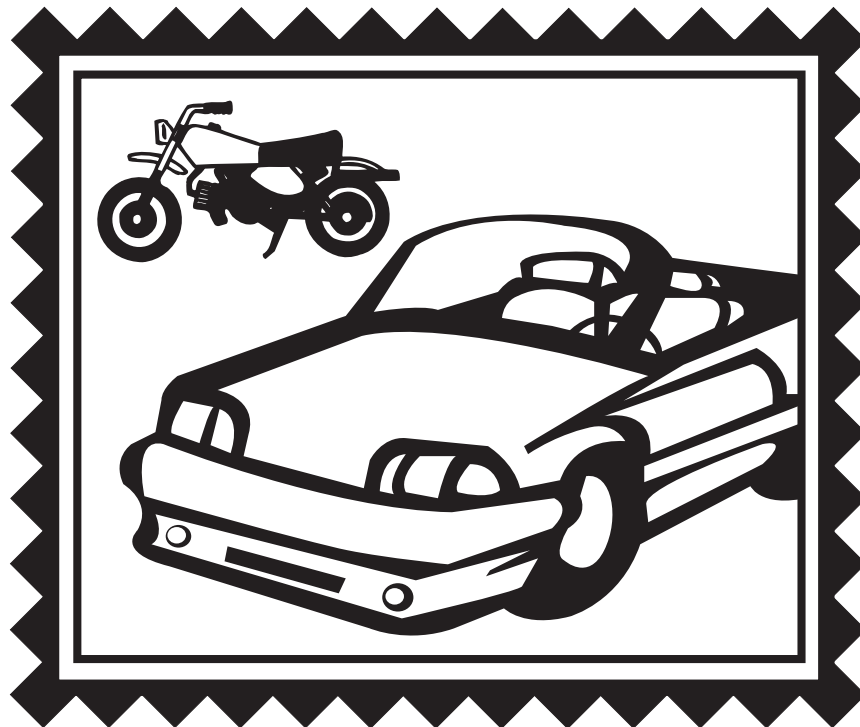


# Personal Property Tax Relief Guide & Model Ordinance

Guide for Local Government Leaders



Virginia Municipal League  
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# Background

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The Personal Property Tax Relief Act of 1998 (PPTRA) established a statewide program by which the Commonwealth of Virginia was to provide relief for owners of personal-use motor vehicles from city, county and town personal property tax (PPT) on those vehicles. The 1998 legislation is codified at Va. Code § 58.1-3523 *et seq.*

The 1998 act envisioned a five-year phase-in of relief, expressed as a percentage of the tax bill relating to the first \$20,000 in value of each qualifying vehicle. Relief in 1998 was set at 12.5 percent, and was provided by means of a refund check to the owner; relief in subsequent years was required to be shown on the face of local personal property tax bills as an offset to the total amount billed. The relief was to be phased in, reaching 100 percent in 2002. A series of fiscal triggers tied to state revenue growth would freeze relief at the preceding year's rate. Relief would be based on rates that were in effect at the time of the act's passage, effectively erecting a strong political disincentive to localities to raise rates, since 100 percent of the cost of a rate increase would be borne by local taxpayers.

PPTRA program costs soared beyond original estimates as new car values increased substantially faster than inflation, "holding" periods for vehicles shortened as a result of unprecedented dealer incentives, vehicle ownership per household grew and more people moved into the state. It soon became clear that PPTRA when fully implemented would cost at least double what had been projected. The reimbursement rate was set at 70 percent in the 2001 budget, and remained frozen at this level for the next three years as the state slashed spending in the face of stagnant and even plummeting revenues.

When a House-Senate standoff ended the 2004 regular session of the General Assembly without a budget, legislators seeking a compromise fastened on the possibility of capping PPTRA relief at \$950 million as part of a larger package of revenue enhancements **and** spending controls. The cap took the form of Senate Bill 5005 (2004 Special Session I) (*Appendix A*), which was passed hastily in conjunction with a compromise budget that included increases in the state sales and recordation taxes, and other revenue enhancements.

SB 5005's provisions engendered immediate concern on the part of local governments. Accompanying the cap was a shift to reimbursement on the basis of the state fiscal year (which begins on July 1), effectively gaining a one-time \$229 million windfall for state budget-writers at the expense of delaying reimbursement for about three dozen localities that collect some or all of their personal property tax on vehicles in the first six months of the year (spring billers). Also troubling was the structure of the proposed cap, which effectively would have required localities to set a special "reduced rate" for qualifying vehicles in the first year of implementation (tax year 2006), but accommodate growth in the size and value of the vehicle fleet by raising the "reduced" rate every year thereafter. Further logistical problems were created by the absence in the bill of any clear rules to guide the transition from the old PPTRA program – in essence, a vehicle-based entitlement program – to the new program, which operates effectively as a fixed block grant to localities, that must be spent on providing personal property tax relief to owners of qualifying vehicles.

These problems were addressed during the second half of 2004 when Secretary of Finance John M. Bennett convened a working group at the request of local government representatives. The working group produced two distinct products that ameliorated the difficulties associated with SB 5005: (a) a set of budget language amendments, incorporated into the governor's 2005 budget bill and passed by the General Assembly; and (b) a reimbursement schedule, prepared by the Secretary of Finance and released on Jan. 1, 2005, which will govern the timing of state payments.

Implementing the changes to PPTRA effected by the 2004 legislation and 2005 budget amendments will require the making of policy determinations, and the adoption of ordinances or resolutions carrying out those determinations, by the governing body of each county, city and town. This publication provides a suggested framework for making these decisions and a model ordinance to assist localities in this process.

# The 'new' PPTRA: How it works

In its original form, PPTRA in essence was a *vehicle-based entitlement program*. The state was obligated to provide annual tax relief to owners of all personal use vehicles, with the relief computed on the first \$20,000 of assessed vehicle value. Beginning in 1999, the relief would be shown as offsetting the tax due on each taxpayer's PPT bill; therefore, the relief would flow through the taxing locality (as opposed to being sent directly to the taxpayer as was the case in the first year of the program). As the number and value of vehicles comprising the "fleet" in each county, city and town grew, so did the state's annual obligation.

The changes to PPTRA made by SB 5005 mark an end to this vehicle-based entitlement program. SB 5005 established what amounts to a *fixed, annual block grant* to localities, the proceeds of which must be used to provide tax relief to the owners of qualifying vehicles. The state's obligation is capped and made certain; localities are provided greater flexibility in determining how relief is to be distributed. As a necessary consequence of this approach, the proportion of individuals' PPT bills that is satisfied by the state relief will shrink over time, since the relief "pot" is fixed, but the value of the statewide fleet eligible for relief grows because of population growth, increasing car ownership and steady increases in vehicle value.

The new tax relief act is a product of two distinct legislative actions: (a) the original SB 5005; and (b) 2005 amendments to the Appropriations Act (the state budget) that modify and in some cases supercede the provisions of the 2004 legislation. The 2005 budget amendments — in effect — provide important ways to implement the new PPTRA that were not permitted under the original 2004 legislation. This publication and the model ordinance that follows set out these approaches as alternatives; the following section summarizes the policy choices facing localities as they seek to implement the new PPTRA in 2006.

## *Determining a locality's slice of the PPTRA pie.*

The central purpose of SB 5005 was to cut off growth in the state expenditure for personal property tax relief. The legislation did so by establishing a fixed annual state expenditure for relief — \$950 million, the amount estimated to be necessary to produce relief at a 70 percent reimbursement rate under the old PPTRA in tax year 2006 — and a formula for "slicing" that fixed pie for distribution to each county, city and town imposing the tax.

The annual distribution to localities does not change from year to year; once established for tax year 2006, in the manner described below, the amount will be constant in future tax years. There is no provision for adjusting this relief amount upward. In effect, relief will be frozen at the 2006 amount in perpetuity, absent further legislative change.

Localities will be advised of their fixed relief amount in early 2006. As a result of the 2005 budget amendments, the amount of that relief will be calculated in the following manner.

- The locality's PPTRA reimbursements from the state for tax year **2004**<sup>1</sup> are totaled through Dec. 31, **2005** (thus ensuring at least 12, and as many as 20, months of collection activity with respect to delinquent accounts).

*EXAMPLE: Smallville sends PPT bills totaling \$31 million to owners of qualifying vehicles for tax year 2004. As of Dec. 31, 2005, Smallville has collected \$30.6 million (a collection rate of 98.7 percent). These collections yield \$21,421,048 in state relief computed at 70 percent.*

- The locality's reimbursements are expressed as a percentage of all PPTRA reimbursements made throughout the state for tax year 2004.

*EXAMPLE: Smallville's PPTRA reimbursements for tax year 2004 total \$21,421,048, and all state reimbursements for tax year 2004 total \$925 million. Smallville's distribution percentage would be 2.315789 percent.*

- The locality's relief for tax year 2006 and all subsequent years is computed by applying this distribution percentage to the fixed statewide amount of \$950 million.

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<sup>1</sup> Note that the use of tax year 2004 as the "base year" for the calculation of relief reflects a change made by the 2005 budget amendments. The base year set out in SB 5005 was 2005; the PPTRA Working Group recommended, and the 2005 budget amendments effected, a change of base year to 2004 to permit the allocation to be based on collections for a completed billing cycle and not less than 12 months' delinquent collection activity, which would have been logistically impossible had the base year remained 2005.

**EXAMPLE:** *Smallville's fixed relief amount for tax year 2006 and every subsequent year would be 2.315789 percent of \$950 million, or \$22 million.*

**Methods for apportioning relief to individual taxpayers.** The old PPTRA provided relief on a fixed percentage basis<sup>2</sup> for each vehicle. The new PPTRA effectively provides each locality the latitude to determine how to distribute relief among its taxpayers, requiring only that the block grant provided under the new PPTRA be used to provide relief to owners of qualifying personal-use vehicles. There are two different methods by which this relief can be calculated for each vehicle and shown on the tax bill.

**(a) Use of the 'reduced rate' method.** SB 5005 as originally enacted required each locality to set its general PPT rate, determine what the (hypothetical) tax yield from taxing the fleet of qualifying vehicles at the general rate would be, then distribute the state-provided relief by setting one *or more* reduced rates applicable to qualifying vehicles, such that the difference between the general rate and the reduced rate would approximately equate to the amount of state relief.

