

City of Alexandria, Virginia

MEMORANDUM

*REVISED AS OF 3/7/06*

DATE: FEBRUARY 23, 2006

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER *J*

SUBJECT: PROPOSED REAL AND PERSONAL PROPERTY TAX RATES ORDINANCE FOR CALENDAR YEAR 2006 (FISCAL YEAR 2007)

**ISSUE:** Proposed Real and Personal Property Tax Rates Ordinance for Calendar Year 2006 (Fiscal Year 2007).

**RECOMMENDATION:** That City Council set the ordinance to establish the real and personal property tax rates for calendar year 2006 for public hearing on Monday, March ~~18~~ **13**, 2006, and for second reading and final passage on Monday, April 24, ~~2005~~ **2006**.

**DISCUSSION:** Under the requirements of the Virginia Code, City Council must annually establish a real property tax rate and personal property tax rates for each calendar year. The Virginia Code also establishes certain advertising and public hearing requirements prior to the adoption of these property tax rates. Given these advertising and public hearing requirements of the State Code, the following schedule for calendar year 2006 (FY 2007) is proposed:

<u>Date</u>	<u>Topic</u>
February 28:	Introduction of tax ordinances
March 1:	Advertisement of the budget
March 1:	Advertisement of public hearings on effective tax increase and property tax rates ordinances
March 13:	Public hearing on the budget
March 18:	Public hearing on the effective real property tax increase and property tax rates ordinances
April 24:	Final adoption of the budget and tax ordinances

It should be noted, as further discussed below, that the State Code requires a separate public hearing on the real property tax rate if the taxes levied for the year in which the proposed tax rate applies would increase by more than one percent (after the value of new construction has been deducted). This would be the case in CY 2006 as taxes levied at a \$0.847 rate would increase 9.5

percent for all classes of real property (after the value of new construction has been deducted). Also, State law requires, in the circumstance of an increase in taxes levied in excess of 1%, to maintain or increase the current real property tax rate, that a special "notice of proposed real property tax increase" be placed in a local newspaper of general circulation. We are planning that the separate hearing on the real property tax increase be held on March 18th, with the special notice of the hearing date placed in the *Examiner*, the *Alexandria Times*, the *Alexandria Gazette Packet*, and the *Washington Times* on or about March 1, 2006.

The total estimated value of taxable real property within the City is estimated at \$32.9 billion including non-locally assessed properties. The total assessed value of all locally assessed real property, including taxable and tax-exempt, is \$37.2 billion, of which 11.54 percent, or \$4.3 billion is tax exempt. The aggregate assessed value of tax-exempt non-government real property is \$1.0 billion. The reduction in tax revenues from the non-governmental tax-exempt property is estimated at \$8.6 million based on a proposed tax rate of \$0.847 per \$100 of assessed value.

The attached ordinance reflects the City's proposed real and personal property tax rates. The FY 2006 Proposed Operating Budget reflects the proposed decrease of 6.8 cents in the real property tax rate from \$0.915 per \$100 of assessed value to \$0.847 per \$100 of assessed value. The FY 2007 Proposed Operating budget reflects no change to the various personal property tax rates (\$4.75 per \$100 of assessed value for tangible personal property, \$3.55 per \$100 of assessed value for vehicles with specially designed equipment for use by the physically disabled, \$4.50 per \$100 of assessed value for machinery and tools used in mining or manufacturing businesses, and \$0.01 per \$100 of assessed value for privately owned boats and watercraft that are used for recreational purposes only).

The real and personal property tax rates that are approved by City Council for public hearing and final consideration would be the highest tax rates that the Council could consider and adopt. By state law, Council could adopt those rates or could adopt lower tax rates than those approved for public hearing. Currently, the proposed advertised real estate rate of \$0.847 consists of \$0.827 for General Fund general purposes, plus 1 cent for affordable housing purposes and 1 cent for the open space fund account.

As discussed with Council at its February 22 budget work session, a new State law passed in 2005 by the General Assembly changes how localities must assess vehicle personal property taxes (on vehicles not used for business purposes). Under the new State law, the City can set a bifurcated tax rate, or simply adjust the percentage reimbursement rate from the current 70% rate (of the first \$20,000 of value) based on a State set formula. I recommend that the City use the simpler-to-understand percentage reimbursement rate method. The actual reimbursement rate will likely be higher or lower than 70% depending upon the dollar amount of State car tax relief provided to the City, as well as the dollar amount of the personal property tax base. While at this time staff conjectures that the percentage relief rate may be higher than 70%, until the data used in the formula is known, it is not possible to know with certainty if the percentage reimbursement will be higher or lower than 70%. Cars with value of \$1,000 or less will remain 100% exempted from the personal property tax.

