



**ARLINGTON**  
VIRGINIA

**FY 2022  
Midyear &  
Third Quarter  
Update**

April 7, 2022

# Agenda

- Vehicle Personal Property Assessments & Tax Burden
- Mid-Year / 3<sup>rd</sup> Quarter Overview
- Compensation Considerations
- Allocation Recommendations

# Projected Change in Vehicle Personal Property Assessment & Impacts on FY 2023

## How Vehicle Assessments are Determined

- Commissioner of Revenue (COR) office uses the JD Power (formerly National Automobile Dealers Association (NADA)) user guide as of January 1<sup>st</sup>
- Vehicles are assessed at 100% of the loan value
  - This method is approximately 10% lower than the trade-in value used by most other jurisdictions in Northern Virginia

# Market Factors Impacting Vehicle Values Nationwide

- Various macroeconomic factors have increased new and used vehicle values, impacting assessments across the Country:
  - Global shortages for vehicle parts leading to slowed production
  - Increased demand for vehicles following the pandemic
  - Low interest rates making purchases more affordable
- Vehicles typically depreciate over time but the majority of vehicle values in the County increased by double digits from calendar year (CY) 2021 to 2022
- Unclear how long inflated market values will remain

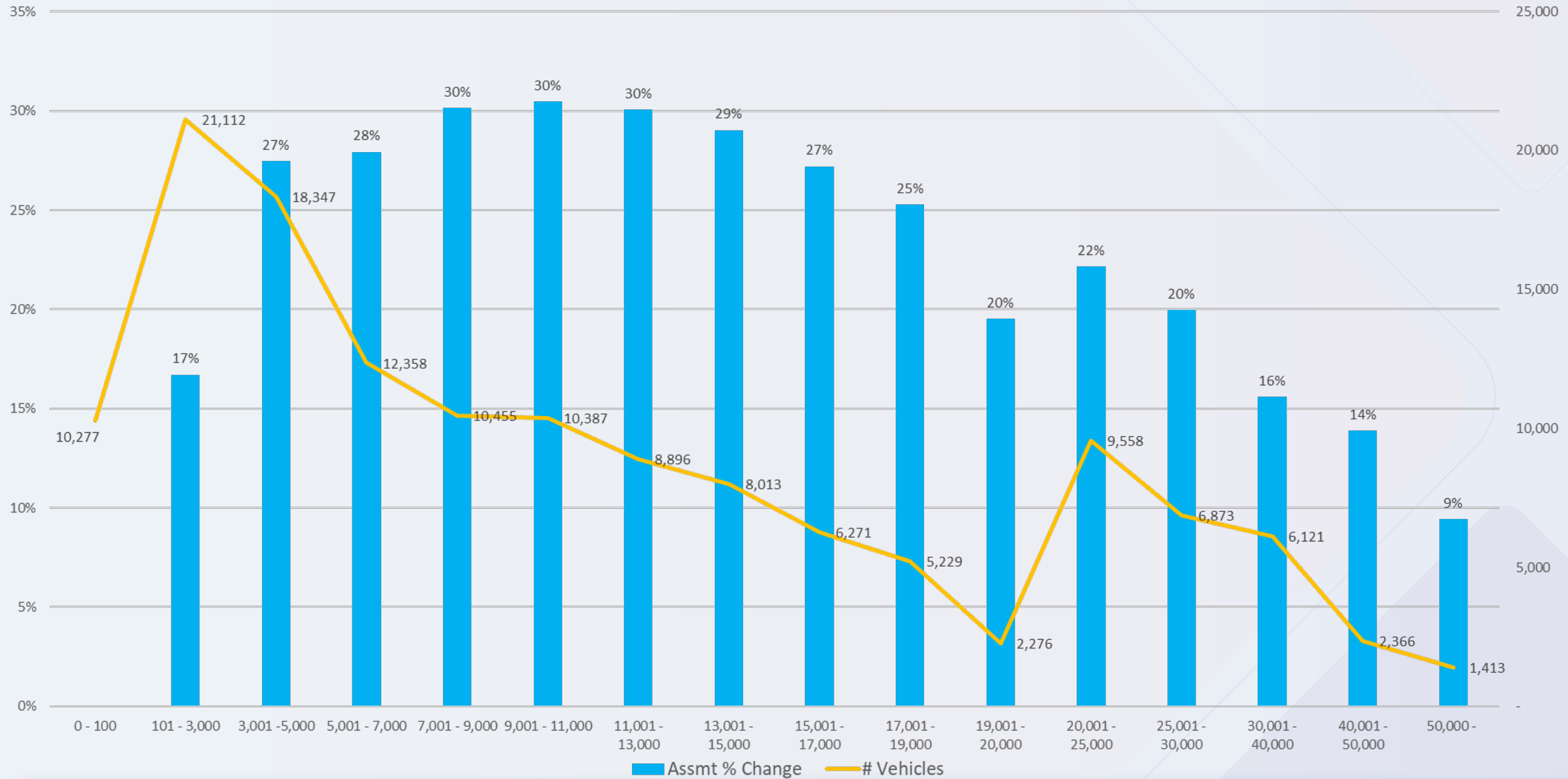
# Preliminary Impact Analysis to Vehicle Owners in FY 2023

