



Legislation Text

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City of Alexandria, Virginia

MEMORANDUM

DATE: JUNE 11, 2013

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: RASHAD M. YOUNG, CITY MANAGER /s/

DOCKET TITLE:

Public Hearing, Second Reading, and Final Passage of an Ordinance to Amend the Computation of Relief Rates and Setting the Relief Rates by Resolution Under the Personal Property Tax Relief Act of 1998. [ROLL-CALL VOTE]

ISSUE: Consideration of an ordinance that restructures personal property tax relief by amending and reordaining Alexandria City Code Section 3-2-224 and a resolution establishing the personal property tax relief rates for calendar year 2013.

RECOMMENDATION: That City Council:

1. Pass the proposed ordinance (Attachment I) set for public hearing, second reading, and final passage on Saturday, June 15, 2013; and
2. Approve the attached resolution (Attachment II) setting the personal property tax relief rates for calendar year 2013 on Saturday, June 15, 2013, after final passage of the proposed ordinance.

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;
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 tax relief.

In 2004, the General Assembly passed legislation capping PPTRA relief at \$950 million for the entire State, beginning with the year 2006. Each locality must annually recalculate relief to equitably distribute the locality's PPTRA reimbursement from the State. For 2012, all owners of qualifying vehicles assessed at \$1,001 or more in value received Personal Property Tax Relief equaling 61 percent of the tax levied on the first \$20,000 of assessed value. Qualifying vehicles assessed at \$1,000 or less received 100 percent relief. Currently, the estimated percentage of relief to be applied to qualifying vehicles each year is established during the budget process.

DISCUSSION: The proposed ordinance would modify the manner in which the City applies personal property tax relief to the taxes assessed on qualifying vehicles and allow City Council to set the relief percentages each year by resolution rather than ordinance. It also eliminates language in the City Code that provides for relief funds to be carried over to the next year. Since the City expends all relief each year and frequently provides more relief than it receives from the Commonwealth, this language is unnecessary.

Under the proposed tax relief structure, rather than calculating one relief percentage for all qualifying vehicles, the City would establish a four-tiered personal property tax relief structure. Qualifying vehicles assessed at \$1,000 or less would continue to receive 100 percent relief. However, qualifying vehicles assessed at \$1,001 or more would receive, to the extent feasible, varying percentages of relief according to the following schedule:

1. Vehicles valued between \$1,001 and \$20,000 would 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 would 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 would 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 percentage of relief applied to vehicles in each category would vary 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. Therefore, while the structure above would give general guidance as to how relief should be structured, specific percentages of relief would have to be established by resolution each year once staff has a reliable estimate of how much relief can be applied to each category in the current year.

In calendar year 2013, based on staff's estimate of the number and value of qualifying vehicles to which relief will be applied, staff proposes that the following relief percentages be established by resolution:

1. For vehicles valued between \$1,001 and \$20,000: **62%**

2. For vehicles valued between \$20,001 and \$25,000: **52% on the first \$20,000 in value**
3. For vehicles valued at \$25,001 and higher: **42% on the first \$20,000 in value**

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.

Taking into account 2013 valuations and the 2013 tax rate, these proposed changes may have the following effects on the amounts paid by taxpayers; however, the total number and value of qualifying vehicles will determine the actual result:

1. There would be no change to the taxes due from the taxpayer for qualifying vehicles valued at \$20,000 or less;
2. The amount due from the taxpayer may increase by \$59.50 or 14.1 percent for qualifying vehicles assessed between \$20,001 and \$25,000; and
3. The amount due from the taxpayer may increase by \$159.50 or 23.8 percent for qualifying vehicles assessed at more than \$25,000.

FISCAL IMPACT: The proposed changes will have no net fiscal impact on the City.

ATTACHMENTS: Attachment I: Relief Rate Ordinance Cover
Attachment II: Relief Rate Ordinance
Attachment III: Relief Rate Resolution

STAFF:

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