**Locality example:** *Smallville, adopting the "reduced rate" method, sets its general PPT rate at \$4 per \$100 of assessed value for tax year 2006. With a total qualifying vehicle fleet value projected to reach \$800<sup>3</sup> million in 2006, Smallville's general rate would yield total revenue of \$32 million. Smallville's state relief amount is determined to be \$22 million in accordance with the procedure described in the preceding section. Smallville thus must set a reduced rate that will yield the difference between these two – that is, the "local" share of \$10 million. Smallville's reduced rate is set at \$1.25 (the rate necessary to produce \$10 million from the qualifying fleet value of \$800 million).*

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<sup>2</sup> At the time of the passage of SB 5005, the percentage basis stood at 70 percent of the tax amount attributable for the first \$20,000 of value, with one exception; vehicles valued at \$1,000 and under were reimbursed at the rate of 100 percent — thus effectively exempting these low-value vehicles from PPT taxation altogether.

<sup>3</sup> Note that the value of the *qualifying* fleet consists of the combined value of (a) vehicles assessed at less than \$20,000, and (b) the first \$20,000 in value of vehicles valued at more than \$20,000. Vehicles valued at more than \$20,000 in effect each have a qualifying component (the first \$20,000 in value) and a nonqualifying component (the assessed value in excess of \$20,000).

Under this approach, PPT bills issued by the locality would compute tax on the first \$20,000 of vehicle value at the reduced rate, and contain a statement explaining that the reduced rate was made possible by the state PPTRA program.

**Taxpayer examples:** *Affluent Alex of Smallville owns a luxury SUV assessed for tax purposes at \$25,000. His bill from Smallville will show taxation on the first \$20,000 computed at the reduced rate of \$1.25 (thus yielding tax of \$250), and taxation of the remaining \$5,000 in "excess" value computed at the general rate of \$4 (thus yielding additional tax of \$200). Alex's total PPT bill for this vehicle is thus \$450.<sup>4</sup>*

*Sensible Sarah owns a practical sedan assessed at \$10,000. Her bill is computed entirely at the reduced rate, yielding a balance due of \$125.*

*Parsimonious Paul owns a 15-year-old pickup assessed at \$600. His bill, also computed entirely at the reduced rate, comes to \$7.50.*

*Each taxpayer's bill is required to indicate that the reduced rate of \$1.25 was made possible by relief provided under the state PPTRA program.*

As vehicle fleet value grows from year to year, a locality using the "reduced rates" approach must adjust its reduced rate on an annual basis. Except in rare circumstances, the annual adjustment will take the form of increasing the reduced rate in the face of growing fleet value and a fixed state reimbursement sum.

**(b) Use of the 'specific relief' method.** The 2005 budget amendments, responding to concerns regarding the complexity of the reduced rates method and its effective requirement that localities raise the PPT "reduced rate" every year, provide an alternative method for computing tax relief and preparing the PPT bill. Instead of computing and displaying "reduced rates" on the tax bill, localities may apply the available state relief on a per-vehicle basis and show the specific dollar amount of the relief for each vehicle on the face of the tax bill, together with a

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<sup>4</sup> Under this approach, note that the reimbursement percentages that have defined the "old" PPTRA program will disappear altogether from the tax bill. While Affluent Alex's relief in this example amounts to \$550 – the difference between the \$250 he was charged for the first \$20,000 in value on his vehicle, and the \$800 he would have been charged but for the PPTRA program – the tax bill is not required to reflect this tax savings as a percentage of his bill arising from the qualifying assessment (here, 68.75 percent), but rather simply as a rate reduction.



statement indicating that the source of the relief is the state PPTRA program.

Use of the “specific relief” method has substantial advantages. In the first place, programming changes necessary to transition from the “old” to the “new” PPTRA programs can be simplified greatly by using the specific relief approach. As a practical matter, the locality using this approach will calculate a percentage relief to apply to each vehicle. Because the existing (old) PPTRA operates in this manner, it typically will be a simple matter to change the percentage relief within existing software and programs. Second, from the point of view of public understanding, the specific relief approach also provides anticipated advantages, inasmuch as taxpayers are accustomed to seeing PPTRA relief displayed in this manner and will see a true “price tag” for the relief they receive, rather than merely a “unit price” difference expressed as a reduced rate. Finally, the specific relief approach eliminates the need formally to increase the “reduced rate” each year in order to accommodate fleet value growth over time.

**Locality example:** *Smallville chooses the specific relief method to reflect PPTRA relief on its tax bills. The total levy on its \$800 million fleet of qualifying vehicles, computed at the general rate of \$4 before taking PPTRA into account, would be \$32 million. State PPTRA relief is set at \$22 million. The state relief is thus sufficient to provide 68.75 percent relief (that is, \$22 million divided by \$32 million) on the first \$20,000 of value for each qualifying vehicle.*

**Taxpayer examples:** *Affluent Alex’s \$25,000 SUV is taxed as follows. Total tax due with respect to the vehicle before any relief is applied is \$1,000. State relief will be applied to satisfy 68.75 percent of the bill on first \$20,000 of value (that is, \$800 of the tax bill). Alex’s bill thus will show a PPTRA relief credit of \$550 (that is, 68.75 percent of \$800), leaving a balance due from Alex of \$450.*

*Sensible Sarah’s \$10,000 practical sedan has a total tax due, before credits, of \$400. The state relief provides a 68.75 percent credit, leaving Sarah a balance due of \$125.*

*Parsimonious Paul’s \$600 aging pickup has a total tax due, before credits, of \$24. The state relief provides a 68.75 percent credit, leaving Paul \$7.50 to pay.*

*Each taxpayer’s bill will indicate that the source of the credit received is the Commonwealth’s PPTRA program.*

**Vehicles valued at and under \$1,000.** Under the old PPTRA, vehicles valued at or under \$1,000 were effectively exempted from taxation by setting the state reimbursement rate at 100 percent for such vehicles.<sup>5</sup> The new PPTRA, however, makes no special provision for low-value vehicles. As a result, unless the locality adopts special provisions, low-value vehicles will return to the active tax rolls beginning in tax year 2006.

There are multiple reasons for localities to consider making special provisions for low-value vehicles. In the first place, taxation of such vehicles entails substantial administrative costs with little revenue to show for the administrative effort.

**Taxpayer example:** *The taxes generated with respect to Parsimonious Paul’s aging pickup will be \$24. Application of the state relief will reduce the amount due from Paul by 68.75 percent, to \$7.50, a sum that is likely to be less than the cost of generating and mailing the bill and processing the payment, let alone collecting it if delinquent.<sup>6</sup>*

Second, reinstating taxation of low-value vehicles will dramatically increase the number of active accounts localities must collect, and subject hundreds of thousands of taxpayers who have not paid a bill since 1999 to taxation, likely yielding increases in administrative costs and taxpayer displeasure.

There are two general ways in which the special problem of low-value vehicles can be addressed.

**(a) Adopt special relief rules for low-value vehicles.** The new PPTRA does not require a “one size fits all” approach to taxation of qualifying vehicles. Regardless of whether a locality adopts the reduced rate approach or the specific relief approach, it is free to adopt special rules for low-value vehicles.

**Example:** *Smallville determines to continue full exemption of vehicles valued at and under \$1,000.*

<sup>5</sup> The rationale for making this distinction in the original PPTRA legislation in 1998 was that removing these vehicles from the program would substantially simplify administration and would eliminate the need for localities to spend disproportionate resources collecting small balances due from taxpayers in order to entitle them to seek reimbursement for the “state share” attributable to those vehicles.

<sup>6</sup> The result is the same even if Smallville has adopted the “reduced rate” method. Applying the reduced rate of \$1.25 per \$100 to Paul’s \$600 vehicle, the tax due would be \$7.50.

*Its ordinance provides specifically for exemption of such vehicles. Paul either receives no bill at all, or a bill reflecting a zero balance.*<sup>7</sup>

**(b) Use general law to write off bills on low-value vehicles.** A second means of dealing with low-value vehicles is provided by general law, which permits the treasurer to choose not to issue a bill for any tax balance that is \$20 or less (Va. Code § 58.1-3912 (A)). As a practical matter, this provision, if invoked by the treasurer, would provide a means of eliminating bills with respect to the overwhelming majority of low-value vehicles.<sup>8</sup> Even before PPTRA relief is calculated, PPT bills for a vehicle valued at \$1,000 would only amount to \$50 in a locality with a \$5 per \$100 rate. As long as PPTRA relief remains at 60 percent or more, even the \$1,000 vehicle in a locality with a \$5 rate would generate a balance due of \$20 or less, and thus be eligible for full write-off by the treasurer.

**Example:** *Smallville determines not to adopt any special provisions for low-value vehicles, but receives the assurance of its treasurer that she will write off PPT bills with balances due of \$20 and less. Parsimonious Paul's \$600 vehicle generates a balance payable of \$7.50. The Smallville treasurer sends Paul no bill and writes off the \$7.50 balance pursuant to Code § 58.1-3912 (A).*

**Local flexibility in determining distribution of relief.** The new PPTRA provides localities virtually unlimited flexibility in determining the precise formula for distributing relief to owners of qualifying vehicles. The only statutory requirement is that relief be provided to owners of vehicles valued at \$20,000 and under; there is no impediment to shaping the overall distribution of relief to accommodate local circumstances. Among the many options localities could consider are:

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<sup>7</sup> There might be several reasons for sending a billing statement even if this vehicle has a zero balance – for instance, if the owner has multiple vehicles and the locality uses a combined billing statement, or if the PPT billing statement is also used to collect the local vehicle registration (decals) fee.

<sup>8</sup> In fact, in the vast majority of jurisdictions, this approach would eliminate taxation of all vehicles valued at \$1,000 or less for the foreseeable future. As the example in the text illustrates, the only situation in which the relief might not reach every vehicle valued at \$1,000 or less would be in a locality with a very high PPT rate and an effective PPTRA relief rate that has sunk rapidly because of high growth in the fleet value in the out years.

- **Variable relief within ‘value bands.’** Localities may provide relief on a progressive basis – for instance, providing 80 percent for value between \$1,000 and \$7,500, 60 percent relief for value between \$7,500 and \$15,000, and 40 percent relief for value between \$15,000 and \$20,000. (NOTE: Actual percentages will vary each year and will be determined by the amount of relief available and the projected value of the fleet within each of these “value bands” for the year in question.)