- Proposed budget assumed an increase of approximately 5.5% to Vehicle Personal Property Tax Revenue from FY 2022
- 23% increase in preliminary January 2022 JD Powers vehicle values for existing automobiles in the County during CY 2021
  - Car values vary based on year/make/model (examples) –
    - 2008 Honda Civic up 111% from \$1,575 to \$3,325
    - 2018 Toyota Camry up 36% from \$22,875 to \$31,025
    - 2015 Honda Odyssey up 20% from \$13,725 to \$16,525
    - 2020 Hyundai Ioniq up 19% from \$23,175 to \$27,550
- Billing for vehicles finalized in July prior to October tax due date based on the January 1, 2022 assessments.

# Examples of Vehicle Assessment Changes

Year	Make	Model	CY 2021 Value	CY 2022 Value	\$ Difference	% Difference
2008	HONDA	CIVIC	\$1,575	\$3,325	\$1,750	111.11%
2004	CHEVROLET	SILVERADO	\$3,600	\$6,300	\$2,700	75.00%
2018	NISSAN	ROGUE	\$12,900	\$19,350	\$6,450	50.00%
2011	LEXUS	ES 350	\$6,500	\$9,750	\$3,250	50.00%
2009	HYUNDAI	ELANTRA	\$2,050	\$3,075	\$1,025	50.00%
2009	HONDA	FIT	\$2,550	\$3,825	\$1,275	50.00%
2016	CADILLAC	ATS	\$12,825	\$16,650	\$3,825	29.82%
2018	CHEVROLET	TRAVERSE	\$26,875	\$35,150	\$8,275	30.79%
2019	VOLVO	XC60	\$26,875	\$32,450	\$5,575	20.74%
2019	TOYOTA	RAV4	\$26,850	\$34,975	\$8,125	30.26%
2018	TOYOTA	CAMRY	\$22,875	\$31,025	\$8,150	35.63%
2019	GMC	ACADIA	\$22,875	\$30,250	\$7,375	32.24%
2017	JEEP	WRANGLER	\$22,825	\$27,625	\$4,800	21.03%
2018	ACURA	TLX	\$22,750	\$28,150	\$5,400	23.74%
2019	MAZDA	CX-5	\$20,675	\$27,475	\$6,800	32.89%
2018	TOYOTA	CAMRY	\$13,675	\$19,575	\$5,900	43.14%
2017	JEEP	COMPASS	\$13,675	\$16,925	\$3,250	23.77%
2018	FORD	ESCAPE	\$13,650	\$19,750	\$6,100	44.69%
2017	SUBARU	CROSSTREK	\$13,650	\$17,550	\$3,900	28.57%

# Change in Assessments for Existing Vehicles from CY 2021 to CY 2022



# Options to Limit Tax Impact of Rising Assessments

- **Do nothing**
  - Additional \$17 million in additional tax revenue
  - Average vehicle assessment (and required taxes) increase > 23%
- **Reduce vehicle personal property tax rate: new temporary legislation until 2024 (HB 1239)**
  - Differential tax rate allowed for vehicles and business tangible through CY 2024
    - Vehicle rate could be lowered to offset significant assessment increase
  - County Board may need to come back in later fiscal years to raise rate (if lowered temporarily)
- **Apply an assessment ratio to JD Power values**
  - Requires consensus from COR and Board can adopt through Resolution
  - Can be adopted for only one year and the Manager can re-evaluate impacts as the FY 2024 budget is being developed



# County Manager Recommendation

- Offset an amount of revenue equal to that generated by the higher assessed vehicle values above the FY 2023 Proposed Budget
- Utilize the assessment ratio methodology
- Recommend for just CY 2022 (FY 2023) and re-visit next year
  - Many other jurisdictions considering same methodology
- **Eliminate the Motor Vehicle Fee**
  - More regressive fee than vehicle value taxation
  - Annual fee is \$33 per vehicle
  - Highest concentration of low value vehicles in 22204 (distribution by zip code on slide to follow)
  - 35,846 vehicles were valued < \$3,000 (23%) in CY 2021
  - \$5.9 million revenue source to General Fund
- Understanding that Taxes May Need to Increase to Permanently Eliminate Decal Fee

