

Commission on Local Government

Estimate of Local Fiscal Impact

2023 General Assembly Session | 01/09/23

In accordance with the provisions of 30-19.03 of the Code of Virginia, the staff of the Commission on Local Government offers the following analysis of legislation impacting local governments.

HJ 462: Constitutional amendment; exemption for motor vehicles owned for personal, noncommercial use (Patron: Delegate Timothy V. Anderson)

Bill Summary: Constitutional amendment (first reference); personal property tax; exemption for motor vehicles owned for personal, noncommercial use. Requires the General Assembly to exempt from personal property taxes motor vehicles owned by an individual for personal, noncommercial use. For purposes of the exemption, "motor vehicle" includes only automobiles, pickup trucks, and motorcycles. The amendment provides that the exemption shall be applicable on the date the motor vehicle is acquired or the effective date of the amendment, whichever is later, but shall not be applicable for any period of time prior to the effective date.

Local Fiscal Impact: **Net Additional Expenditure:** _____ **Net Reduction of Revenues:** X

Summary Analysis:

Number of Localities Responding: 7 Cities, 15 Counties, 6 Towns, 0 Other

Localities estimated a negative fiscal impact ranging from \$0 to \$483 million over the biennium. Localities noted that the fiscal impact of the bill could lead to a dramatic reduction in their general fund revenue.

Localities identified the bill's fiscal impact as a net reduction in personal property tax revenues. Localities noted that personal, noncommercial motor vehicles comprise the vast majority of personal property revenue. As such, the provisions of the bill would vastly reduce that revenue stream. Most localities noted that personal property taxes were their second largest revenue source, and that the loss in revenue would translate into significant increases in their real estate tax rate (assuming no other changes in their taxation structure); 17 reported increases of over \$0.15/\$100 needed to cover the loss in revenues. Eight reported increases of over \$0.25.

Many localities also noted a potential additional revenue reduction from the loss of Personal Property Tax Relief Act (§58.1-3524) money from the state; some localities included this revenue reduction in their estimates, as noted in their responses below. One locality noted that the bill would lead to a net increase in expenditures caused by a need to change their billing technology.

The precise impact of the bill scales with the size of the locality; more populous localities reported greater fiscal impacts than less populous ones.

Net Reduction in Revenues: Itemized Estimates by Responding Localities

Locality	Juris	Real Estate Revenue Reduction		Personal Property Revenue Reduction		Sales Tax Revenue Reduction	
		FY23	FY24	FY23	FY24	FY23	FY24
City of Manassas	City			\$12,700,000	\$12,700,000		
City of Richmond	City			\$25,465,360	\$25,465,360		
City of Alexandria	City			\$43,000,000	\$43,000,000		
City of Harrisonburg	City			\$8,300,000	\$8,632,000		
City of Danville	City			\$15,672,119	\$15,800,000		
City of Norfolk	City			\$30,000,000	\$32,000,000		
City of Winchester	City			\$10,300,000	\$10,500,000		
Prince George County	County			\$9,500,000	\$9,500,000		
Mecklenburg County	County			\$0	\$10,041,702		
Rappahannock County	County			\$2,000,000	\$2,000,000		
Fauquier County	County				\$28,500,000		
Amherst County	County				\$9,000,000		
Nottoway County	County			\$3,226,534	\$3,226,534		
Chesterfield County	County			\$69,487,511	\$76,793,712		
Augusta County	County			\$21,373,000	\$21,373,000		
Charlotte County	County			\$1,800,000	\$3,600,000		
Fairfax County	County				\$483,000,000		
Henrico County	County						
Orange County	County				\$13,272,044		
Prince William County	County				\$175,000,000		
Sussex County	County				\$2,500,000		
York County	County			\$8,000,000.0	\$17,000,000		
Town of Luray	Town			\$230,000.0	\$250,000		
Town of Marion	Town						

Net Reduction in Revenues: Itemized Estimates by Responding Localities

Locality	Juris	Real Estate Revenue Reduction		Personal Property Revenue Reduction		Sales Tax Revenue Reduction	
		FY23	FY24	FY23	FY24	FY23	FY24
Town of Rocky Mount	Town			\$208,000.0	\$208,000		
Town of Blacksburg	Town						
Town of Chincoteague	Town			\$180,000.0	\$185,000		
Town of Leesburg	Town			\$1,401,872.6	\$2,803,745		

