



ARLINGTON COUNTY, VIRGINIA

**County Board Agenda Item
Meeting of July 8, 2006**

DATE: June 23, 2006

SUBJECT: Adoption of a resolution fixing the methodology the County will use in distributing the State's fixed personal property block grant for FY 2007.

C. M. RECOMMENDATION:

Adopt the Fiscal Year 2007 personal property tax resolution (Attachment I) fixing the methodology that shall be utilized in distributing the State's fixed block grant.

ISSUE: The method of distributing the State's fixed block grant.

SUMMARY: The County Board held a public hearing (March 30, 2006) and adopted a calendar year 2006 (FY 2007) personal property tax rate of \$5.00 per \$100 of assessed value on April 22, 2006. The County Board, however, deferred adoption of a resolution that set the method for distributing the state monies allocated for personal property tax relief. After additional analysis and discussion, it is recommended that the attached resolution (Attachment I) setting the distribution method of State monies (\$31.3 million) be adopted. The resolution provides for the state monies be spread to all qualifying vehicles valued below \$20,000, but gives a larger proportion of benefit to lesser valued vehicles.

The recommended method of distribution will provide 100% tax relief to vehicle value below \$3,000 and approximately 40% tax relief on assessed vehicle value between \$3,001 and \$20,000. This State money distribution method provides 100% tax relief to approximately 34% of all cars registered in the County. In addition, over 88% of all cars will pay less than 50% of the tax liability because of the State money provided and the method of distribution recommended.

BACKGROUND: When the State adopted the FY 2004 – FY 2006 biennium budget, it eliminated vehicle tax reimbursement to localities enacted under the 1998 Personal Property Tax Relief Act (PPTRA). PPTRA was replaced instead with a fixed block grant amount that is distributed to localities based on the localities CY 2004 proportionate share of vehicle tax reimbursements.

The funds that will now be distributed to localities will remain fixed regardless of the growth in the number of vehicles or vehicle value. Localities are required to use this block grant money to

County Manager: _____

County Attorney: _____

Staff: Mark Schwartz, Deputy Chief Financial Officer, Department of Management and Finance
Richard Stephenson, Revenue Analyst, Department of Management and Finance

reduce the tax liability on vehicle value below \$20,000 and to indicate on tax bills the amount of tax relieved due to the state monies. The method of distributing the state block grant was left for each locality to decide.

DISCUSSION: Given the wide latitude in the allocation method of state funds, localities have studied many distribution scenarios. Most jurisdictions in the northern Virginia region are distributing the state money using a fixed percentage for all qualifying vehicles valued below \$20,000 in assessed value with the first \$1,000 exempt. It is recommended in Arlington, however that the money be distributed in a more progressive manner.

To date, the data used to determine the fiscal impact to taxpayers is based on the CY 2005 assessment file, with modest growth forecasted. The actual assessment base for the October 2006 (FY 2007) billing will be known later in July. Currently, the projected amount of relief that will be provided on vehicle value between \$3,001 - \$20,000 is 40%. Once the CY 2006 assessment data file is available in July the exact percentage of relief will be calculated for the October tax billing.

The recommended distribution methodology of state monies to be adopted funds the full tax liability on the first \$3,000 in vehicle value for all qualifying vehicles. So whether a person owns a \$3,000 vehicle or \$25,000, the tax on the first \$3,000 will be paid for by the state's fixed block grant amount received by Arlington. For vehicle assessed value between the range of \$3,001 and \$20,000, the state monies will contribute approximately 40% of the vehicle tax liability. This means that for vehicle value below \$3,000 the car owner will pay no tax and for the vehicle value amount greater than \$3,000 the car owner will only pay 60% of the tax bill for the value between \$3,000 and \$20,000. For all incremental vehicle value above \$20,000, the taxpayer will pay the tax based on the personal property tax rate of \$5.00 per \$100 in assessed value. The state does not allow any of the fixed block grant funds to be applied to vehicle value above \$20,000. In addition, State law requires that any state grant funds for vehicle personal property not expended on tax relief in FY 2007 must be carried over to the next fiscal year and used to reduce the next year's tax burden on qualified vehicles.

The table on the following page shows vehicle value in \$1,000 increments and illustrates the cumulative percentage of vehicles affected, the total tax liability, the estimated portion paid by the state, and the estimated portion paid by the taxpayer. Under the recommended distribution method, 34% of all vehicles in the County will have no tax owed by the taxpayer (state funds pay entire tax liability).

Vehicle Assessment	Cumulative % of Cars Affected	Total Tax	Portion Paid by State	Portion Paid by Taxpayer	% of Tax Bill Paid by Taxpayer
\$1,000	14%	\$50	\$50	\$0	0%
\$2,000	25%	\$100	\$100	\$0	0%
\$3,000	34%	\$150	\$150	\$0	0%
\$4,000	41%	\$200	\$170	\$30	15%
\$5,000	47%	\$250	\$190	\$60	24%
\$6,000	52%	\$300	\$210	\$90	30%
\$7,000	56%	\$350	\$230	\$120	34%
\$8,000	60%	\$400	\$250	\$150	38%
\$9,000	64%	\$450	\$270	\$180	40%
\$10,000	67%	\$500	\$290	\$210	42%
\$11,000	70%	\$550	\$310	\$240	44%
\$12,000	73%	\$600	\$330	\$270	45%
\$13,000	77%	\$650	\$350	\$300	46%
\$14,000	80%	\$700	\$370	\$330	47%
\$15,000	82%	\$750	\$390	\$360	48%
\$16,000	84%	\$800	\$410	\$390	49%
\$17,000	86%	\$850	\$430	\$420	49%
\$18,000	88%	\$900	\$450	\$450	50%
\$19,000	89%	\$950	\$470	\$480	51%
\$20,000	91%	\$1,000	\$490	\$510	51%

FISCAL IMPACT: In April, the County Board adopted a CY 2006 personal property tax rate of \$5.00 per \$100 of assessed value and the revenue generated utilizing this tax rate balanced the FY 2007 adopted budget. The distribution of the State's block grant (\$31.3 million) was included in the FY 2007 adopted budget. Adoption of the attached resolution is designed to fully expend the state money thereby having no fiscal impact.

RESOLUTION FIXING COUNTY PERSONAL PROPERTY LEVY

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, 2006, 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.

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.

Antoinette Copeland, Clerk
Arlington County Board