is the resolution fixing the distribution of State relief to qualifying personal property vehicles. It is recommended that the County relieve a relatively smaller portion of most conventional fuel vehicles' tax liability, while continuing to exempt the first \$20,000 of vehicles that qualify as "special clean fuel," as defined by Virginia's Department of Motor Vehicles. There are currently over than 2,100 clean fuel vehicles registered in the County, with roughly 120 new clean fuel vehicles being added each month. Under the proposed formulas, a clean fuel

vehicle owner could save as much as \$595 in personal property taxes compared with an owner of a similarly-priced non-clean fuel vehicle.

FISCAL IMPACT: The personal property tax revenue proposed in the County Manager's FY 2009 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. The additional \$.02 per \$100 tax rate on public service corporations' business tangible assets will yield \$124,000 in additional revenue.

The revised 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 2008 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 2008 a tax of \$0.838 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.

Aubryn Bednar, Acting 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, 2008, 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.

Aubryn Bednar, Clerk
Arlington County Board