**FISCAL IMPACT:** The value of the proposed 6.8 cents reduction in the real property is estimated at \$33.33 million, or \$10.97 million in FY 2006 and \$22.37 million in FY 2007. This represents the sum of the value of 6.8 cents for the June 2006, November 2006, and June 2007 real estate tax payments. This three payment date cost assumes that the real property tax rate that is applied to FY 2007 is also applied to the real property tax payment in June 2006, which occurs at the end of the FY 2006 budget.

**ATTACHMENT:** Ordinance

**STAFF:**

Mark Jinks, Deputy City Manager

Bruce Johnson, Director, Office of Management and Budget

Dan Neckel, Director, Finance

Eric Eisinger, Budget Analyst, Office of Management and Budget

Introduction and first reading: 2/28/06  
Public hearing: 3/13/06  
Second reading and enactment: 4/24/06

INFORMATION ON PROPOSED ORDINANCE

Title

AN ORDINANCE to amend and reordain Section 3-2-181 (LEVIED; AMOUNT) of Division 1 (REAL ESTATE), and Section 3-2-221 (LEVIED ON TANGIBLE PERSONAL PROPERTY OTHER THAN MOBILE HOMES, AUTOMOBILES, TRUCKS, ANTIQUE MOTOR VEHICLES, TAXICABS, MOTOR VEHICLES WITH SPECIALLY DESIGNED EQUIPMENT FOR USE BY THE HANDICAPPED, MOTORCYCLES, CAMPERS AND OTHER RECREATIONAL VEHICLES, BOATS AND TRAILERS; AMOUNT), Section 3-2-222 (LEVIED ON MACHINERY AND TOOLS USED IN MINING OR MANUFACTURING BUSINESS; AMOUNT), Section 3-2-223 (LEVIED ON MOBILE HOMES; AMOUNT) and 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 Division 3 (TANGIBLE PERSONAL PROPERTY AND MACHINERY AND TOOLS), all of Article M (LEVY AND COLLECTION OF PROPERTY TAXES), Chapter 2 (TAXATION), Title 3 (FINANCE, TAXATION AND PROCUREMENT) of The Code of the City of Alexandria, Virginia, 1981.

Summary

The proposed ordinance sets the city's 2006 tax rates for real property and tangible personal property. The proposed ordinance sets the 2006 real property tax rate at \$0.847 on each \$100 of assessed value, a reduction of \$0.068 from the 2005 rate. Personal property tax rates are unchanged from 2005. City Council has the authority to lower the tax rates set forth in the proposed ordinance. The sum of \$0.01 on each \$100 of assessed value, out of the real property tax rate, continues to be dedicated to the Open Space Trust Fund Account. Under the City Charter, all funds in this account must be used exclusively for the acquisition and improvement of new open space parks in the City. In addition, the sum of \$0.01 on each \$100 of assessed value, out of the real property tax rate, continues to be dedicated to the Alexandria Affordable Housing Initiatives Account. Under the City Code, all funds in this account must be used exclusively to provide housing in accordance with the City's Affordable Housing Policy.

The proposed ordinance also conforms the city code to the amendments to the Personal Property Tax Relief Act of 1998 which were made by the General Assembly in 2005. These conforming amendments replace the 70% personal property tax relief on qualifying motor vehicles with a percentage which will be set every year during consideration of the City's budget, and will depend on the number of qualifying vehicles in the City and the City's share of the funds appropriated by the General Assembly each year for such tax relief.

Sponsor

Staff

Mark Jinks, Assistant City Manager  
Daniel A. Neckel, Director of Finance  
Bruce Johnson, Director of Management and Budget  
Eric Eisinger, Budget Analyst  
Roderick B. Williams, Assistant City Attorney

Authority

Article X, § 4, Virginia Constitution  
§§ 2.02(a)(1), 6.15 Alexandria City Charter

Acts of Assembly, 2004, Special Session I, Chapter 1  
Acts of Assembly, 2005, Chapter 951, Item 503

Estimated Costs of Implementation

None

Attachments in Addition to Proposed Ordinance and its Attachments (if any)