**Locality example:** *Smallville makes a policy decision to adopt three “value bands” in order to direct greater percentage relief to owners of low- to average-value vehicles. Its ordinance requires the annual setting of rates that have the following relationship to one another:*

(1) *Relief in the “low” band, with respect to vehicle value up to and including \$7,500, is to be provided at a rate that is approximately 20 percent higher than that applied to the “middle” band.*

(2) *Relief in the “middle” band, with respect to vehicle value in excess of \$7,500, but less than \$15,000, is to be provided at a rate that is approximately 20 percent higher than that applied to the “high” band.*

*For tax year 2006, Smallville’s projections of fleet value determine that its \$22 million in state relief will support the following rates of relief: 80 percent in the “low” band, 60 percent in the “middle” band, and 40 percent in the “high” band.*

**Taxpayer examples:** *Affluent Alex’s \$25,000 luxury SUV falls into all three bands and has excess value, as well. His tax bill (which totals \$1,000 before PPTRA relief, \$800 of which is attributable to the first \$20,000 in value) is computed as follows: (1) \$60 tax on the first \$7,500 of value (that is, \$300 in tax computed at the \$4 rate, less 80 percent relief); plus (2) \$120 in tax on the value between \$7,501 and \$15,000 (that is, \$300 in tax less 60 percent relief); plus (3) \$120 in tax on value between \$15,001 and \$20,000 (that is, \$200 in tax less 40 percent relief); plus (4) \$200 in tax on the value in excess of \$20,000. Alex’s total tax bill is \$500 (\$300 of which arises from the qualifying portion of its value); he is thus receiving relief at an effective rate of 62.5 percent on the qualifying portion of his vehicle value.*

*Sensible Sarah's \$10,000 practical sedan falls into the first two "value bands." Her tax bill (which is \$400 before PPTRA relief) is computed as follows: (1) \$60 in tax on the first \$7,500 of value (that is, \$300 in tax at the \$4 rate, less 80 percent relief); plus (2) \$40 in tax on the value between \$7,501 and \$10,000 (that is, \$100 in tax, less 60 percent relief). Sarah's total tax bill is thus \$100, and she is receiving relief at an effective rate of 75 percent.*

*Parsimonious Paul's \$600 aging pickup falls exclusively into the low "value band." His tax bill (which totals \$24 before PPTRA relief) is \$4.80 (that is, total tax of \$24 computed at the \$4 rate, less 80 percent relief). He is receiving relief at an effective rate of 80 percent.*

- **Reducing the 'value ceiling.'** Localities may provide a higher level of relief up to a value threshold that is less than the full \$20,000 permitted under statute, thus providing relatively higher proportions of relief for vehicles of modest value.<sup>9</sup>

**Locality example:** *Smallville determines to concentrate relief for vehicle values at and below the city average vehicle value of \$12,500. Distributing relief in this manner permits Smallville to provide 85 percent relief for the first \$12,500 of value.*

**Taxpayer examples:** *Affluent Alex's \$25,000 luxury SUV pays only \$75 in taxes on the first \$12,500 in value, but pays \$300 in taxes (that is, \$7,500 times the general rate of \$4 per \$100, with no relief) on the value between \$12,501 and \$20,000, plus another \$200 for the excess value of \$5,000, for a total tax bill of \$575. He is receiving relief at the effective rate of 53.125 percent on the first \$20,000 in vehicle value.*

*Sensible Sarah's \$10,000 practical sedan receives a bill, net of credits, of \$60 (that is, \$400 tax, reduced by an 85 percent credit). She is receiving relief at the effective rate of 85 percent of vehicle value.*

*Parsimonious Paul's \$600 aging pickup generates a bill, net of credits, of \$3.60 (\$24 in total taxes, less 85 percent relief), and can be written off by the treasurer.*

These methods have some attraction for localities that wish to direct tax relief toward average- to lower-income residents – that is, to the extent that vehicle value correlates with the ability to pay. The principal drawback of using a multiple-bands approach is that the task of projecting how far the state relief will go – and thus setting the prospective rates for relief – becomes somewhat more complicated when multiple rates are used, for planners must project not only the total value of the fleet, but the distribution of that value among each band, likely increasing the potential for forecasting error.

**Perfect forecasting is not required.** Setting PPTRA reduced rates or relief percentages under the new PPTRA is a matter of forecasting and estimation. SB 5005 contemplated that some divergence between forecast and actual use of the state relief would be inevitable. The legislation (as amended by the 2005 budget language) requires only that the reduced rate, or relief percentage, as the case may be, "approximately" use the fixed state relief provided. There is no specific requirement for "carrying forward" unused sums or for "recapturing" any shortfall experienced by the locality that in hindsight set its rate or relief at too generous a level.

In order to assure taxpayers that state relief dollars will be spent solely for tax relief, localities may wish to consider carrying forward any unused amounts into a subsequent year and using them to augment the fixed amount of state relief in the subsequent period.

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<sup>9</sup> Beware of the common misperception that reducing the ceiling would force some vehicle owners presently eligible for relief out of the program. As the example of Affluent Alex demonstrates, every owner of a qualifying vehicle will benefit even under a reduced ceiling.



## Policy choices for localities

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There are several policy choices each locality that imposes the personal property tax on vehicles must make as it implements the new PPTRA. The principal choices can be grouped into the following checklist:

- **Method of computing and reflecting relief.** The locality must determine whether to use:
  - the “reduced rates” method, *or*
  - the “specific relief” method.
- **Method of allocating relief (rates).** The locality must determine a basis for allocating relief among classes of taxpayers:
  - at a single rate, *or*
  - at different rates, set out for specific “value bands,” *and*

- across the board to the first \$20,000 of vehicle value, *or*
  - up to some lower ceiling of vehicle value.
- **Treatment of low-value vehicles.** The locality must determine whether to:
    - take special steps to exempt low-value vehicles, similar to current law; *or*
    - take no special action, but achieve an understanding with the treasurer that small balances due (no more than \$20) will not be billed and will be written off; *or*
    - issue bills to and collect from all taxpayers, even if the amount owed is insignificant.<sup>10</sup>

## Transitional challenges

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The transition from the old PPTRA program, which remains in effect for tax year 2005, to the new program, which commences in tax year 2006, poses special challenges, particularly with respect to 2005 bills that become delinquent but are subsequently collected during 2006. SB 5005 was devoid of any particular transition provisions, and accordingly a central purpose of the 2005 budget amendments was to provide special rules to help effect the transition smoothly. In particular, those amendments answer several important questions:

- **How long will the state pay reimbursements under the old PPTRA system?** The state will continue to pay reimbursements for tax year 2005 bills presented for reimbursement after Jan. 1, 2006. Reimbursements under the old PPTRA program, however, will definitively end (a) on Sept. 1, 2006 [*April 1, 2007, for the City of Winchester*], or (b) when state funding earmarked for 2005 reimbursements is exhausted, whichever is *earlier*.<sup>11</sup>

- **What may a locality do to make up the shortfall on a 2005 or earlier bill that is no longer eligible for state reimbursement?** Taxpayers whose bills remain delinquent after eligibility for state reimbursement has ended can be “balance billed”—that is, issued a revised bill for the full amount of the original levy, without regard to any (former) entitlement to a state credit.<sup>12</sup>
- **How likely is it that the state will have enough funds to carry the old program through the Sept. 1, 2006 cutoff date?** The 2005 budget amendments provided a supplemental appropriation of \$24 million specifically to address reimbursements with respect to delinquent bills that are paid and presented for reimbursement during the first eight months of 2006.<sup>13</sup> VML is committed to seek during the 2006 legislative session any additional funding that appears to be necessary to cover reimbursements up to Sept. 1, 2006.

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<sup>10</sup> This may be a particularly attractive alternative for localities that are using the PPT bill mailing for another purpose, such as collecting the local vehicle registration (decal) fee.

<sup>11</sup> Chapter 951, 2005 Acts of Assembly, Items 503.B, 503.D [hereinafter cited as the “2005 Appropriations Act”]. The full text of Item 503 is set out as *Appendix B*. Special provisions are made with respect to the City of Winchester because it uses a unique “rolling” monthly due date tied to vehicle registration.

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<sup>12</sup> 2005 Appropriations Act, Item 503.D.1 (all localities except City of Winchester), Item 503.D.2 (special provisions applicable to Winchester).

<sup>13</sup> 2005 Appropriations Act, Item 503.D.3.

# Reimbursement schedule for state PPTRA relief

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As the introduction described, perhaps the most disconcerting aspects of SB 5005 as originally enacted were its movement of PPTRA reimbursements from a calendar year to a state fiscal year basis, effectively creating a serious cash flow challenge for spring billing localities, and its general ambiguity regarding specific schedules for payment of the fixed state relief under the new PPTRA program. A central thrust of the efforts of the PPTRA working group was to address these concerns. The compromise achieved has the following principal features, embodied in Item 503 of the 2005 Appropriations Act (*Appendix B*) and the reimbursement schedule described in this section:

- Spring billing counties and cities will receive PPTRA payments from the state within the locality's financial reporting "availability period" (typically 45 or 60 days following June 30), based on historical collection patterns, thus ensuring that cash flow disruption will be minimized (although not eliminated) and the potential for balance sheet deficits removed.
- Definitive advice has been secured from the Auditor of Public Accounts, confirming that if the state pays the PPTRA reimbursement to a spring billing jurisdiction within its availability period, the revenues can and should be attributed to the fiscal year just ended.
- Non-spring billing localities will be paid reimbursements on schedules that, on average, provide slightly better overall cash flow than historical experience under the old program.
- The Secretary of Finance is provided special authority to pay spring-billing towns that account on a cash basis (and thus have no "availability period" to save them from balance sheet deficits) prior to July 1, so that the revenue will post to the proper fiscal year.<sup>14</sup>
- "Intent of the General Assembly" language is added to the Appropriations Act to express the commitment to continue paying spring billers on these terms.<sup>15</sup>

The final reimbursement schedule effecting these principles is contained in a Jan. 1, 2005 report from Secretary of Finance John Bennett, outlining the planned schedule for reimbursements under the new PPTRA program (*Appendix C*). The report establishes five distinct schedules for reimbursement:

- **Spring billing counties and cities** will receive the same proportion of their total PPTRA reimbursement as each received for tax year 2005 through June 30, 2005, with payment to be made on July 31.<sup>16</sup> The balance of spring billers' payments will be made in two further installments – 40 percent of the remaining balance on Aug. 15 (also within the availability period), and 60 percent on Nov. 15. In effect, while the first payment reflects a delay as compared to payments under the old PPTRA program, the August and November payments are accelerated by comparison to the original program. The expectation is that this acceleration will help to offset imputed investment earnings losses arising from the delay experienced with respect to the initial payment.