Net Reduction in Revenues: Itemized Estimates by Responding Localities

Locality	BPOL Tax Revenue Reduction		Other Local Revenues Reduction		State Revenue Reduction		Penny Value of Decrease on Real Estate Rate*	Total Decrease in Revenues (Biennium Total)
	FY23	FY24	FY23	FY24	FY23	FY24		
Town of Rocky Mount							0.4	\$416,000
Town of Blacksburg								\$0
Town of Chincoteague							0	\$365,000
Town of Leesburg				\$1,468,941			0.04	\$5,674,559

Locality	Revenue Narrative by Responding Localities
City of Manassas	Based upon our most recent tax billing, elimination of the property tax on personal, non-commercial vehicles would result in a revenue loss of \$12.7 million per year assuming consistent total assessments and tax rate. This would require a 21-cent increase to the real estate tax rate in order to make up this loss of revenue.
City of Richmond	Dollar value: \$0.074 Passing this bill will result in an estimated revenue loss of over \$25.5 million. A loss of this magnitude would be detrimental to the city and quite possibly result in a reduction of citizen service and an increase in other municipal taxes and fees. Personal property tax collected from these sources specified in the bill equate to over one-third (37%) of the city's FY 2023 General Fund Budget.
City of Alexandria	At this time, the City estimates a loss of approximately \$43.0 million in personal use personal property tax and presumably another \$23.58 million in the State Car Tax subsidy for a combined loss of \$66.58 million.
City of Harrisonburg	The revenue estimates include a 4% growth factor for FY 2024. The penny value is based on FY 2024 revenue impact. The estimates do not include the \$1.5 million that the city receives annually from the Personal Property Tax Relief Act (PPTRA). The PPTRA revenue equates to a \$3.1 penny value in addition to the \$17.60. The legislation does not address whether the PPTRA funding would also go away or not.
City of Danville	For the last personal property billing cycle, the total billed was \$15,672,119.10, which included half-billings and supplements and no PPTRA relief. We estimate a penny on the Real Estate Tax as \$225,000, so the cost to make up the difference would be approximately \$0.70 added to that rate.
City of Norfolk	The FY 2022 actual collections for personal property tax for cars, trucks, and motorcycles only was \$28.8 million. The city is anticipating approximately \$30,000,000 million in FY 2023 and \$32,000,000 in FY 2024 for personal property for vehicle related revenue collections. The city would need to supplement this revenue source to continue to offer effective services to the citizens; the penny increase for real estate to cover this gap would be \$13.33 per \$100 assessed value. Additionally, the city may be forced to cut services offered to residents in order to close the gap.
City of Winchester	So, we would need to raise our Real estate tax rate 30 cents to recover from this revenue loss.. we also get \$2.6M from the state for PPTRA
Prince George County	The estimated revenue loss was calculated using the 2022 Personal Property Tax billed for these types of vehicles.

Locality	Revenue Narrative by Responding Localities
Mecklenburg County	<p>Technically, if this resolution was enacted by the 2023 General Assembly, enacted again in 2024, then voted upon favorably by the voters in November 2024, the fiscal impact of the proposal would not occur in FY 2024 (it would potentially occur in a half-year of FY 25, or in FY 26, depending how the 2025 General Assembly sets the effective date in future legislation; if they use January 1, as they've done with prior veteran and surviving spouse Constitutional tax exemptions, or if they wait until the normal legislative effective date of July 1); however, as this amendment would cause significant financial impact to local governments throughout the Commonwealth, it is imperative to show a number in the column. The amount was derived from the total July 1, 2022 book assessment value for automobiles, pickup trucks, and motorcycles in the County, divided by 100, multiplied by our personal property tax rate of \$3.36 and then deducted by an typical payment rate of 94% (as not all those assessed pay). It should be noted that by 2025, the assessment base would be higher than the amount on July 1, 2022, but given the 2020-2022 real conditions of the vehicle market as opposed to "normal" conditions, it is impossible to forecast how much growth may be seen in the intervening years between 2022 and 2025. To illustrate the potential impact of that growth, a modest 3% per year over this time period (through the assessment date of July 1, 2025), would result in an additional revenue reduction of almost \$900,000. Please note that this cost estimate includes the loss of revenues from the PPTRA payment from the Commonwealth - as it is assumed that if this amendment were to pass, the 2025 General Assembly would eliminate the \$950 million annual appropriation made to local governments for relief related to vehicles that are subject to this proposed amendment.</p>
Rappahannock County	<p>First, the revenue table does not allow the entry of a negative sign, which should be fixed. The proposal would lead to a revenue reduction and the numbers entered are intended to be negative. While I do not have exact numbers because my COR is out of the office, the vehicles located in our county are primarily owned by individuals for personal noncommercial use. I have estimated that approximately 90% of all vehicles fit this category (nonbusiness). In that case, we would lose 90% of our personal property tax revenue (\$2,000,000) and presumably loose all PPTRA (\$945,000). The question regarding the "penny value" is assumed to mean the penny value of real estate taxes. In this case, if Rappahannock County lost \$2,945,000 of revenue, at \$175,000 of revenue earned per penny of real estate taxes, the real estate tax rate would have to be increased by just under 17 pennies to make up for the loss of personal property tax revenue.</p>
Fauquier County	<p>The minimum impact of this bill would be a reduction of \$28.5 million for the General Fund, net PPTRA relief that is provided by the state. This equates to 19.3 cents of the current value of a penny. If PPTRA is removed as a result of this bill, the impact would be \$36.8 million for the General Fund which is nearly 25 cents of the current value of a penny.</p>