None

ORDINANCE NO. \_\_\_\_\_

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AN ORDINANCE to amend and reordain Section 3-2-181 (LEVIED; AMOUNT) of Division 1 (REAL ESTATE), and Section 3-2-221 (LEVIED ON TANGIBLE PERSONAL PROPERTY OTHER THAN MOBILE HOMES, AUTOMOBILES, TRUCKS, ANTIQUE MOTOR VEHICLES, TAXICABS, MOTOR VEHICLES WITH SPECIALLY DESIGNED EQUIPMENT FOR USE BY THE HANDICAPPED, MOTORCYCLES, CAMPERS AND OTHER RECREATIONAL VEHICLES, BOATS AND TRAILERS; AMOUNT), Section 3-2-222 (LEVIED ON MACHINERY AND TOOLS USED IN MINING OR MANUFACTURING BUSINESS; AMOUNT), Section 3-2-223 (LEVIED ON MOBILE HOMES; AMOUNT) and 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 Division 3 (TANGIBLE PERSONAL PROPERTY AND MACHINERY AND TOOLS), all of Article M (LEVY AND COLLECTION OF PROPERTY TAXES), Chapter 2 (TAXATION), Title 3 (FINANCE, TAXATION AND PROCUREMENT) of The Code of the City of Alexandria, Virginia, 1981.

THE CITY COUNCIL OF ALEXANDRIA HEREBY ORDAINS:

Section 1. That Section 3-2-181 of The Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as follows:

Sec. 3-2-181            Levied; amount.

There shall be levied and collected for the calendar year ~~2005~~ 2006 on all real estate located within the territorial boundaries of the city and subject to taxation for city purposes under the constitution and laws of this state and city, a tax of ~~\$.915~~ \$.847 on each \$100 of the assessed value thereof, for the support of the city government, for the payment of principal and interest of the city debt and for other municipal expenses and purposes.

Section 2. That Section 3-2-221 of The Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as follows:

Sec. 3-2-221            Levied on tangible personal property other than mobile homes, automobiles, trucks, antique motor vehicles, taxicabs, motor vehicles with specially designed equipment for use by the handicapped, motorcycles, campers and other recreational vehicles, boats and boat trailers; amount.

There shall be levied and collected for the calendar year ~~2005~~ 2006 on all tangible personal property, other than mobile homes, automobiles, trucks, antique motor vehicles, taxicabs, motor vehicles with specially designed equipment for use by the handicapped, motorcycles, campers and other recreational vehicles, boats and trailers, owned or held by residents or citizens of the city or located within the territorial boundaries of the city or otherwise having a situs within the city and subject to taxation for city purposes under the constitution and laws of this state and city, a tax of \$4.75 on every \$100 of assessed value thereof, for the support of the city government, for

1 the payment of principal and interest of the city debt and for other municipal expenses and  
2 purposes.

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4 Section 3. That Section 3-2-222 of The Code of the City of Alexandria, Virginia,  
5 1981, as amended, be, and the same hereby is, amended and reordained to read as follows:

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7 Sec. 3-2-222 Levied on machinery and tools used in mining or manufacturing business;  
8 amount.

9  
10 There shall be levied and collected for the calendar year ~~2005~~ 2006 on all machinery and  
11 tools used in a mining or manufacturing business taxable on capital and subject to taxation for  
12 city purposes under the constitution and laws of this state and city, a tax of \$4.50 on each \$100 of  
13 assessed value thereof, for the support of the city government, for the payment of principal and  
14 interest of the city debt and for other municipal expenses and purposes.

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16 Section 4. That Section 3-2-223 of The Code of the City of Alexandria, Virginia,  
17 1981, as amended, be, and the same hereby is, amended and reordained to read as follows:

18  
19 Sec. 3-2-223 Levied on mobile homes; amount.

20  
21 There shall be levied and collected for the calendar year ~~2005~~ 2006 on all vehicles without  
22 motor power, used or designed to be used as mobile homes as defined in section 46.2-100 of the  
23 Code of Virginia, owned or held by residents or citizens of the city or located within the  
24 territorial boundaries of the city or otherwise having a situs within the city and subject to taxation  
25 for city purposes under the constitution and laws of this state and city, a tax of ~~\$.915~~ \$.847 on  
26 each \$100 of assessed value thereof, for the support of the city government, for the payment of  
27 principal and interest of the city debt and for other municipal expenses and purposes.

28  
29 Section 5. That Section 3-2-224 of The Code of the City of Alexandria, Virginia,  
30 1981, as amended, be, and the same hereby is, amended and reordained to read as follows:

31  
32 Sec. 3-2-224 Levied on automobiles, trucks, trailers, semi-trailers, antique motor  
33 vehicles, taxicabs, motorcycles, campers and other recreational vehicles,  
34 boats and trailers; amount.

35  
36 (a) Except as provided in subsections (b), (c) and (d), there shall be levied and  
37 collected for the calendar year ~~2006~~ 2006 on all automobiles, trucks, trailers, semi-trailers,  
38 antique motor vehicles (as defined in section 46.2-100 of the Code of Virginia, 1950, as  
39 amended, which may be used for general transportation purposes as provided in subsection C of  
40 section 46.2-730 of the Code of Virginia, 1950, as amended), taxicabs, motorcycles, campers and  
41 other recreational vehicles, boats and boat trailers owned or held by residents or citizens of the  
42 city or located within the territorial boundaries of the city or otherwise having a situs for taxation  
43 in the city, a tax of \$4.75 on every \$100 of assessed value thereof, for the support of the city

1 government, for the payment of principal and interest of the city debt and for other municipal  
2 expenses and purposes.