# Summary Display of Average Vehicle Impact in FY 2023

Vehicle Value Range	# of Vehicles	Assmt. % Increase		Increase if No Adjustment to Assmt or Decal	Manager Recommendation
\$0 - \$10K	77,784	27%		\$41	(\$15)
\$10K - \$20K	35,817	28%		\$144	\$32
\$20K - \$30K	16,437	21%		\$257	\$47
\$30K - \$40K	6,114	16%		\$266	(\$4)
\$40K - \$50K	2,371	14%		\$304	(\$28)
\$50K+	1,412	9%		\$303	(\$152)
<b>Light Vehicle</b>					
\$0 - \$3K	31,387	16%		\$0	(\$33)
\$3K - \$20K	82,223	28%		\$98	\$12
\$20K+	26,325	17%		\$266	\$18
<b>Heavy Vehicle</b>					
Green	10,612	21%		\$169	(\$1)
Conventional	129,323	23%		\$92	\$0
<b>All Vehicles</b>					
All Vehicles	139,935	23%		\$96	\$0

# How NOVA Jurisdictions are Approaching Relief

- Alexandria

- Recommending assessment ratio methodology
- Adjusting their State grant to support 100% exemption to \$5,000 in value (up from \$3,000)

- Fairfax

- Recommending assessment ratio methodology

- Loudoun

- Recommending assessment ratio methodology
- FY 2023 Proposed Budget also lowers tax rate from 4.20% to 4.15%