*Locality example: Smallville, which collects PPT with a single June 5 due date, has total 2005 state PPTRA reimbursement of \$20 million during 2005, with \$18 million (that is, 90 percent) received by June 30, 2005. Smallville's slice of the state pie for 2006 and beyond is \$21 million. Smallville would receive \$18.9 million (that is, 90 percent of its PPTRA relief allocation) on July 31. It would receive a further \$840,000 (that is, 40 percent of the remaining balance of \$2.1 million) on Aug. 15, and the remaining balance of \$1.26 million on Nov. 15.*

- **Localities presently receiving more than \$20 million in reimbursements** (other than spring billers) will receive 50 percent of their fixed PPTRA relief on Aug. 15 and 45 percent on Nov. 15, with the balance of 5 percent paid out in equal installments on Feb. 15 and May 15. This schedule — under which these localities will receive 95 percent of their reimbursement

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<sup>16</sup> Note that, for the purpose of making this calculation for July 31 distributions to spring billers, the "base year" is 2005. This calculation is not related to the computation of the locality's "slice" of the fixed, \$950 million PPTRA "pie," which is (as earlier discussed) based on state reimbursements made with respect to tax year 2004 bills.

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<sup>14</sup> 2005 Appropriations Act, Item 503.F.

<sup>15</sup> 2005 Appropriations Act, Item 503.G.

by Nov. 15 — reflects a more rapid payout than historical experience for these four localities, which have received an average of 89 percent of their reimbursement amounts during the July 1-Dec. 31 timeframe.

- **Localities presently receiving less than \$20 million in reimbursements** (other than spring billers) will receive 5 percent of their reimbursements on Aug. 15 and 75 percent on Nov. 15, with the balance of 20 percent paid out on Feb. 15 and May 15. This schedule — under which these localities will receive 80 percent of their reimbursement by Nov. 15 — reflects a substantially more rapid payout than historical experience for these localities, which have received an average of 61 percent of their

reimbursement amounts during the July 1-Dec. 31 timeframe.

- **Towns** (other than true spring billers) will be paid out in a single lump sum on Aug. 15.
- The handful of **towns** that are true spring billers<sup>17</sup> will be paid out in the spring on approximately the same schedule as they presently receive their reimbursements. In order to qualify for this treatment, the town must: (a) currently have, and have historically employed, a billing date between Jan. 1 and June 30 for **current** year taxes; (b) use the cash method of accounting; and (c) certify that it would face financial hardship in the absence of payment prior to July 1.

## Model ordinance

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The model ordinance that follows provides a guide for effecting the policy determinations discussed in the preceding sections. The model ordinance is designed to be enacted once in order to establish the

overall framework for implementing the PPTRA changes; the locality would then implement the annual details by including them in its budget, or by separate ordinance or resolution specific to that year.

## Other resources

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The Department of Taxation, in conjunction with the Commissioners of the Revenue Association of Virginia and the Treasurers Association of Virginia, is developing several resources that will be of enormous assistance in the technical implementation of the PPTRA changes. Among these are an Excel™-based forecasting model to assist localities in making their

annual projections of the percentage amount of relief that the fixed state grant will support, as well as explanatory materials and training opportunities for local officers. These materials should be available through your commissioner of the revenue and treasurer by June 1, 2005.

## Questions and Comments

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Questions and comments regarding this publication and model ordinance can be directed to Alan D. Albert, Special Counsel to VML, by E-mail at [alan.albert@leclairryan.com](mailto:alan.albert@leclairryan.com) or by telephone at (757) 441-8914.

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<sup>17</sup> That is, they have a billing date between January 1 and June 30 for the current year. Many towns that have a billing date between January 1 and June 30 are actually collecting in arrears for the calendar year just ended; they are not considered spring billers.

# An ordinance to provide for the implementation of the 2004-2005 changes to the Personal Property Tax Relief Act of 1998

**WHEREAS** the Personal Property Tax Relief Act of 1998, Va. Code §§ 58.1-3523 *et seq.* (“PPTRA”), has been substantially modified by the enactment of Chapter 1 of the Acts of Assembly, 2004 Special Session I (Senate Bill 5005), and the provisions of Item 503 of Chapter 951 of the 2005 Acts of Assembly (the 2005 revisions to the 2004-06 Appropriations Act, hereinafter cited as the “2005 Appropriations Act”); and

**WHEREAS** these legislative enactments require the City [Town] [County] to take affirmative steps to implement these changes, and to provide for the computation and allocation of relief provided pursuant to the PPTRA as revised; and

**WHEREAS** these legislative enactments provide for the appropriation to the City [Town] [County], commencing in 2006, of a fixed sum to be used exclusively for the provision of tax relief to owners of qualifying personal use vehicles that are subject to the personal property tax (“PPT”) on such vehicles, and provide the opportunity for the City [Town] [County] to fashion a program of tax relief that serves the best interests of its citizenry;

**NOW THEREFORE BE IT ORDAINED** by the City [Town] Council [Board of Supervisors] as follows:

**§ 1. Purpose; Definitions; Relation to other Ordinances.** (a) The purpose of this Ordinance is to provide for the implementation of the changes to PPTRA effected by legislation adopted during the 2004 Special Session I and the 2005 Regular Session of the General Assembly of Virginia.

(b) Terms used in this Ordinance that have defined meanings set forth in PPTRA shall have the same meanings as set forth in Va. Code § 58.1-3523, as amended.

(c) To the extent that the provisions of this Ordinance conflict with any prior Ordinance or provision of the City [Town] [County] Code, this Ordinance shall control.

**§ 2. Method of Computing and Reflecting Tax Relief.** (a) For tax years commencing in 2006, the City [Town] [County] adopts the provisions of Item 503.E of the 2005 Appropriations Act, providing for the computation of tax relief as a specific dollar amount to be offset against the total taxes that would otherwise be due but for PPTRA and the reporting of such specific dollar relief on the tax bill.

*[ALTERNATIVE APPROACH (reduced rates method): Substitute the following: (a) For tax years commencing in 2006, the annual budget of the City [Town] [County] shall provide for a reduced personal property tax rate to apply to qualifying vehicles, in accordance with the provisions of Va. Code § 58.1-3524 (C) as amended by Chapter 1 of the Acts of Assembly of 2004, Special Session I.]*

(b) The Council [Board] shall, as part of the annual budget adopted pursuant to Chapter 25 [counties under optional forms of government should substitute chapter applicable to form of government] of Title 15.2 of the Code of Virginia [and § \_\_\_\_ through \_\_\_\_ of the City [Town] [County] Code], set the rate of tax relief at such a level that it is anticipated fully to exhaust PPTRA relief funds provided to the City [Town] [County] by the Commonwealth. [OPTIONAL ADDITION: Any amount of PPTRA relief not used within the City’s [Town’s] [County’s] fiscal year shall be carried forward and used to increase the funds available for personal property tax relief in the following fiscal year.]

*[ALTERNATIVE APPROACH (set tax relief rate in annual ordinance or resolution, rather than budget): After “The Council [Board] shall,” strike the balance of the first line, all of the second and third lines, and the*



*fourth line through “[Code]”, and substitute the following: by ordinance [resolution], . . .]*

(c) Personal property tax bills shall set forth on their face the specific dollar amount of relief credited with respect to each qualifying vehicle, together with an explanation of the general manner in which relief is allocated.

§ 3. **Allocation of Relief among Taxpayers.** (a) Allocation of PPTRA relief shall be provided in accordance with the general provisions of this section, as implemented by the specific provisions of the City’s [Town’s] [County’s] annual budget relating to PPTRA relief.

(b) Relief shall be allocated in such as manner as to eliminate personal property taxation of each qualifying vehicle with an assessed value of \$1,000 or less.

**[ALTERNATE APPROACH (use general law to write off small balances):** Delete (b) and encourage the Treasurer, in reliance upon authority provided in Va. Code §§ 58.1-3912 (A) and 58.1-3921, to choose not to issue bills for balances due of \$20 or less and to write off those balances]

**[ALTERNATE APPROACH (bill all balances regardless of size):** Delete (b) and encourage the Treasurer to continue to bill for small balances notwithstanding the authority provided in Code § 58.1-3912 (A) and 58.1-3921 to write them off]

(c) Relief with respect to qualifying vehicles with assessed values of more than \$1,000 shall be provided at a rate, annually fixed in the City [Town] [County] budget and applied to the first \$20,000 in value of each such qualifying vehicle, that is estimated fully to use all available state PPTRA relief. The rate shall be established annually as a part of the adopted budget for the City [Town] [County]. **[NOTE: this provides for a single rate of relief applicable to the first \$20,000 of vehicle value.]**

**[ALTERNATE APPROACH (single rate, reduced ceiling):** Replace (c) as follows: (c) Relief with respect to qualifying vehicles with assessed values of more than \$1,000 shall be provided at a rate, annually fixed in the City [Town] [County] budget and applied to the first \$ \_\_\_\_\_ [enter dollar amount less than \$20,000] in value of each such qualifying vehicle, that is estimated fully to use all available state PPTRA relief. The rate shall be established annually as a part of the adopted budget for the City [Town] [County].]

**[ALTERNATE APPROACH (multiple rates, \$20,000 ceiling, numbers given below are illustrative):** Replace (c) as follows: (c) Relief with respect to qualifying vehicles with assessed values of more than \$1,000 shall be provided at rates, annually fixed in the City [Town] [County] budget, that achieve to the extent feasible the following general relationships between the rates applicable to classes of vehicle value established herein and fully use all available state PPTRA relief:

(1) Relief with respect to vehicle value up to and including \$7,500 shall be provided at a rate that is approximately 20 percent higher than that applied to vehicle value described in subsection (2) of this section.

(2) Relief with respect to vehicle value in excess of \$7,500, but not more than \$15,000, shall be provided at a rate that is approximately 20 percent higher than that applied to vehicle value described in subsection (3) of this section.

(3) Relief with respect to vehicle value in excess of \$15,000, but not more than \$20,000.]

