City of Alexandria

City Council Chambers at Del Pepper Community Resource Center
4850 Mark Center Drive
Alexandria, VA 22311

Legislation Details (With Text)

File #:	14-5449	**Name:**	Resolution to establish 2016 personal property tax relief rates
Type:	Resolution	**Status:**	Agenda Ready
File created:	6/9/2016	**In control:**	City Council Public Hearing
On agenda:	6/28/2016	**Final action:**	
Title:	Consideration of a Resolution to Establish the 2016 Personal Property Tax Relief Rates. [ROLL-CALL VOTE]		
Sponsors:			
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Attachments:	1. 14-5449_Attachment, 2. 14-5449_After Items		

Date	Ver.	Action By	Action	Result

City of Alexandria, Virginia

MEMORANDUM

DATE: JUNE 22, 2016

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: MARK B. JINKS, CITY MANAGER /s/

DOCKET TITLE:
Consideration of a Resolution to Establish the 2016 Personal Property Tax Relief Rates. [ROLL-CALL VOTE]

ISSUE: Consideration of a resolution to establish the personal property tax relief rates for calendar year 2016.

RECOMMENDATION: That City Council adopt the attached resolution (Attachment) to establish the personal property tax relief rates for calendar year 2016.

BACKGROUND: Through the Personal Property Tax Relief Act of 1998 (PPTRA), the Commonwealth of Virginia grants partial relief of the personal property tax levied on the first $20,000 of the assessed value for qualifying vehicles. To qualify, a vehicle must:

1. Have a registered gross weight less than 7,501 pounds (personal use pickup/panel trucks may weigh up 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 PPTR 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. Qualifying vehicles assessed at $1,000 or less receive 100 percent relief. Qualifying vehicles assessed at $1,001 or more receive, to the extent feasible, varying rates of relief according to the following schedule:

1. Vehicles valued between $1,001 and $20,000 receive relief at a rate that is approximately 15 percent higher than that applied to vehicles valued between $20,001 and $25,000;
2. Vehicles valued between $20,001 and $25,000 receive relief applied to the first $20,000 in value at a rate that is approximately 15 percent higher than that applied to vehicles valued at more than $25,000; and
3. Vehicles valued at more than $25,000 receive relief applied to the first $20,000 in value that is approximately 15 percent lower than that applied to vehicles valued between $20,001 and $25,000 and 30 percent lower than that applied to vehicles valued between $1,001 and $20,000.

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 each year. 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. 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 2016, staff proposes the following relief rates be established by resolution, based on the estimated number and value of qualifying vehicles to which personal property tax relief will be applied. The 2015 rates are noted in brackets below. The 2016 relief percentages are lower due to a growing personal property tax base coupled with a flat State tax relief dollar amount to distribute to vehicle owners.

1. For vehicles valued between $1,001 and $20,000: 58%. (2015 = 60%)
2. For vehicles valued between $20,001 and $25,000: 48% on the first $20,000 in value. (2015 = 50%)
3. For vehicles valued at $25,001 and higher: 39% on the first $20,000 in value. (2015 = 40%)

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. It should be noted that on May 5, 2016, City Council adopted a Personal Property Tax Rate on vehicles for Calendar Year 2016 of $5.00 per $100 of assessed value.

FISCAL IMPACT: Since 2006, the City annually receives $23.5 million from the Commonwealth of Virginia for personal property tax relief. The attached resolution establishes the rates whereby the City equitably distributes the $23.5 million among the personal property tax accounts of the City's vehicles owners.

ATTACHMENT: Relief Rate Resolution

STAFF:
Laura Triggs, Deputy City Manager
Kendel Taylor, Director of Finance
David Clark, Assistant Director of Finance
Christina Zechman Brown, Assistant City Attorney