3  
4 (b) There shall be levied on and collected for the calendar year ~~2005~~ 2006 on all  
5 automobiles, trucks, trailers and semi-trailers with a gross vehicle weight of 10,000 pounds or  
6 more which are used to transport property for hire by a motor carrier engaged in interstate  
7 commerce, and are owned or held by residents or citizens of the city, are located within the  
8 territorial boundaries of the city or otherwise have a situs for taxation in the city, a tax of \$4.50  
9 on every \$100 of assessed value thereof, for the support of the city government, for the payment  
10 of principal and interest of the city debt and for other municipal expenses and purposes.

11  
12 (c) There shall be levied on and collected for the calendar year ~~2005~~ 2006 on all  
13 automobiles and trucks which are equipped with specially designed equipment for use by the  
14 handicapped and are owned or held by residents or citizens of the city, are located within the  
15 territorial boundaries of the city or otherwise have a situs for taxation in the city, a tax of \$3.55  
16 on every \$100 of assessed value thereof, for the support of the city government, for the payment  
17 of principal and interest of the city debt and for other municipal expenses and purposes.

18  
19 (d) There shall be levied on and collected for the calendar year ~~2005~~ 2006 on all  
20 privately owned pleasure boats and watercraft, which are used for recreational purposes only, and  
21 are owned or held by residents or citizens of the city, or are located within the territorial  
22 boundaries of the city or otherwise have a situs for taxation in the city, a tax of \$.01 on every  
23 \$100 of assessed value thereof, for the support of the city government, for the payment of  
24 principal and interest of the city debt and for other municipal expenses and purposes.

25  
26 (e) For tax years commencing in 2006, the provisions of Item 503.E of Chapter 951  
27 of the 2005 Acts of Assembly (the 2005 revisions to the 2004-06 Appropriations Act, the "2005  
28 Appropriations Act"), providing for the computation of tax relief under the Personal Property  
29 Tax Relief Act of 1998, sections 58.1-3523 et seq. of the Code of Virginia, as amended, as a  
30 specific dollar amount to be offset against the total taxes that would otherwise be due but for the  
31 Personal Property Tax Relief Act of 1998, sections 58.1-3523 et seq. of the Code of Virginia, as  
32 amended, and the reporting of such specific dollar relief on the tax bill, are hereby adopted.  
33 Terms used in this subsection shall have the same meanings as set forth in Va. Code § 58.1-3523,  
34 as amended. To the extent that the provisions of this subsection conflict with any other provision  
35 of this code, this subsection shall control.

36  
37 (i) The rate of tax relief under this subsection shall be set at such a level that is  
38 anticipated fully to exhaust relief funds under the Personal Property Tax Relief Act of 1998,  
39 sections 58.1-3523 et seq. of the Code of Virginia, as amended, provided to the City by the  
40 Commonwealth in each tax year.

41  
42 (ii) Personal property tax bills shall set forth on their face the specific dollar amount of  
43 relief under this subsection credited with respect to each qualifying vehicle, together with an  
44 explanation of the general manner in which such relief is allocated.



1 (iii) Allocation of relief under this subsection shall be provided in accordance with the  
2 general provisions of this section, as implemented by the specific provisions of the City's  
3 annual budget relating to relief under this subsection.

4  
5 (iv) Relief under this subsection shall be allocated in such as manner as to eliminate  
6 personal property taxation of each qualifying vehicle with an assessed value of \$1,000 or  
7 less.

8  
9 (v) Relief under this subsection with respect to qualifying vehicles with assessed values  
10 of more than \$1,000 shall be provided at a rate, applied to the first \$20,000 in value of each  
11 such qualifying vehicle, that is estimated fully to use all relief funds under the Personal  
12 Property Tax Relief Act of 1998, sections 58.1-3523 et seq. of the Code of Virginia, as  
13 amended, provided to the City by the Commonwealth, remaining after the allocation made  
14 by paragraph (iv) of this subsection.

15  
16 Section 6. That this ordinance shall become effective January 1, 2006, *nunc pro*  
17 *tunc.*

18  
19 WILLIAM D. EUILLE  
20 Mayor

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23 Introduction: 2/28/06  
24 First Reading: 2/28/06  
25 Publication:  
26 Public Hearing:  
27 Second Reading:  
28 Final Passage:  
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