Locality	Revenue Narrative by Responding Localities
Amherst County	If I am reading this bill correctly it eliminates most personal property taxes and the property tax relief provided by the state for personal vehicles. This kind of elimination would wipe out 20% of our revenue, affect our ability to fund our schools, affect our ability to continue to staff public safety properly, and could create layoffs of employees to balance our budget.
Nottoway County	The direct change listed above is the estimated collection for FY23 personal property taxes; inclusive of all taxed automobiles, pickups and motorcycles. One penny on our real estate tax is the equivalent of approximately \$100,000.00
Chesterfield County	Annually the county receives \$41,092,000 in Personal Property Tax Relief (PPTRA) money from the Commonwealth. If PPTRA funds were to be eliminated, the estimated decrease in revenue for FY23 and FY24 would be \$109,579,511 and \$116,885,712 respectively. The above estimated decrease in revenue assumes that these funds would continue to be received from the state. Additionally, a five year-average of a 6.7% increase in the assessed value of total taxable qualifying vehicles was used to account for the year-over-year increase in the value of personal vehicles. Given the current state of the used vehicle market, these estimates could be understated in the short-term. If this bill were to pass, it would have significant impact on county revenue with the total taxable value of qualifying vehicles making up 10.5% of general fund revenue over the past five years.
Augusta County	It is our understanding that this bill will eliminate personal property tax for motor vehicles owned by ALL individuals for personal use. Personal property tax is the second largest revenue generator for the County. Elimination of the tax would require a 27 cent increase in real estate taxes to offset the loss of revenue and continue County services as currently budgeted (not sure question 11 above reflects this properly, I have training later in the week on the update forms). The state pays \$4.296 million towards personal property from PPTRA enactment and it is doubtful that the State could hold localities harmless if personal PP tax on vehicles is eliminated. Augusta County strongly opposes this bill.
Charlotte County	\$3.6 million is the approximate annual revenue collected from personal property taxes on vehicles. If the State were to do away with the PPTRA portion of these funds it would lead to a decrease of approximately \$687K annually. 1 penny in our real estate taxes equates to about \$100,000 in revenue so this would equate to about a 43 cents increase in real estate taxes or a 70% rate increase
Fairfax County	The bill would eliminate the Personal Property tax on privately owned vehicles. In FY 2023, the Personal Property tax levy of privately owned vehicles in Fairfax County is estimated at \$483 million. The FY 2024 revenue estimates are not yet complete. Based on the FY 2023 estimate, the elimination of the Personal Property tax levy would require an increase of approximately 17 cents to the Real Estate property tax to cover the lost revenue.