**[ALTERNATE APPROACH (multiple rates, reduced ceiling, numbers given below are illustrative):** Replace (c) as follows: (c) Relief with respect to qualifying vehicles with assessed values of more than \$1,000 but not more than \$12,500 shall be provided at rates, annually fixed in the City [Town] [County] budget, that achieve to the extent feasible the following general relationships between the rates applicable to classes of vehicle value established herein and fully use all available state PPTRA relief:

(1) *Relief with respect to vehicle value up to and including \$5,000 shall be provided at a rate that is approximately 20 percent higher than that applied to vehicle value described in subsection (2) of this section.*

(2) *Relief with respect to vehicle value in excess of \$5,000, but not more than \$10,000, shall be provided at a rate that is approximately 20 percent higher than that applied to vehicle value described in subsection (3) of this section.*

(3) *Relief with respect to vehicle value in excess of \$10,000, but not more than \$12,500.]*

**§ 4. Transitional Provisions.** (a) Pursuant to authority conferred in Item 503.D of the 2005 Appropriations Act, the City [Town] [County] Treasurer is authorized to issue a supplemental personal property tax bill, in the amount of 100 percent of tax due without regard to any former entitlement to state PPTRA relief, plus applicable penalties and interest, to any taxpayer whose taxes with respect to a qualifying vehicle for tax year 2005 or any prior tax year remain unpaid on September 1, 2006 [substitute April 1, 2007 for City of Winchester], or such date as state funds for reimbursement of the state share of such bill have become unavailable, whichever earlier occurs.

(b) Penalty and interest with respect to bills issued pursuant to subsection (a) of this section shall be computed on the entire amount of tax owed. Interest shall be computed at the rate provided in [insert reference to locality's general personal property tax ordinance] from the original due date of the tax.

**Appendix A**

**Senate Bill 5005  
(2004 Special Session)**





# VIRGINIA ACTS OF ASSEMBLY -- 2004 SPECIAL SESSION I

## CHAPTER 1

*An Act to amend and reenact §§ 3.1-1111, 30-133, 58.1-3506, 58.1-3506.1, 58.1-3523, 58.1-3524, and 58.1-3912 of the Code of Virginia and to repeal §§ 58.1-3525 through 58.1-3533, 58.1-3536, and 58.1-3916.01 of the Code of Virginia, relating to property taxes on vehicles qualifying for tangible personal property tax relief and payments to localities for providing tangible personal property tax relief.*

[S 5005]

Approved June 3, 2004

**Be it enacted by the General Assembly of Virginia:**

**1. That §§ 3.1-1111, 30-133, 58.1-3506, 58.1-3506.1, 58.1-3523, 58.1-3524, and 58.1-3912 of the Code of Virginia are amended and reenacted as follows:**

§ 3.1-1111. Tobacco Indemnification and Community Revitalization Fund; tax credits for technology industries in tobacco-dependent localities.

A. Money received by the Commonwealth pursuant to the Master Settlement Agreement shall be deposited into the state treasury subject to the special nonreverting funds established by subsection B and by §§ 3.1-1109.1 and 32.1-360. ~~However, in no case shall the amount received by the Endowment and Fund be included in general fund revenue calculations for purposes of subsection C of § 58.1-3524 and subsection B of § 58.1-3536.~~

B. There is created in the state treasury a special nonreverting fund to be known as the Tobacco Indemnification and Community Revitalization Fund. The Fund shall be established on the books of the Comptroller. Subject to the sale of all or any portion of the Commission Allocation, ~~fifty~~ 50 percent of the annual amount received by the Commonwealth from the Master Settlement Agreement shall be paid into the state treasury and credited to the Fund. In the event of such sale (i) the Commission Allocation shall be paid in accordance with the agreement for the period of sale and (ii) the Fund shall receive the amounts withdrawn from the Endowment in accordance with § 3.1-1109.1. Interest earned on moneys in the Fund shall remain in the Fund and be credited to it. Any moneys remaining in the Fund, including interest thereon, at the end of each fiscal year shall not revert to the general fund but shall remain in the Fund. Moneys in the Fund shall be used solely for the purposes described in this chapter; however, starting with the fiscal year beginning July 1, 2000, through December 31, 2009, the Commission may deposit moneys from the Fund into the Technology Initiative in Tobacco-Dependent Localities Fund, established under § 58.1-439.15, for purposes of funding the tax credits provided in §§ 58.1-439.13 and 58.1-439.14 and the grants provided in § 58.1-439.17. Expenditures and disbursements from the Fund shall be made by the State Treasurer on warrants issued by the Comptroller upon written authorization signed by the chairman of the Commission or his designee. The Fund shall also consist of other moneys received by the Commission, from any source, for the purpose of implementing the provisions of this chapter.

C. The obligations of the Commission shall not be a debt or grant or loan of credit of the Commonwealth of Virginia, and the Commonwealth shall not be liable thereon, nor shall such obligations be payable out of any funds other than those credited to the Fund.

§ 30-133. Duties and powers generally.

A. The Auditor of Public Accounts shall audit all the accounts of every state department, officer, board, commission, institution or other agency handling any state funds. In the performance of such duties and the exercise of such powers he may employ the services of certified public accountants, provided the cost thereof shall not exceed such sums as may be available out of the appropriation provided by law for the conduct of his office.

B. The Auditor of Public Accounts shall review the information required in § 2.2-1501 to determine that state agencies are providing and reporting appropriate information on financial and performance measures, and the Auditor shall review the accuracy of the management systems used to accumulate and report the results. The Auditor shall report annually to the General Assembly the results of such audits and make recommendations, if indicated, for new or revised accountability or performance measures to be implemented for the agencies audited.

C. The Auditor of Public Accounts shall prepare, by November 1, a summary of the results of all of the audits and other oversight responsibilities performed for the most recently ended fiscal year. The Auditor of Public Accounts shall present this summary to the Senate Finance, House Appropriations and House Finance Committees on the day the Governor presents to the General Assembly the Executive Budget in accordance with §§ 2.2-1508 and 2.2-1509 or at the direction of the respective Chairman of the Senate Finance, House Appropriations or House Finance Committees at one of their committee meetings prior to the meeting above.

D. As part of his normal oversight responsibilities, the Auditor of Public Accounts shall incorporate into his audit procedures and processes a review process to ensure that the Commonwealth's payments for ~~qualifying vehicles, as defined in § 58.1-3523, to counties, cities, and towns under Chapter 35.1 (§ 58.1-3523 et seq.) of Title 58.1~~ are consistent with the provisions of ~~§§ 58.1-3525 and 58.1-3526 § 58.1-3524~~. The Auditor of Public Accounts shall report to the Governor and the Chairman of the Senate Finance Committee annually any material failure by a locality or the Commonwealth to comply with the provisions of Chapter 35.1 (~~§ 58.1-3523 et seq.~~) of Title 58.1.

E. The Auditor of Public Accounts when called upon by the Governor shall examine the accounts of any institution maintained in whole or in part by the Commonwealth and, upon the direction of the Comptroller, shall examine the accounts of any officer required to settle his accounts with him; and upon the direction of any other state officer at the seat of government he shall examine the accounts of any person required to settle his accounts with such officer.

F. Upon the written request of any member of the General Assembly, the Auditor of Public Accounts shall furnish the requested information and provide technical assistance upon any matter requested by such member.

G. In compliance with the provisions of the federal Single Audit Act Amendments of 1996, Public Law 104-156, the Joint Legislative Audit and Review Commission may authorize the Auditor of Public Accounts to audit biennially the accounts pertaining to federal funds received by state departments, officers, boards, commissions, institutions or other agencies.

§ 58.1-3506. Other classifications of tangible personal property for taxation.

A. The items of property set forth below are each declared to be a separate class of property and shall constitute a classification for local taxation separate from other classifications of tangible personal property provided in this chapter:

1. Boats or watercraft weighing five tons or more;
2. Aircraft having a maximum passenger seating capacity of no more than 50 which are owned and operated by scheduled air carriers operating under certificates of public convenience and necessity issued by the State Corporation Commission or the Civil Aeronautics Board;
3. All other aircraft not included in subdivision A 2 and flight simulators;
4. Antique motor vehicles as defined in § 46.2-100 which may be used for general transportation purposes as provided in subsection C of § 46.2-730;
5. Tangible personal property used in a research and development business;
6. Heavy construction machinery, including but not limited to land movers, bulldozers, front-end loaders, graders, packers, power shovels, cranes, pile drivers, forest harvesting and silvicultural activity equipment and ditch and other types of diggers;
7. Generating equipment purchased after December 31, 1974, for the purpose of changing the energy source of a manufacturing plant from oil or natural gas to coal, wood, wood bark, wood residue, or any other alternative energy source for use in manufacturing and any cogeneration equipment purchased to achieve more efficient use of any energy source. Such generating equipment and cogeneration equipment shall include, without limitation, such equipment purchased by firms engaged in the business of generating electricity or steam, or both;
8. Vehicles without motive power, used or designed to be used as manufactured homes as defined in § 36-85.3;
9. Computer hardware used by businesses primarily engaged in providing data processing services to other nonrelated or nonaffiliated businesses;
10. Privately owned pleasure boats and watercraft, 18 feet and over, used for recreational purposes only;
11. Privately owned vans with a seating capacity of not less than seven nor more than 15 persons, including the driver, used exclusively pursuant to a ridesharing arrangement as defined in § 46.2-1400;
12. Motor vehicles specially equipped to provide transportation for physically handicapped individuals;
13. Motor vehicles (i) owned by members of a volunteer rescue squad or volunteer fire department or (ii) leased by members of a volunteer rescue squad or volunteer fire department if the member is obligated by the terms of the lease to pay tangible personal property tax on the motor vehicle. One motor vehicle which is owned by each volunteer rescue squad member or volunteer fire department member, or leased by each volunteer rescue squad member or volunteer fire department member if the member is obligated by the terms of the lease to pay tangible personal property tax on the motor vehicle, may be specially classified under this section, provided the volunteer rescue squad member or volunteer fire department member regularly responds to emergency calls. The volunteer shall furnish the commissioner of revenue, or other assessing officer, with a certification by the chief or head of the volunteer organization, that the volunteer is a member of the volunteer rescue squad or fire department who regularly responds to calls or regularly performs other duties for the rescue squad or fire department, and the motor vehicle owned or leased by the volunteer rescue squad member or volunteer fire department member is identified. The certification shall be submitted by January 31 of each year to the commissioner of revenue or other assessing officer; however, the commissioner of revenue or other

assessing officer shall be authorized, in his discretion, and for good cause shown and without fault on the part of the member, to accept a certification after the January 31 deadline. In any county which prorates the assessment of tangible personal property pursuant to § 58.1-3516, a replacement vehicle may be certified and classified pursuant to this subsection when the vehicle certified as of the immediately prior January date is transferred during the tax year;

