



ARLINGTON COUNTY, VIRGINIA

County Board Agenda Item Meeting of February 24, 2018

DATE: February 20, 2018

SUBJECT: Request to authorize advertisement of a public hearing to consider the Calendar Year (CY) 2018 personal property tax rate and the allocation method of the State's vehicle tax relief provided to Arlington County.

C. M. RECOMMENDATION:

Authorize advertisement of a public hearing to be held on April 5, 2018, to consider the proposed Calendar Year 2018 general personal property tax rate of \$5.00 per \$100 of assessed value and a personal property tax rate of \$ TBD per \$100 of assessed value (equal to the real estate tax rate) for public service corporations using the attached resolution (Attachment I).

ISSUES: 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 rates – a general rate and one that applies to public service corporations.

SUMMARY: In order to establish a personal property tax rate for CY 2018 (Fiscal Year 2019), it is necessary to advertise the proposed personal property tax rates at this time. A public hearing will be held and completed on April 5, 2018, and the County Board will set the tax rates at its April meeting when the FY 2019 budget is adopted. Two personal property tax rates must be determined – a general rate and a rate that applies to public service corporations. Under State law, the personal property tax rate for public service corporations must be equal to the local real estate tax rate. Also, pursuant to State law, by advertising the rate of \$5.00 per \$100 of assessed value for general personal property and the real estate tax rate of \$ TBD per \$100 of assessed value (per previous agenda item on the CY 2018 real estate tax rate) for public service corporations' personal property, these are the maximum rates that the County Board can adopt.

No change to the general personal property tax rate of five percent is recommended at this time. The value of the County's motor vehicle assessment base is expected to increase slightly in CY 2018.

County Manager:

MJS / MLC

County Attorney:

[Signature]

24. B.

Staff: Emily Hughes, Department of Management and Finance
Richard Stephenson, Department of Management and Finance

It is anticipated that the state's fixed \$31.3 million block grant for vehicle tax relief, which subsidizes motor vehicle tax bills, will cover 28 percent of conventional fuel vehicle value from \$3,001 and \$20,000 in FY 2019. However, this anticipated subsidy level is merely an estimate. The final tax relief formula for the portion of conventional fuel vehicle value from \$3,001 to \$20,000 will not be known until July 2018, when the Commissioner of Revenue finalizes the majority of its CY 2018 vehicle assessments. The first \$3,000 in assessed value is already relieved at 100 percent.

In addition, it is proposed that the County's tax relief for the portion of clean fuel vehicle value and for vehicles especially modified to transport the disabled which are assessed from \$3,001 and \$20,000 be provided with 50 percent tax relief (the first \$3,000 in assessed value is already relieved at 100 percent), unchanged from CY 2017.

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 percent reimbursement for vehicle taxes assessed at or 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 general 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 percent vehicle tax relief for automobile value assessed at \$3,000 or less. Remaining state funds were then allocated equally to the portion of vehicle values from \$3,001 to \$20,000. For CY 2007, the Board adopted a resolution providing 100 percent 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. Beginning in FY 2010, the clean fuel subsidy was reduced by 10 percent to 90 percent for the value between \$3,001 and \$20,000. Based on the Board's guidance, this clean fuel subsidy was reduced by 10 percent per year, and reached the final approved subsidy amount of 50 percent in FY 2014. In CY 2011, the Board also adopted a 50 percent tax exemption on the value between \$3,001 and \$20,000 for qualified vehicles especially equipped to transport disabled persons. Attachment V shows how PPTRA funds have been allocated since 2011.

Tax rates for general personal property and the resulting revenue for Fiscal Years 1999 to 2019 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 general 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 April 5, 2018, with a final Board vote scheduled in April.

For CY 2018, it is proposed that the tax relief for clean fuel vehicle value between \$3,001 and \$20,000 remain at 50 percent, consistent with earlier Board guidance. As of July 2017, there were 7,110 clean fuel vehicles registered in the County. It is estimated that the average clean fuel vehicle in the County will have an assessed value of roughly \$11,850 in CY 2018. Thus, under the proposed tax relief formula, the owner of an average clean fuel vehicle would have a tax payment of \$221 in CY 2018. This CY 2018 bill is less - approximately \$97 - than what the owner of a comparably-priced conventional fuel vehicle would pay.

