



- to 10,000);
2. Be owned by an individual or leased by an individual under a contract requiring the individual to pay the personal property tax; and
  3. Be used less than 50 percent for business purposes.

Motor homes, trailers, and farm use vehicles do not qualify for personal property tax relief.

In 2004, the General Assembly passed legislation capping PPTRA relief at \$950 million for the entire State, beginning with calendar year 2006. Each locality must annually recalculate the personal property tax relief rates to equitably distribute the locality's PPTRA reimbursement from the State. In 2015, the General Assembly took additional action related to PPTRA that provided additional reimbursement stipulations for active-duty military members with leased vehicles. This legislative action took effect in 2016.

**DISCUSSION:** In 2013, City Council passed an ordinance that adopted a four-tiered personal property tax relief structure and requires the personal property tax relief rates to be established each year by resolution of Council. The tiers were adjusted in May 2022 to increase the threshold for vehicles qualifying for 100 percent relief. This threshold was increased from vehicles assessed at \$1,000 or less to \$5,000 or less. As a result of this shift, approximately 30 percent of vehicles in the City qualify for 100 percent tax relief. Qualifying vehicles assessed at \$5,001 or more receive, to the extent feasible, varying rates of relief according to the following schedule:

1. Approximately 76 percent of State funds are allocated to the first \$20,000 of value for vehicles assessed at \$5,001 to \$20,000;
2. Approximately 13 percent of State funds are allocated to the first \$20,000 of value for vehicles assessed at \$20,001 to \$25,000;
3. Approximately 11 percent of State funds are allocated to the first \$20,000 of value for vehicles assessed over \$25,000.

The specific rate of relief applied to vehicles in each category varies each year depending on the number and total assessed value of qualifying vehicles and the personal property tax rate set by City Council. While the schedule provides general guidance on how to structure personal property tax relief, specific rates need to be established annually by resolution, once staff can reasonably estimate the amount of relief available to each category. As now required by state law, active-duty military members are provided full reimbursement of the first \$20,000 of value on each qualifying vehicle that is leased in the Commonwealth.

For calendar year 2024, staff proposes the following relief rates be established by resolution, based on the estimated number and value of qualifying vehicles in each tier to which personal property tax relief will be applied using the FY 2025 Approved Budget estimates. The 2023 rates are noted in brackets below.

1. For vehicles valued between \$5,001 and \$20,000: 52%. (2023 = 52%)
2. For vehicles valued between \$20,001 and \$25,000: 26% on the first \$20,000 in value. (2023 = 27%)
3. For vehicles valued at \$25,001 and higher: 12% on the first \$20,000 in value. (2023 = 14%)

These relief percentages may change slightly once personal property tax assessments are completed in July and a more precise calculation of tax relief can be performed. Historically, as the tax levy increases for more cars and higher values, the percentage assigned to any given vehicle mathematically decreases.

**FISCAL IMPACT:** Since 2006, the City annually receives approximately \$23.6 million from the Commonwealth of Virginia for personal property tax relief. The attached resolution establishes the rates whereby the City equitably distributes the \$23.6 million among the personal property tax accounts of the City's

vehicles owners.

**ATTACHMENT:** Relief Rate Resolution

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