14. Motor vehicles (i) owned by auxiliary members of a volunteer rescue squad or volunteer fire department or (ii) leased by auxiliary members of a volunteer rescue squad or volunteer fire department if the member is obligated by the terms of the lease to pay tangible personal property tax on the motor vehicle. One motor vehicle which is regularly used by each auxiliary volunteer fire department or rescue squad member may be specially classified under this section. The auxiliary member shall furnish the commissioner of revenue, or other assessing officer, with a certification by the chief or head of the volunteer organization, that the volunteer is an auxiliary member of the volunteer rescue squad or fire department who regularly performs duties for the rescue squad or fire department, and the motor vehicle is identified as regularly used for such purpose; however, if a volunteer rescue squad or fire department member and an auxiliary member are members of the same household, that household shall be allowed only one special classification under this subdivision or subdivision 13 of this section. The certification shall be submitted by January 31 of each year to the commissioner of revenue or other assessing officer; however, the commissioner of revenue or other assessing officer shall be authorized, in his discretion, and for good cause shown and without fault on the part of the member, to accept a certification after the January 31 deadline;

15. Motor vehicles owned by a nonprofit organization and used to deliver meals to homebound persons or provide transportation to senior or handicapped citizens in the community to carry out the purposes of the nonprofit organization;

16. Privately owned camping trailers as defined in § 46.2-100, and privately owned travel trailers as defined in § 46.2-1900, which are used for recreational purposes only, and privately owned trailers as defined in § 46.2-100 that are designed and used for the transportation of horses;

17. One motor vehicle owned and regularly used by a veteran who has either lost, or lost the use of, one or both legs, or an arm or a hand, or who is blind or who is permanently and totally disabled as certified by the Department of Veterans Services. In order to qualify, the veteran shall provide a written statement to the commissioner of revenue or other assessing officer from the Department of Veterans Services that the veteran has been so designated or classified by the Department of Veterans Services as to meet the requirements of this section, and that his disability is service-connected. For purposes of this section, a person is blind if he meets the provisions of § 46.2-739;

18. Motor vehicles (i) owned by persons who have been appointed to serve as auxiliary police officers pursuant to Article 3 (§ 15.2-1731 et seq.) of Chapter 17 of Title 15.2 or (ii) leased by persons who have been so appointed to serve as auxiliary police officers if the person is obligated by the terms of the lease to pay tangible personal property tax on the motor vehicle. One motor vehicle which is regularly used by each auxiliary police officer to respond to auxiliary police duties may be specially classified under this section. In order to qualify for such classification, any auxiliary police officer who applies for such classification shall identify the vehicle for which this classification is sought, and shall furnish the commissioner of revenue or other assessing officer with a certification from the governing body which has appointed such auxiliary police officer or from the official who has appointed such auxiliary officers. That certification shall state that the applicant is an auxiliary police officer who regularly uses a motor vehicle to respond to auxiliary police duties, and it shall state that the vehicle for which the classification is sought is the vehicle which is regularly used for that purpose. The certification shall be submitted by January 31 of each year to the commissioner of revenue or other assessing officer; however, the commissioner of revenue or other assessing officer shall be authorized, in his discretion, and for good cause shown and without fault on the part of the member, to accept a certification after the January 31 deadline;

19. Until the first to occur of June 30, 2009, or the date that a special improvements tax is no longer levied under § 15.2-4607 on property within a Multicounty Transportation Improvement District created pursuant to Chapter 46 (§ 15.2-4600 et seq.) of Title 15.2, tangible personal property that is used in manufacturing, testing, or operating satellites within a Multicounty Transportation Improvement District, provided that such business personal property is put into service within the District on or after July 1, 1999;

20. Motor vehicles which use clean special fuels as defined in § 46.2-749.3;

21. Wild or exotic animals kept for public exhibition in an indoor or outdoor facility which is properly licensed by the federal government, the Commonwealth, or both, and which is properly zoned for such use. "Wild animals" means any animals which are found in the wild, or in a wild state, within the boundaries of the United States, its territories or possessions. "Exotic animals" means any animals which are found in the wild, or in a wild state, and are native to a foreign country;

22. Furniture, office, and maintenance equipment, exclusive of motor vehicles, which are owned and used by an organization whose real property is assessed in accordance with § 58.1-3284.1 and which is used by that organization for the purpose of maintaining or using the open or common space within a

residential development;

23. Motor vehicles, trailers and semitrailers with a gross vehicle weight of 10,000 pounds or more used to transport property for hire by a motor carrier engaged in interstate commerce;

24. All tangible personal property employed in a trade or business other than that described in subdivisions A 1 through A 18, except for subdivision A 17, of § 58.1-3503;

25. Programmable computer equipment and peripherals employed in a trade or business;

26. Privately owned pleasure boats and watercraft, motorized and under 18 feet, used for recreational purposes only;

27. Privately owned pleasure boats and watercraft, nonmotorized and under 18 feet, used for recreational purposes only;

28. Privately owned motor homes as defined in § 46.2-100 that are used for recreational purposes only;

29. Tangible personal property used in the provision of Internet services. For purposes of this subdivision, "Internet service" means a service, including an Internet Web-hosting service, that enables users to access content, information, electronic mail, and the Internet as part of a package of services sold to customers;

30. Motor vehicles (i) owned by persons who serve as auxiliary, reserve or special deputy sheriffs or (ii) leased by persons who serve as auxiliary, reserve or special deputy sheriffs if the person is obligated by the terms of the lease to pay tangible personal property tax on the motor vehicle. For purposes of this subdivision, the term "auxiliary deputy sheriff" means auxiliary, reserve or special deputy sheriff. One motor vehicle that is regularly used by each auxiliary deputy sheriff to respond to auxiliary deputy sheriff duties may be specially classified under this section. In order to qualify for such classification, any auxiliary deputy sheriff who applies for such classification shall identify the vehicle for which this classification is sought, and shall furnish the commissioner of revenue or other assessing officer with a certification from the governing body that has appointed such auxiliary deputy sheriff or from the official who has appointed such auxiliary deputy sheriff. That certification shall state that the applicant is an auxiliary deputy sheriff who regularly uses a motor vehicle to respond to such auxiliary duties, and it shall state that the vehicle for which the classification is sought is the vehicle that is regularly used for that purpose. The certification shall be submitted by January 31 of each year to the commissioner of revenue or other assessing officer; however, the commissioner of revenue or other assessing officer shall be authorized, in his discretion, and for good cause shown and without fault on the part of the member, to accept a certification after the January 31 deadline;

31. Forest harvesting and silvicultural activity equipment; and

32. Equipment used primarily for research, development, production, or provision of biotechnology for the purpose of developing or providing products or processes for specific commercial or public purposes, including, but not limited to, medical, pharmaceutical, nutritional, and other health-related purposes; agricultural purposes; or environmental purposes but not for human cloning purposes as defined in § 32.1-162.21 or for products or purposes related to human embryo stem cells. For purposes of this section, biotechnology equipment means equipment directly used in activities associated with the science of living things.

B. The governing body of any county, city or town may levy a tax on the property enumerated in subsection A at different rates from the tax levied on other tangible personal property. The rates of tax and the rates of assessment shall (i) for purposes of subdivisions 1, 2, 3, 4, 6, 9 through 18, 20 through 22, and 24 through 32 of subsection A, not exceed that applicable to the general class of tangible personal property, (ii) for purposes of subdivisions A 5, A 7, A 19, and A 23, not exceed that applicable to machinery and tools, and (iii) for purposes of subdivision A 8, equal that applicable to real property.

C. *Notwithstanding any other provision of this section, for any qualifying vehicle, as such term is defined in § 58.1-3523, (i) included in any separate class of property in subsection A and (ii) assessed for tangible personal property taxes by a county, city, or town receiving a payment from the Commonwealth under Chapter 35.1 of this title for providing tangible personal property tax relief, the county, city, or town may levy the tangible personal property tax on such qualifying vehicle at a rate not to exceed the rates of tax and rates of assessment required under such chapter.*

§ 58.1-3506.1. Other classification for taxation of certain tangible personal property owned by certain elderly and handicapped persons.

The governing body of any county, city or town may, by ordinance, levy a tax on one motor vehicle owned and used primarily by or for anyone at least ~~sixty-five~~ 65 years of age or anyone found to be permanently and totally disabled, as defined in § 58.1-3506.3, at a different rate from the tax levied on other tangible personal property, upon such conditions as the ordinance may prescribe. Such rate shall not exceed the ~~tax rates levied on other motor vehicles~~ *tangible personal property tax on the general class of tangible personal property*. For purposes of this article, the term motor vehicle shall include only automobiles and pickup trucks. Any such motor vehicle owned by a husband and wife may qualify if either spouse is ~~sixty-five~~ 65 or over or if either spouse is permanently and totally disabled. *Notwithstanding any other provision of this section or article, for any automobile or pickup truck that is (i) a qualifying vehicle, as such term is defined in § 58.1-3523, and (ii) assessed for tangible personal*



property taxes by a county, city, or town receiving a payment from the Commonwealth under Chapter 35.1 of this title for providing tangible personal property tax relief, the rate of tax levied pursuant to this article shall not exceed the rates of tax and rates of assessment required under such chapter.

CHAPTER 35.1.

PERSONAL PROPERTY TAX RELIEF ACT OF 1998.

§ 58.1-3523. Definitions.

As used in this chapter:

"Commissioner" means the Commissioner of the Department of Motor Vehicles.

"Commissioner of the revenue" means the same as that set forth in § 58.1-3100. For purposes of this chapter, in a county or city which does not have an elected commissioner of the revenue, "commissioner of the revenue" means the officer who is primarily responsible for assessing motor vehicles for the purposes of tangible personal property taxation.

"Department" means the Department of Motor Vehicles.

"Effective tax rate" means the tax rate imposed by a locality on tangible personal property on the applicable class of tangible personal property multiplied by the any assessment ratio in effect.

"Leased" means leased by a natural person as lessee and used for nonbusiness purposes.

"Percentage level" means the percentage of the reimbursable amount to be reimbursed or paid by the Commonwealth.

"Privately owned" means owned by a natural person and used for nonbusiness purposes.

"Qualifying vehicle" means any passenger car, motorcycle, and pickup or panel truck, as those terms are defined in § 46.2-100, that is determined by the commissioner of the revenue of the county or city in which the vehicle has situs as provided by § 58.1-3511 to be (i) privately owned or (ii) leased pursuant to a contract requiring the lessee to pay the tangible personal property tax on such vehicle. In determining whether a vehicle is a qualifying vehicle, the commissioner of revenue may rely on the registration of such vehicle with the Department pursuant to Chapter 6 (§ 46.2-600 et seq.) of Title 46.2.

"Reimbursable amount" means the value of a qualifying vehicle, up to the first \$20,000 of value, multiplied by the effective tax rate in effect in the locality on July 1, 1997, or August 1, 1997, whichever is greater.