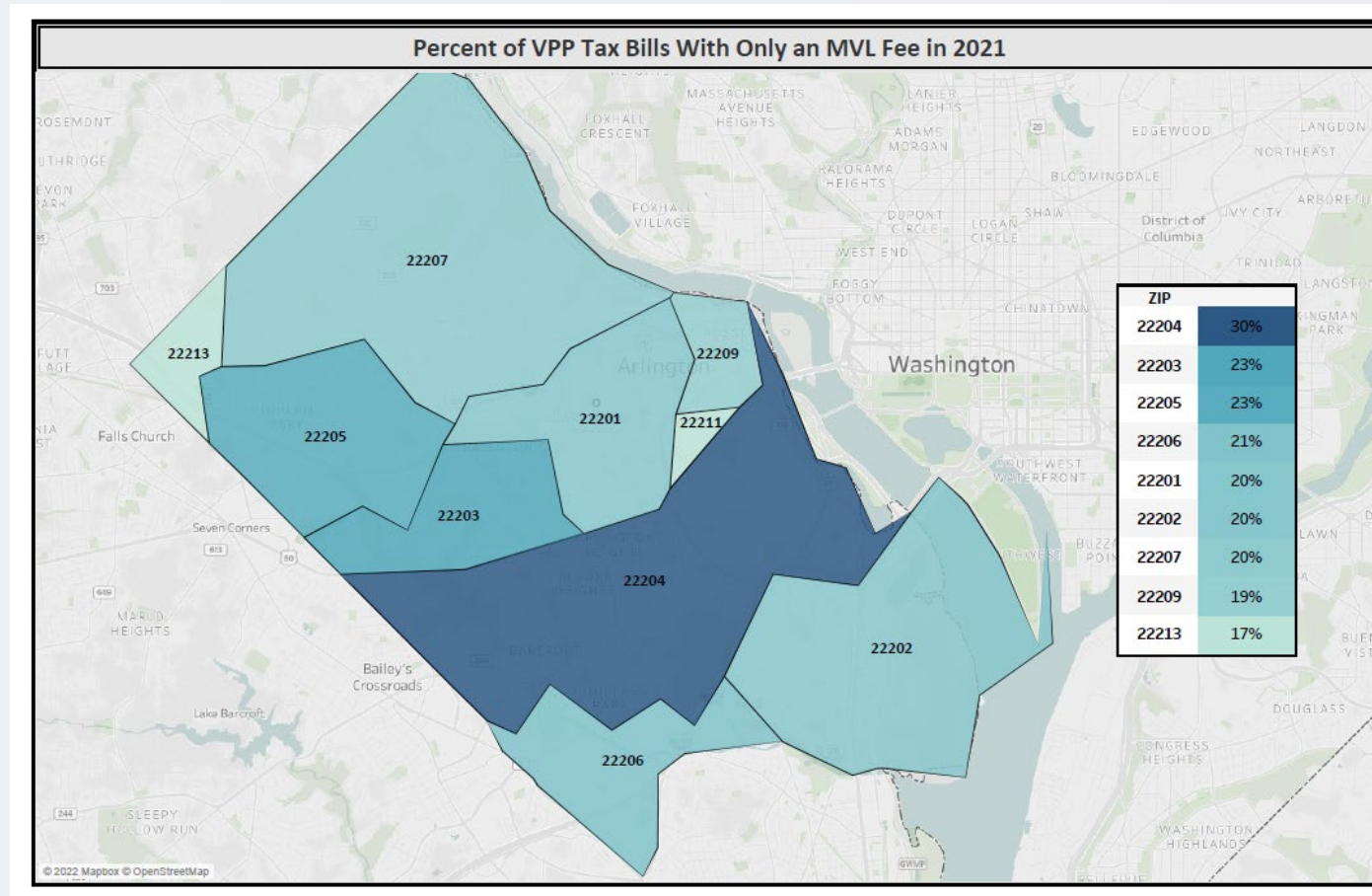
- Prince William

- Recommending assessment ratio methodology

# NOVA Jurisdictions & Motor Vehicle License Fee

- Arlington – \$33 (current rate)
  - Formerly known as the decal fee
  - Intended to help cover cost of compliance efforts related to the filing & payment of vehicle personal property taxes
  - Fee increased from \$25 to \$33 in FY 2008 and funding allocated to PAYG capital
  - De-coupled increment several years ago and kept the ongoing base funding to PAYG capital
- Alexandria - \$0
  - Eliminated fee in 2019 and increased Personal Property tax rate by \$0.33 per \$100 of assessed value
- Fairfax – \$33
- Loudoun – \$25
- Prince William – \$33

# % of Vehicles in Each Area That Currently Pays Only Motor Vehicle License Fee



# Total Funding from Midyear/Third Quarter

- \$27.0 million total (\$24.1 million one-time / \$2.9 million ongoing)
- One-time Funding from:
  - Department savings
  - Vacancy savings & non-personnel savings partially offset by higher utility costs and overtime spending
  - Tax revenue above budget
    - Non-tax revenue below budget offsetting some of the taxes above budget
- Ongoing Funding from:
  - Business tangible, sales, and recordation taxes
  - Grantor tax (state revenue)

# Summary of Midyear/Third Quarter Funding

	FY 2022 One-time	FY 2023 One-time	FY 2023 Ongoing	FY 2023 Total
Tax Revenue Above Budget	\$43.6 million	-	\$9.2 million	\$9.2 million
Real Estate Revenue included in FY 2023 Budget	(25.7 million)	-	-	-
Non-tax Revenue	(5.8 million)	\$0.6 million	(6.3 million)	(5.7 million)
Expense Savings	11.4 million	-	-	-
Total Available Funding	\$23.5 million	\$0.6 million	\$2.9 million	\$27.0 million
<b>Total One-time = \$24.1 million</b>				
<b>Total Ongoing = \$2.9 million</b>				
<b>Total Funding = \$27.0 million</b>				

## Mid-year / 3rd Qtr Overview: Tax Revenue Compared to Budget

	FY 2022 One-time	FY 2023 Ongoing
Real Estate Tax	\$28,270,352	-
R.E. Refunds	(6,070,000)	-
Vehicle Personal Property Tax	3,200,000	\$5,700,000
Business Tangible Personal Property	4,700,000	1,470,000
BPOL	2,500,000	-
Car Rental	1,650,000	-
Transient Occupancy Tax	900,000	-
Meals	4,519,475	-
Sales	2,200,000	1,000,000
Recordation	3,600,000	1,000,000
Other Taxes	(1,885,024)	-
<b>Total Taxes</b>	<b>43,584,803</b>	<b>9,170,000</b>



## Mid-year / 3rd Qtr Overview: Non-tax Revenue Compared to Budget

	FY 2022 One-time	FY 2023 One-time	FY 2023 Ongoing	FY 2023 Total
License, Permits, & Fees	\$1,190,986	-	(627,000)	(627,000)
Motor Vehicle License Fee	-	-	(\$5,880,000)	(\$5,880,000)
Fines, Rent, & Interest	(4,815,677)	-	-	-
Charges for Services	(6,416,668)	-	-	-
Misc. Revenue	833,929	\$200,000	-	200,000
State	3,401,250	-	200,000	200,000
Federal	-	391,000	-	391,000
<b>Total Non-Tax Revenue</b>	<b>(\$5,806,180)</b>	<b>\$591,000</b>	<b>\$1,232,100</b>	<b>\$1,823,100</b>

# Potential Uses of Available Funding

- Additional compensation for staff – particularly public safety
- Incentives for hiring and retention hard-to-fill positions
- Funding to address inflation impact on fuel, electricity, and contractual budgets
- Historic Preservation Grants
- Library collections
- Parks Land Acquisition
- Grocery Tax Uncertainty – create a reserve
- Additional Funding for Partnerships and other partner organizations



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