In addition to clean fuel vehicles, vehicles especially equipped to transport disabled persons with assessed value from \$3,001 to \$20,000 benefit from 50 percent personal property tax relief. The Commissioner of Revenue estimates that there are currently less than 50 modified vehicles registered in the County that qualified for this relief in CY 2017.

It is estimated that the average conventional fuel vehicle will have an assessed value of \$10,235 in CY 2018, up 5.7 percent from \$9,682 in CY 2017. Based on the current CY 2018 PPTRA projection, the owner of an average conventional fuel vehicle would pay \$260 in personal property tax. Attachment IV shows the projected CY 2018 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. The resolution is proposed for adoption at the time the Board adopts the personal property tax rate.

PUBLIC ENGAGEMENT: A public hearing on this item will be held on April 5, 2018.

FISCAL IMPACT: The personal property tax revenue proposed in the County Manager's FY 2019 Proposed Budget is based on the current tax rate of \$5.00 per \$100 of assessed value. The County Manager's Proposed Budget assumes the base real estate tax rate of \$0.993 per \$100 of assessed value for public service corporations.

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 2018 a tax of \$ TBD 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 2018 a tax at the rate of \$ TBD per \$100 of assessed value 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

ATTACHMENT II

HISTORY OF PERSONAL PROPERTY RATES AND REVENUE

<u>FISCAL YEAR</u>	<u>TAX RATE PER \$100</u>	<u>REVENUE \$ IN MILLIONS¹</u>	<u>PERCENT CHANGE</u>
1999	4.40	67.6	4.0%
2000	4.40	72.8	7.6%
2001	4.40	76.1	4.6%
2002	4.40	82.1	7.9%
2003	4.40	81.7	-0.5%
2004	4.40	79.6	-2.5%
2005	4.40	78.1	-1.9%
2006	4.40	81.7	4.7%
2007	5.00	99.2	21.4%
2008	5.00	95.9	-3.4%
2009	5.00	99.8	4.2%
2010	5.00	93.0	-6.8%
2011	5.00	95.2	2.3%
2012	5.00	100.9	6.0%
2013	5.00	107.0	6.0%
2014	5.00	110.7	3.5%
2015	5.00	108.9	-1.6%
2016	5.00	111.8	2.7%
2017	5.00	114.8	2.7%
2018 Adopted	5.00	115.5	0.5%
2019 Proposed	5.00	119.1	3.7%

¹ Revenue is net of refunds and includes penalties and interest.

ATTACHMENT III

COMPARISON OF REAL ESTATE AND PERSONAL PROPERTY TAX RATES

PROPOSED RATES FOR CY 2018

	<u>Real Estate Rate</u>	<u>Personal Property Rate</u>
Arlington	\$0.993 Proposed	\$5.00 \$4.50 ¹ Proposed
	TBD Advertised	TBD Advertised

ADOPTED TAX RATES FOR CY 2017

<u>Jurisdiction</u>	<u>Real Estate Rate</u>	<u>Personal Property Rate</u>
Arlington	\$0.993	\$5.00 \$4.50 ¹
Alexandria	\$1.130	\$5.00
Fairfax City	\$1.038	\$4.13
Fairfax County	\$1.130	\$4.57
Falls Church	\$1.330	\$5.00
Loudoun County	\$1.125	\$4.20 \$3.78 ¹
Prince William County	\$1.125	\$3.70

¹ The Commissioner of the Revenue's decision to use the NADA average loan value rather than the average trade-in value used by neighboring jurisdictions for the assessment of personal property taxes on vehicles is estimated to reduce assessed values on vehicles by 10%. This means Arlington's personal property tax rate is an effective rate of \$4.50 compared to a rate of \$5.00. Loudoun County also uses the average loan method of assessment.

FY 2019 State Block Grant Funding Distribution-Based on Current Projections

CONVENTIONAL FUEL VEHICLES

Tax on first \$3,000 of value paid by State at 100%. Tax on value from \$3,001 - \$20,000 paid by State at 28%.