"Tangible personal property tax" means the tax levied pursuant to Article 1 (§ 58.1-3500 et seq.) of Chapter 35 of Title 58.1.

"Tax year" means the 12-month period beginning in the calendar year for which tangible personal property taxes are imposed.

"Treasurer" means the same as that set forth in § 58.1-3123, when used herein with respect to a county or city. When used herein with respect to a town, "treasurer" means the officer who is primarily responsible for the billing and collection of tangible personal property taxes levied upon motor vehicles by such town, and means the treasurer of the county or counties in which such town is located if such functions are performed for the town by the county treasurer or treasurers.

"Used for nonbusiness purposes" means the preponderance of use is for other than business purposes. The preponderance of use for other than business purposes shall be deemed not to be satisfied if: (i) the motor vehicle is expensed on the taxpayer's federal income tax return pursuant to Internal Revenue Code § 179; (ii) more than fifty 50 percent of the basis for depreciation of the motor vehicle is depreciated for federal income tax purposes; or (iii) the allowable expense of total annual mileage in excess of fifty 50 percent is deductible for federal income tax purposes or reimbursed pursuant to an arrangement between an employer and employee.

"Value" means the fair market value determined by the method prescribed in § 58.1-3503 and used by the locality as of August 1, 1997, in valuing the qualifying vehicle.

§ 58.1-3524. Tangible personal property tax relief; local tax rates on vehicles qualifying for tangible personal property tax relief.

A. For tax year 1998, the Commonwealth shall directly reimburse taxpayers, for tangible personal property tax levies paid on any qualifying vehicle, a percentage of the reimbursable amount determined pursuant to subdivision B 1, as provided in § 58.1-3525. For tax year 1999 and tax years thereafter, the Commonwealth shall pay to treasurers a percentage of the reimbursable amount determined pursuant to subdivisions B 2 through B 5 on any qualifying vehicle, as provided in § 58.1-3526.

B. Subject to the conditions of subsections C and D, the amount of the reimbursement to taxpayers for tax year 1998 and the amount of the payments to treasurers for tax years after 1998 shall be 100 percent for qualifying vehicles with a value of one thousand dollars or less and for each qualifying vehicle with a value of more than one thousand dollars shall be as follows:

	Percentage Level
1. For any tax year beginning in calendar year 1998	12.5 percent of the reimbursable amount for each qualifying vehicle
2. For any tax year beginning in calendar year 1999	27.5 percent of the reimbursable amount for each qualifying vehicle
3. For any tax year beginning in	47.5 percent of the reimbursable

<del>calendar year 2000</del>	<del>amount for each qualifying vehicle</del>
<del>4. For any tax year beginning in calendar year 2001</del>	<del>70 percent of the reimbursable amount for each qualifying vehicle</del>
<del>5. For any tax year beginning in calendar year 2002 and tax years thereafter</del>	<del>100 percent of the reimbursable amount for each qualifying vehicle</del>

C. Notwithstanding the schedule set forth in subsection B, the percentage level for each qualifying vehicle to be paid by the Commonwealth for a tax year shall not be increased at the beginning of any calendar year above the percentage level paid by the Commonwealth in the preceding tax year if:

1. Actual general fund revenues for a fiscal year, including transfers, are less than the projected general fund revenues, as reported in the general appropriation act in effect at that time, by one-half of one percent or more of the amount of actual general fund revenues for such fiscal year;

2. The general fund revenue forecast provided by the Governor in December pursuant to § 2.2-1503 indicates that general fund revenues, excluding transfers, for any fiscal year will be less than five percent greater than general fund revenues for the immediately preceding fiscal year; or

3. The general fund revenue forecast provided by the Governor in December pursuant to § 2.2-1503 indicates that total general fund revenues available for appropriation, including transfers, for either of the fiscal years covered by the general appropriation act in effect at that time will be less than the general fund appropriations for such fiscal year or years.

D. If the percentage level remains the same for consecutive tax years, the percentage level to be used in the following tax year shall remain the same unless none of the conditions described in subsection C have occurred, in which event the amount to be paid by the Commonwealth for the immediately following tax year shall be equal to the next highest percentage amount listed in subsection B.

E. An amount equal to the percentage of the reimbursable amount as determined under subdivisions B 2 through B 5 shall appear as a deduction on the tangible personal property tax bill for qualifying vehicles, as provided by subsection E of § 58.1-3912.

1. In the event the General Assembly changes the percentage of the reimbursable amount as described under subsection B for the current tax year and a locality has already printed its tangible personal property tax bills for qualifying vehicles for the year that the percentage is changed, the following procedures shall apply:

a. If the percentage of the reimbursable amount is decreased for the current tax year and the taxpayer has paid the assessment, the locality may (i) levy an additional amount for the amount of the difference between the percentage of the reimbursable amount for the tax year reflected on the original assessment and the percentage of the reimbursable amount for the tax year as modified by the General Assembly in the current year or (ii) carry forward the additional levy and include it on the subsequent tax bill, provided such levy is not subject to penalty and interest.

b. If the percentage of the reimbursable amount is increased for the current tax year and the taxpayer has paid the assessment, the locality shall issue a refund to the taxpayer for the amount of the difference between the percentage of the reimbursable amount for the tax year reflected on the original assessment and the percentage of the reimbursable amount for the tax year as modified by the General Assembly in the current tax year. Such refunds shall be issued by the treasurer no later than thirty days after receipt of the payment from the Commonwealth pursuant to § 58.1-3526.

2. In the event the General Assembly changes the percentage of the reimbursable amount as described under subsection B before a locality has printed its tangible personal property tax bills for qualifying vehicles, the following procedures shall apply:

a. If the percentage of the reimbursable amount is decreased for the current tax year, the locality may adjust each taxpayer's tangible personal property tax bill to reflect the changes made by the General Assembly to the percentage of the reimbursable amount.

b. If the percentage of the reimbursable amount is increased for the current tax year, the locality shall adjust each taxpayer's tangible personal property tax bill to reflect the changes made by the General Assembly to the percentage of the reimbursable amount.

A. For tax year 2006 and all tax years thereafter, counties, cities, and towns shall be reimbursed by the Commonwealth for providing the required tangible personal property tax relief as set forth herein.

B. For tax year 2006 and all tax years thereafter, the Commonwealth shall pay a total of \$950 million for each such tax year in reimbursements to localities for providing the required tangible personal property tax relief on qualifying vehicles in subsection C. No other amount shall be paid to counties, cities, and towns for providing tangible personal property tax relief on qualifying vehicles. Each county's, city's, or town's share of the \$950 million for each such tax year shall be determined pro rata based upon the actual payments to such county, city, or town pursuant to this chapter for tax year 2005 as compared to the actual payments to all counties, cities, and towns pursuant to this chapter for tax year 2005, as certified in writing by the Auditor of Public Accounts no later than March 1, 2006, to the Governor and to the chairmen of the Senate Committee on Finance and the House Committee on Appropriations. The amount reimbursed to a particular county, city, or town for tax year 2006 for

providing tangible personal property tax relief shall be the same amount reimbursed to such county, city, or town for each subsequent tax year.

The reimbursement to each county, city, or town for tax year 2006 shall be paid by the Commonwealth over the 12-month period beginning with the month of July 2006 and ending with the month of June 2007, as provided in the general appropriation act. For all tax years subsequent to tax year 2006, reimbursements shall be paid over the same 12-month period. All reimbursement payments shall be made by check issued by the State Treasurer to the respective treasurer of the county, city, or town on warrant of the Comptroller.

C. For tax year 2006 and all tax years thereafter, each county, city, or town that will receive a reimbursement from the Commonwealth pursuant to subsection B shall provide tangible personal property tax relief on qualifying vehicles by reducing its local tax rate on qualifying vehicles as follows:

1. The local governing body of each county, city, or town shall fix or establish its tangible personal property tax rate for its general class of tangible personal property, which rate shall also be applied to that portion of the value of each qualifying vehicle that is in excess of \$20,000;

2. After fixing or establishing its tangible personal property tax rate for its general class of tangible personal property, the local governing body of the county, city, or town shall fix or establish one or more reduced tax rates (lower than the rate applied to the general class of tangible personal property) that shall be applied solely to that portion of the value of each qualifying vehicle that is not in excess of \$20,000. No other tangible personal property tax rate shall be applied to that portion of the value of each qualifying vehicle that is not in excess of \$20,000. Such reduced tax rate or rates shall be set at an effective tax rate or rates such that (i) the revenue to be received from such reduced tax rate or rates on that portion of the value of qualifying vehicles not in excess of \$20,000 plus (ii) the revenue to be received on that portion of the value of qualifying vehicles in excess of \$20,000 plus (iii) the Commonwealth's reimbursement is approximately equal to the total revenue that would have been received by the county, city, or town from its tangible personal property tax had the tax rate for its general class of tangible personal property been applied to 100 percent of the value of all qualifying vehicles.

D. On or before the date the certified personal property tax book is required by § 58.1-3118 to be provided to the treasurer, the commissioner of the revenue shall identify each qualifying vehicle and its value to the treasurer of the locality.

E. The provisions of this section are mandatory for any county, city, or town that will receive a reimbursement pursuant to subsection B.

§ 58.1-3912. Treasurers to mail certain bills to taxpayers; penalties; electronic transmission.

A. The treasurer of every city and county shall, as soon as reasonably possible in each year, but not later than ~~fourteen~~ 14 days prior to the due date of the taxes, send or cause to be sent by United States mail to each taxpayer assessed with taxes and levies for that year a bill or bills setting forth the amounts due. The treasurer may elect not to send a bill amounting to ~~twenty dollars~~ \$20 or less as shown by an assessment book in such treasurer's office. The treasurer may employ the services of a mailing service or other vendor for fulfilling the requirements of this section. The failure of any such treasurer to comply with this section shall be a Class 4 misdemeanor. Such treasurer shall be deemed in compliance with this section as to any taxes due on real estate if, upon certification by the obligee of any note or other evidence of debt secured by a mortgage or deed of trust on such real estate that an agreement has been made with the obligor in writing within the mortgage or deed of trust instrument that such arrangements be made, he mails the bill for such taxes to the obligee thereof. Upon nonpayment of taxes by either the obligee or obligor, a past-due tax bill will be sent to the taxpayer. No governing body shall publish the name of a taxpayer in connection with a tax debt for which a bill was not sent, without first sending a notice of deficiency to his last known address at least two weeks before such publication.