Locality	Revenue Narrative by Responding Localities
Henrico County	While this resolution will not have an impact on personal property revenues in FY23 or FY24 as a referendum would not be on the ballot until November 2024 as the resolution needs to pass in both this session and next General Assembly session in 2024, this legislative action would cost Henrico County over \$83 million per year in personal property revenues along with \$37 million per year in PPTRA as there would no longer be a need for the State to reimburse localities for tax relief when no one can impose personal property taxes on vehicles. The total impact is \$120 million, which has a real estate 'penny value' of \$0.246/\$100 assessed value.
Orange County	The decrease in Personal Property Taxes for vehicles above (\$13,272,044) is net of the personal property tax relief received from the state. If that is included, the revenue loss would be \$16,030,160. In terms of pennies on the real estate tax rate, it would require 27.6 pennies on the rate to make up the revenue loss without considering the PPTR, with PPTR, it's 33.29 cents
Prince William County	Based upon existing vehicle units in the County, the estimated loss in revenue is \$175 million but has the potential to reach \$200 million, as is reflected in our current 5-year fiscal plan. The County's Principles of Sound Financial Management, strives for a diversified and stable revenue system. This exemption would go against those principles. In order to continue to support County operations and contribute 57.23% of general revenue to the PWC Schools (current revenue sharing agreement), the County will need to seek those revenues elsewhere. Additionally, this could possibly create layoffs of 25%-35% of the task force within the Tax Administration Division (billing, collection, call center, etc.). The County would seek to redeploy a portion of the workforce.
Sussex County	Sussex County revenue will decrease by \$2.5 million per year. This is based upon our 5-year averages.
York County	The estimate for FY23 is based on 1/2 of the budget for FY23.. The FY24 estimate includes a slight increase in the overall budget. We are assuming the effective date would include all of CY23 assessments. The penny value for revenue is real estate. Personal property taxes make up about 12% of the total local revenue in the the County's general fund. It is the 2nd largest local revenue source outside of real estate. It is 17cents on the the real estate rate to make up this revenue.
Town of Luray	Elimination of vehicle Personal Property Tax revenue will remove a significant source of general fund revenue from the Town's revenue sources without provding any opportunity for off-setting revenue.
Town of Marion	
Town of Rocky Mount	Exempting personally owned, noncommercial motor vehicles from the personal property tax would almost eliminate our total personal property tax revenues. We would be forced to consider raising rea estate taxes to overcome this shortage.

Locality	Revenue Narrative by Responding Localities
Town of Blacksburg	
Town of Chincoteague	An estimated 80% of revenues collected from personal vehicles would total approximately \$180,000 in lost revenue for the Town of Chincoteague.
Town of Leesburg	<p>\$2,836,363.34 lost PPT revenue number Less the administrative cost at the County of \$32,618.17 for a net revenue loss of \$2,803,745.17 in PPT revenue and the loss of \$1,468,941 in PPTRA State contributions for a total revenue loss of \$4,272,686.17. There are no expenses as a result of the bill.1 Penny @ 17.74 = \$1.079M</p> <p>\$4,272,686.17 divided by \$1,079,000 equals 3.96 pennies on the Real Estate Tax Rate.</p>

* Penny value is defined as the amount a locality would need to raise their real estate tax rate to cover the fiscal impacts of the bill, assuming no other changes to revenues or expenditures. It is represented in terms of dollars (e.g., 0.01 is a one cent increase in the real estate tax rate, etc.).

Town of Blacksburg	Town								
Town of Chincoteague	Town								
Town of Leesburg	Town								

								\$0
								\$0
								\$0

Locality	Expenditure Narrative
City of Manassas	
City of Richmond	Dollar value: \$0.0004. Passage of this bill would result in an estimated one-time cost of \$135,000 associated with changes to the city's bill collection system.
City of Alexandria	
City of Harrisonburg	
City of Danville	
City of Norfolk	
City of Winchester	
Prince George County	
Mecklenburg County	
Rappahannock County	
Fauquier County	
Amherst County	
Nottoway County	
Chesterfield County	
Augusta County	
Charlotte County	
Fairfax County	
Henrico County	
Orange County	
Prince William County	This could impact expenditures depending on if we are able to deploy staff at same classifications/pay grades.
Sussex County	
York County	
Town of Luray	

Locality	Expenditure Narrative
Town of Marion	
Town of Rocky Mount	
Town of Blacksburg	
Town of Chincoteague	
Town of Leesburg	We outsource collections to Loudoun County, and we show the Personal Property Tax Revenue Net of Loudoun County's Collection Fee, so there are no expenditures involved. The big impact is lost revenue.

* Penny value is defined as the amount a locality would need to raise their real estate tax rate to cover the fiscal impacts of the bill, assuming no other changes to revenues or expenditures. It is represented in terms of dollars (e.g., 0.01 is a one cent increase in the real estate tax rate, etc.).