

Subject: DES - Residential Utility Tax Increase Impact on Average Resident

**FY 2018 Proposed Budget
Budget Work Session Follow-up**

4/14/2017

The following information is provided in response to a request made by Mr. Jay Fisette during the work session on 4/11/2017 requesting the average increase for residents if we increase the residential utility tax.

Rates	Electricity tax rate (\$ per kWh)	Natural gas tax rate (\$ per therm)	Estimated Total revenue	Estimated Increased revenue	Percent increase in revenue (*)	Annual RUT Tax Increase for Typical Resident
Current rates	\$0.003410	\$0.030	\$1,750,000	--	--	\$0
20% increase	\$0.004092	\$0.036	\$2,030,000	\$280,000	16%	\$3.30
40% increase	\$0.004774	\$0.042	\$2,285,000	\$535,000	31%	\$5.52
50% increase	\$0.005115	\$0.045	\$2,402,000	\$652,000	37%	\$6.63
60% increase	\$0.005456	\$0.048	\$2,500,000	\$750,000	43%	\$7.74
Fairfax County rates	\$0.006050	\$0.05259	\$2,685,000	\$935,000	53%	\$9.59

(*) Note: The percentage increase in revenue does not match the percentage increase in tax rate, due to the exemption for the initial 400 kWh/month of electricity and 20 therms of gas/month in Arlington, plus the cap of \$3/month per account per state law.

Arlington's residential utility tax structure, exempting the first 400 kWh of monthly electricity use, and the first 20 therms of monthly natural gas use, has a beneficial effect softening the tax burden to all customers. In addition, the lack of a minimum monthly tax helps all customers.

The scenario of Annual RUT tax increase (right-hand column) is based on a mix of energy use by season, with high electricity use in summer (low gas use then), and high gas use in winter (relatively low electricity then), and in-between energy use for spring and fall months. This scenario is for a single-family detached house using both gas and electricity. Some homes are all-electric, a few homes still use fuel oil for heating, and for many master-metered properties the utility tax burden is shared equally across all units in the building.

Of this \$935,000, the County would retain \$499,290 for prospective programming, with the balance going to Arlington Public Schools based on the existing revenue sharing arrangement.