(tax examples at various assessment levels)

VEHICLE ASSESSMENT	TOTAL TAX	PORTION PAID BY STATE	PORTION PAID BY TAXPAYER	% OF TAX BILL PAID BY TAXPAYER
\$1,000	\$50	\$50	\$0	0%
\$2,000	\$100	\$100	\$0	0%
\$3,000	\$150	\$150	\$0	0%
\$4,000	\$200	\$164	\$36	18%
\$5,000	\$250	\$178	\$72	29%
\$6,000	\$300	\$192	\$108	36%
\$7,000	\$350	\$206	\$144	41%
\$8,000	\$400	\$220	\$180	45%
\$9,000	\$450	\$234	\$216	48%
\$10,000	\$500	\$248	\$252	50%
\$11,000	\$550	\$262	\$288	52%
\$12,000	\$600	\$276	\$324	54%
\$13,000	\$650	\$290	\$360	55%
\$14,000	\$700	\$304	\$396	57%
\$15,000	\$750	\$318	\$432	58%
\$16,000	\$800	\$332	\$468	59%
\$17,000	\$850	\$346	\$504	59%
\$18,000	\$900	\$360	\$540	60%
\$19,000	\$950	\$374	\$576	61%
\$20,000	\$1,000	\$388	\$612	61%
\$21,000	\$1,050	\$388	\$662	63%

Other Examples

\$30,000	\$1,500	\$388	\$1,112	74%
\$40,000	\$2,000	\$388	\$1,612	81%
\$50,000	\$2,500	\$388	\$2,112	84%

CLEAN FUEL VEHICLES

Tax on first \$3,000 of value paid by State at 100%. Tax on value from \$3,001 - \$20,000 paid by State at 50%.

(tax examples at various assessment levels)

VEHICLE ASSESSMENT	TOTAL TAX	PORTION PAID BY STATE	PORTION PAID BY TAXPAYER	% OF TAX BILL PAID BY TAXPAYER
\$1,000	\$50	\$50	\$0	0%
\$2,000	\$100	\$100	\$0	0%
\$3,000	\$150	\$150	\$0	0%
\$4,000	\$200	\$175	\$25	13%
\$5,000	\$250	\$200	\$50	20%
\$6,000	\$300	\$225	\$75	25%
\$7,000	\$350	\$250	\$100	29%
\$8,000	\$400	\$275	\$125	31%
\$9,000	\$450	\$300	\$150	33%
\$10,000	\$500	\$325	\$175	35%
\$11,000	\$550	\$350	\$200	36%
\$12,000	\$600	\$375	\$225	38%
\$13,000	\$650	\$400	\$250	38%
\$14,000	\$700	\$425	\$275	39%
\$15,000	\$750	\$450	\$300	40%
\$16,000	\$800	\$475	\$325	41%
\$17,000	\$850	\$500	\$350	41%
\$18,000	\$900	\$525	\$375	42%
\$19,000	\$950	\$550	\$400	42%
\$20,000	\$1,000	\$575	\$425	43%
\$21,000	\$1,050	\$575	\$475	45%

\$30,000	\$1,500	\$575	\$925	62%
\$40,000	\$2,000	\$575	\$1,425	71%
\$50,000	\$2,500	\$575	\$1,925	77%

VEHICLES MODIFIED TO TRANSPORT THE DISABLED

Tax on first \$3,000 of value paid by State at 100%. Tax on value from \$3,001 - \$20,000 paid by State at 50%.

(tax examples at various assessment levels)

VEHICLE ASSESSMENT	TOTAL TAX	PORTION PAID BY STATE	PORTION PAID BY TAXPAYER	% OF TAX BILL PAID BY TAXPAYER
\$1,000	\$50	\$50	\$0	0%
\$2,000	\$100	\$100	\$0	0%
\$3,000	\$150	\$150	\$0	0%
\$4,000	\$200	\$175	\$25	13%
\$5,000	\$250	\$200	\$50	20%
\$6,000	\$300	\$225	\$75	25%
\$7,000	\$350	\$250	\$100	29%
\$8,000	\$400	\$275	\$125	31%
\$9,000	\$450	\$300	\$150	33%
\$10,000	\$500	\$325	\$175	35%
\$11,000	\$550	\$350	\$200	36%
\$12,000	\$600	\$375	\$225	38%
\$13,000	\$650	\$400	\$250	38%
\$14,000	\$700	\$425	\$275	39%
\$15,000	\$750	\$450	\$300	40%
\$16,000	\$800	\$475	\$325	41%
\$17,000	\$850	\$500	\$350	41%
\$18,000	\$900	\$525	\$375	42%
\$19,000	\$950	\$550	\$400	42%
\$20,000	\$1,000	\$575	\$425	43%
\$21,000	\$1,050	\$575	\$475	45%

