

Sept. 15, 2006

## FAQs – Personal Property Tax Changes in 2006

### Q. Why have personal property taxes changed?

A. The state never fulfilled its promise to eliminate the personal property tax. **State funding is now capped.**

#### The Facts:

- The **Virginia General Assembly** changed the way the personal property tax subsidy is distributed. **Starting with tax year 2006**, each jurisdiction in Virginia receives a fixed amount for personal property tax relief, regardless of the number or value of the cars registered in that jurisdiction.
- It is up to each jurisdiction to decide how to distribute its portion of the tax relief to eligible vehicles. **State relief is still only applied to the first \$20,000 in annual assessed value.**
- Arlington's fixed share of the tax relief money each year will be approximately \$31.3 million. This represents 3.29% of the total statewide tax relief.
  
- In April, with the adoption of the FY 2007 budget, Arlington changed its personal property tax rate from \$4.40 per \$100 of assessed value to \$5.00 per \$100 of assessed value – the **first rate increase in more than 20 years**. The action was taken after a public hearing and received significant press coverage.
  
- The effective tax rate is still lower than that of neighboring jurisdictions such as Falls Church, Fairfax and Alexandria. The increased revenues will be used to support competitive public safety pay and real estate tax relief.
  
- **The County adopted a progressive tax plan that ensures that cars with the lowest value pay nothing.** Arlington exempts the tax due on the first \$3,000 of value for each qualifying vehicle – while neighboring jurisdictions exempt the first \$1,000. For 2007, Arlington's method of distributing the state funds gives 100 percent tax relief to about 34 percent of all vehicles registered in Arlington.

### Q. What does the revenue increase fund?

A. Critical public safety needs, and increase real estate tax relief.

**Real Estate property tax and personal property tax**, the two most significant sources of revenue available to local jurisdictions, are the only taxes without a State-mandated limit for the rates local jurisdictions may set. The personal property tax rate increase **funds crucial compensation needs in public safety**, allowing Arlington to compete effectively with other jurisdictions to hire and retain police officers, sheriffs and firefighters. The increase also made it possible for the County to provide **additional real estate tax relief** to homeowners and commercial properties, by allowing a deeper cut in the real estate tax rate.

**Q. How does Arlington's personal property tax rate compare with those of nearby jurisdictions?**

A. It is comparable to those of nearby jurisdictions.

- Due to Arlington's method of vehicle assessment, automobiles in Arlington are valued approximately 10% less than in surrounding jurisdictions (except Loudon County).
- Arlington's effective tax rate is lower than our closest neighbors in Alexandria, Falls Church and Fairfax.
- Local governments were given wide latitude in choosing how to allocate the state subsidy.
- Other northern Virginia jurisdictions exempt the first \$1,000 in value from personal property tax, then use a fixed percentage for all qualifying vehicles. (The percentage used varies by jurisdiction).
- Arlington chose to use the state subsidy to ensure that no tax is owed on all vehicles valued at less than **\$3,000 – 100% tax relief for 34% of all eligible vehicles registered in the County in 2006.**

**Q. Why does the state subsidy end at \$20,000 in value?**

A. This is not a new requirement. It continues the State's practice of requiring that none of the block grant funds be applied to vehicle value above \$20,000.

**Q. Is there someone who can provide me with more details on the personal property tax?**

A. Yes. You can call the Commissioner of Revenue's Vehicle Personal Property Office at any time between 8:00 a.m. and 5:00 p.m., Monday through Friday, at 703-228-3135. For payment information, please contact the Taxpayer Hotline at 703-228-4000.