



Legislation Text

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City of Alexandria, Virginia

MEMORANDUM

DATE: MAY 9, 2022

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

THROUGH: JAMES F. PARAION, CITY MANAGER /s/

FROM: KENDEL TAYLOR, DIRECTOR, DEPARTMENT OF FINANCE

DOCKET TITLE:

Public Hearing, Second Reading and Final Passage of an Ordinance to amend and reordain the allocation of State funds from the Personal Property Tax Relief Act (PPTRA) of 1998, Section 3-2-224 (Levied on Automobiles, Trucks, Trailers, Semi-Trailers, Antique Motor Vehicles, Taxicabs, Motorcycles, Campers and Other Recreational Vehicles, Boats and Trailers; Amount), of the Code of the City of Alexandria, Virginia. [ROLL-CALL VOTE]

ISSUE: Consideration of an ordinance to amend and reordain City Code Section 3-2-224 to raise the threshold for providing 100% PPTRA relief to qualifying vehicles valued \$5,000 and less, and adjustment of PPTRA rates on other qualifying vehicles.

RECOMMENDATION: That City Council hold the public hearing and pass the proposed ordinance (Attachment 2) on second reading and final passage on May 14, 2022.

DISCUSSION: At the Budget Workshop on March 23, 2022 on the FY 2023 proposed budget, staff presented Council with vehicle assessment options for addressing the surge in car values associated with economic supply and demand issues during the pandemic. Along with employing an Assessment Ratio that can be set by Council resolution, Council considered an option for shifting greater PPTRA relief to lower valued vehicles.

The City receives a fixed annual amount from the State each year of \$23,578,531 to be used to help offset Personal Property taxes on the first \$20,000 of assessed value of "personal use" vehicles only. Because of rising car values and the fixed amount of PPTRA funds from the State, the applicable rates of PPTRA relief were already expected to diminish in FY 2023:

Fiscal Year	Vehicles Valued \$1,000 and Less	Vehicles Valued \$1,001- \$20,000	Vehicles Valued \$20,001- \$25,000	Vehicles Valued Over \$25,000
PPTRA Rates FY 2022	100%	52%	41%	31%
PPTRA Rates FY 2023 (No Ratio Adjustment)	100%	40%	32%	24%

The proposed ordinance amendment shifts the allocation of PPTRA funds to lower value cars. These rates are estimated in tandem with the application of an Assessment Ratio of 77% to the value of all vehicles in FY 2023:

Fiscal Year	Vehicles Valued \$5,000 and Less	Vehicles Valued \$5,001- \$20,000	Vehicles Valued \$20,001- \$25,000	Vehicles Valued Over \$25,000
PPTRA Rates FY 2023 (With Assessment Ratio of 77%)	100%	43%	25%	15%

Raising the value threshold from \$1,000 to \$5,000 removes over 32,000 personal use vehicles from taxation since the full amount of tax would be subsidized by PPTRA funds. Because the City can only allocate the fixed PPTRA sum from the State, greater support for lower valued cars means that the subsidy rates on more expensive cars must come down. However, should Council approve the use of an Assessment Ratio given the unprecedented value anomaly caused by the pandemic, all vehicle owners would benefit from that, although the effective impact on individual assessments will vary widely.

It is anticipated that the use of an Assessment Ratio is a short-term measure associated with a transitory valuation trend related to the pandemic. Unlike the Assessment Ratio, the proposed shift in PPTRA allocation would continue until such time as Council desires to change the allocation policy. PPTRA rates will continue to vary somewhat based on the value and size of the vehicle tax base, and staff will return annually for Council's formal adoption of rates by resolution. However, 100% subsidy for vehicles valued \$5,000 and less would remain each year should Council proceed to adopt the proposed ordinance amendment.

FISCAL IMPACT: None. This amendment simply changes the allocation to taxpayers of the \$23.6 million in PPTRA funds received from the State.

ATTACHMENTS:

Attachment 1 - Proposed Ordinance Cover

Attachment 2 - Proposed Ordinance Amendment

Attachment 3 - Budget Workshop Slide Presentation on Car Valuation Increase, 3/23/22

STAFF:

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