\$30,000	\$1,500	\$575	\$925	62%
\$40,000	\$2,000	\$575	\$1,425	71%
\$50,000	\$2,500	\$575	\$1,925	77%

ATTACHMENT V

PPTRA Subsidy CY 2011-2018

	Conventional fuel vehicles	Clean fuel vehicles	Vehicles Modified to Transport the Disabled
CY 2011	100% tax exemption on first \$3,000 of vehicle value; 32% exemption on next \$17,000 of value	100% tax exemption on first \$3,000 of vehicle value; 70% tax exemption on next \$17,000 of value	100% tax exemption on first \$3,000 of vehicle value; 50% tax exemption on next \$17,000 of value
CY 2012	100% tax exemption on first \$3,000 of vehicle value; 30% exemption on next \$17,000 of value	100% tax exemption on first \$3,000 of vehicle value; 60% tax exemption on next \$17,000 of value	100% tax exemption on first \$3,000 of vehicle value; 50% tax exemption on next \$17,000 of value
CY 2013	100% tax exemption on first \$3,000 of vehicle value; 27% exemption on next \$17,000 of value	100% tax exemption on first \$3,000 of vehicle value; 50% tax exemption on next \$17,000 of value	100% tax exemption on first \$3,000 of vehicle value; 50% tax exemption on next \$17,000 of value
CY 2014	100% tax exemption on first \$3,000 of vehicle value; 29% exemption on next \$17,000 of value	100% tax exemption on first \$3,000 of vehicle value; 50% tax exemption on next \$17,000 of value	100% tax exemption on first \$3,000 of vehicle value; 50% tax exemption on next \$17,000 of value
CY 2015	100% tax exemption on first \$3,000 of vehicle value; 29% exemption on next \$17,000 of value	100% tax exemption on first \$3,000 of vehicle value; 50% tax exemption on next \$17,000 of value	100% tax exemption on first \$3,000 of vehicle value; 50% tax exemption on next \$17,000 of value
CY 2016	100% tax exemption on first \$3,000 of vehicle value; 28% exemption on next \$17,000 of value	100% tax exemption on first \$3,000 of vehicle value; 50% tax exemption on next \$17,000 of value	100% tax exemption on first \$3,000 of vehicle value; 50% tax exemption on next \$17,000 of value
CY 2017	100% tax exemption on first \$3,000 of vehicle value; 28% exemption on next \$17,000 of value	100% tax exemption on first \$3,000 of vehicle value; 50% tax exemption on next \$17,000 of value	100% tax exemption on first \$3,000 of vehicle value; 50% tax exemption on next \$17,000 of value
Proposed CY 2018*	100% tax exemption on first \$3,000 of vehicle value; 28% exemption on next \$17,000 of value	100% tax exemption on first \$3,000 of vehicle value; 50% tax exemption on next \$17,000 of value	100% tax exemption on first \$3,000 of vehicle value; 50% tax exemption on next \$17,000 of value

* The amount of tax relief for conventional fuel vehicle value between \$3,001 and \$20,000 is set in July when the value of the vehicle tax base can be more accurately determined. Thus, the 28% is a projection, not a proposal.

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, 2018, 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 50% tax relief for each dollar of value from \$3,001 to \$20,000. For any value of a qualifying vehicle in excess of \$20,000, there shall be no tax relief.
 - Qualifying vehicles defined by the Arlington County Commissioner of Revenue’s Office for motor vehicles specially equipped to provide transportation for physically handicapped (language referenced in the State’s code) individuals shall receive 100% tax relief on the first \$3,000 of value. These vehicles shall also receive 50% tax relief for each dollar of value from \$3,001 to \$20,000. For any value of a qualifying vehicle in excess of \$20,000, there shall be no tax relief.

Hope Halleck, Clerk
Arlington County Board