



Legislation Text

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City of Alexandria, Virginia

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MEMORANDUM

**DATE:** JUNE 19, 2019

**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 2019 Personal Property Tax Relief Rates. [ROLL-CALL VOTE]

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**ISSUE:** Consideration of a resolution to establish the personal property tax relief rates for calendar year 2019.

**RECOMMENDATION:** That City Council adopt the attached resolution (Attachment) to establish the personal property tax relief rates for calendar year 2019.

**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 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. 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 approximately 15 percent

- lower than that applied to vehicles valued between \$1,001 and \$20,000; 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. 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 2019, 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 2020 Approved Budget estimates. The 2018 rates are noted in brackets below. The tax year 2019 (FY 2020) relief percentages are lower because the relief provided by the State, a fixed amount that has remained unchanged since 2006 of \$23.6 million, must be allocated among all qualified vehicles. As the tax levy increases for more cars and higher values, the percentage assigned to any given vehicle mathematically decreases. This naturally occurred in prior years as the tax base realized normal growth. This year the effect was compounded as a result of the tax rate increase that transferred the decal fee to the tax rate. In other words, the adopted tax rate of \$5.33 for FY 2020 represents a 6.6% increase. Correspondingly, the relief percentages decreased by approximately 6.8% on average. Staff already considered reduced relief percentages in the calculation of the new tax rate:

1. For vehicles valued between \$1,001 and \$20,000: 52.5%. (2018 = 56%)
2. For vehicles valued between \$20,001 and \$25,000: 42.5% on the first \$20,000 in value. (2018 = 46%)
3. For vehicles valued at \$25,001 and higher: 32.5% on the first \$20,000 in value. (2018 = 36%)

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.

**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

**STAFF:**

Laura Triggs, Deputy City Manager  
Kendel Taylor, Director of Finance  
David Clark, Assistant Director of Finance  
Kevin Greenlief, Assistant Director of Finance  
Sarah McElveen, Assistant City Attorney