B. The governing body of any county, city or town may attach to or mail with all real estate and tangible personal property tax bills, prepared for taxpayers in such locality, information indicating how the tax rate charged upon such property and revenue derived therefrom is apportioned among the various services and governmental functions provided by the locality.

C. Notwithstanding the provisions of subsection A of this section, in any county which has adopted the urban county executive form of government, and in any county contiguous thereto which has adopted the county executive form of government, tangible personal property tax bills shall be mailed not later than ~~thirty~~ 30 days prior to the due date of such taxes.

D. Notwithstanding the provisions of subsection A of this section, any county and town, the governing bodies of which mutually agree, shall be allowed to send, to each taxpayer assessed with taxes, by United States mail no later than ~~fourteen~~ 14 days prior to the due date of the taxes, a single real property tax bill and a single tangible personal property tax bill.

E. Beginning with tax year ~~1999~~ 2006, in addition to all other information currently appearing on tangible personal property tax bills, each such bill required to be sent pursuant to subsection A shall state on its face (i) whether the vehicle is a qualifying vehicle as defined in § 58.1-3523; (ii) a ~~deduction for the amount to be paid by the Commonwealth as determined by § 58.1-3524~~ a statement indicating the reduced tangible personal property tax rates applied to qualifying vehicles resulting from the

*Commonwealth's reimbursements for tangible personal property tax relief pursuant to § 58.1-3524, and the locality's tangible personal property tax rate for its general class of tangible personal property, provided that such statement shall not be required for tax bills in any county, city, or town that will not receive any reimbursement pursuant to subsection B of § 58.1-3524; (iii) the vehicle's registration number pursuant to § 46.2-604; (iv) the amount of tangible personal property tax levied on the vehicle; and (v) if the locality prorates personal property tax pursuant to § 58.1-3516, the number of months for which a bill is being sent.*

**F.** Beginning with tax year 1999 and through the end of tax year 2002, the treasurer shall include a statement, prepared by the Department, with or as part of the tangible personal property tax bills for such qualifying vehicles. The statement shall explain how the deduction for the percentage of the reimbursable amount was calculated, how the deduction shall be calculated in future years, and the taxpayer's liability for tangible personal property taxes on qualifying vehicles.

**G F.** Notwithstanding the provisions of subsection A, the treasurer, consistent with guidelines promulgated by the Department of Taxation implementing the provisions of subdivision 2 of § 58.1-1820, may convey, with the written consent of the taxpayer, any tax bill by electronic means chosen by the taxpayer, including without limitation facsimile transmission or electronic mail (e-mail), in lieu of posting such bill by first-class mail. The treasurer conveying a bill by means authorized in this subsection shall maintain a copy (in written form or electronic media) of the bill reflecting the date of transmission until such time as the bill has been satisfied or otherwise removed from the treasurer's books by operation of law. Transmission of a bill pursuant to this subsection shall have the same force and effect for all purposes arising under this subtitle as mailing to the taxpayer by first-class mail on the date of transmission.

**2. That the amendments to §§ 3.1-1111, 30-133, 58.1-3506, 58.1-3506.1, 58.1-3523, 58.1-3524, and 58.1-3912 of the Code of Virginia pursuant to the provisions of this act shall become effective on January 1, 2006.**

**3. That tangible personal property tax relief under Chapter 35.1 of Title 58.1 of the Code of Virginia for qualifying vehicles shall be as follows for any tax year beginning in 2004 and for any tax year beginning in 2005:**

**(i) For each qualifying vehicle with a value of \$1,000 or less, 100 percent of the reimbursable amount; and**

**(ii) For each qualifying vehicle with a value of more than \$1,000, 70 percent of the reimbursable amount.**

The terms qualifying vehicle, value, and reimbursable amount as used herein shall have the same meaning as provided in § 58.1-3523 of the Code of Virginia.

**4. That the Secretary of Finance, in consultation with representatives of the Virginia Municipal League and the Virginia Association of Counties, shall develop a schedule of payment dates (for tax year 2006 and tax years thereafter) for reimbursement payments to localities that is consistent with the parameters for reimbursement payments to localities provided under the provisions of this act. The Secretary of Finance shall, by January 1, 2005, provide to the Governor and to the General Assembly the actual payment dates that will be used for reimbursing counties, cities, and towns for providing tangible personal property tax relief pursuant to Chapter 35.1 of Title 58.1 of the Code of Virginia.**

**5. That any county, city, or town with a tax year 2004 tangible personal property tax due date that falls in the first six months of 2004 shall be reimbursed by the Commonwealth for any interest expense incurred in tax year 2006 on short-term financing required to transition from the Personal Property Tax Relief Act of 1998 (Chapter 35.1 of Title 58.1 of the Code of Virginia as such chapter existed on January 1, 2004) to the reimbursement specified under the amendments to such Chapter 35.1 pursuant to the provisions of this act. The amount to be reimbursed shall be determined by the Secretary of Finance based on documentation presented by affected localities after July 2006.**

**6. That §§ 58.1-3525 through 58.1-3533, 58.1-3536, and 58.1-3916.01 of the Code of Virginia are repealed effective January 1, 2006.**

**7. That, except as provided in the third, fourth, and fifth enactments, the provisions of this act shall be effective for tax years beginning in 2006 and for all tax years thereafter.**

**Appendix B**

**PPTRA Reimbursement  
Schedule Implementing  
Senate Bill 5005**







# COMMONWEALTH of VIRGINIA

Office of the Governor


John M. Bennett  
Secretary of Finance

P. O. Box 1475  
Richmond, Virginia 23218

January 1, 2005

## MEMORANDUM

TO: The Honorable Mark R. Warner  
Governor of Virginia and  
Members of the General Assembly

FROM: John M. Bennett 

SUBJECT: Payment Dates for Reimbursing Counties, Cities, and Towns for  
Providing Personal Property Tax Relief

In accordance with § 58.1-3912 4, *Code of Virginia*, I am writing to report to you the payment dates that will be used for reimbursing counties, cities, and towns for providing personal property tax relief pursuant to Chapter 35.1 of Title 58.1 of the Code of Virginia, which was enacted as Chapter 1 of Special Session I (2004). As you know, Chapter 1 established a \$950 million limit on the amount the state would appropriate for personal property tax relief, beginning for tax year 2006. It further established that each county, city and, town would receive a fixed percentage of the \$950 million, with payments to begin on or after July 1, 2006 (FY 2007).

To address the timing of payments under the new program, Chapter 1 required that:

“ . . . the Secretary of Finance, in consultation with representatives of the Virginia Municipal League and the Virginia Association of Counties, shall develop a schedule of payment dates (for tax year 2006 and tax years thereafter) for reimbursement payments to localities that is consistent with the parameters for reimbursement payments to localities provided under the provisions of this act. The Secretary of Finance shall, by January 1, 2005, provide to the Governor and to the General Assembly the actual payment dates that will be used for reimbursing counties, cities, and towns for providing tangible personal property tax relief pursuant to Chapter 35.1 of Title 58.1 of the Code of Virginia.”

We have met numerous times over the past several months with representatives from the Virginia Municipal League (VML) and the Virginia Association of Counties (VACO) and a working group consisting of finance directors, Treasurers, and Commissioners of Revenue of numerous local governments. Members of the working group are listed in Appendix B.

Although the statutory mandate for these meetings was the schedule for payments, many related issues were discussed, including:

- The impact on local government financial reporting and budgeting
- Cash flow issues for local governments billing during January through June
- The date on which to determine the fixed share of the \$950 million payment
- A termination date for the 1998 PPTRA program
- Local bill formats and bifurcated rates

These issues are addressed in proposed amendments to the 2004-2006 biennial budget, HB 1500/SB 700.

#### Payment Schedules

In setting a payment schedule, the principal objective was to implement the new law with as little impact as possible on localities' cash flow. An effort was therefore made to match the payment patterns to which localities have become accustomed, while minimizing state and local administrative costs. The proposed payment schedules were discussed at length with members of the working group. Consensus solutions for these issues are built into the payment schedules or, in some cases, included as language amendments in the Governor's recently introduced budget.

In order to achieve an optimal balance between the need to match existing payment patterns and also minimize state administrative costs, localities were grouped into four categories:

1. Counties and Cities with Spring Billing Dates
2. Counties and Cities Receiving More Than \$20 million per year
3. Counties and Cities Receiving Less Than \$20 million per year
4. Towns

#### 1. Counties and Cities with Spring Billing Dates

Localities which bill and are normally reimbursed between January and June of each year ("Spring Billers") are most significantly affected by the new law. Since their typical due date for payment of local personal property tax falls on June 5, a large portion of the state PPTRA reimbursements received by these localities has historically been received in approximately equal proportions during May and June of each year.

Under the new law, first year payments made pursuant to Spring, 2006 billings are delayed until fiscal year 2007. Under a modified accrual system of accounting, which all cities and counties

employ, revenue for a fiscal year which is received within a locality's availability period (normally 45 or 60 days after June 30) can be counted as having been received by June 30. Accordingly, cities and counties with spring billing dates will receive a portion of their total share of the \$950 million on July 31 of each year.

The July 31 payments will be based on an estimate of the percentage of each city and counties' spring bills that would have normally been collected and paid through June 30. This percentage will be derived based on their collection patterns for calendar year 2005 tax bills collected/paid prior to June 30, 2005. Payments associated with delinquent collections will be excluded from this computation.

Under the July 31 payment plan, May collections are delayed by, at most, 92 days. June collections are delayed by, at most, 61 days. Although the localities appear largely able to absorb this cash flow impact, some have expressed concern over lost interest income on investment balances. To minimize the potential lost investment interest, the balance of each spring billing locality's share of the \$950 million (i.e., the amount not paid by July 31) will be paid in its entirety during the first half of each fiscal year – 40% on August 15 and 60% on November 15.

Appendix A lists the 37 localities included in this payment schedule.

2. Counties and Cities Receiving More Than \$20M per year

The four cities and counties in this category have historically received their PPTRA reimbursements in the following average proportions:

July-September	40%
October-December	49%
January-March	8%
April-June	3%

To balance the goal of matching current cash flow patterns with controlling administrative costs, localities in this category will receive their share of the \$950 million on the following dates and in the following proportions:

August 15	50%
November 15	45%
February 15	3%
May 15	2%

Under this schedule, localities will generally receive a greater share of their total payment at an earlier date than under the existing program.

Appendix A lists the localities included in this payment schedule.

### 3. Localities Receiving Less Than \$20M per year

The 93 cities and counties in this category have historically received their PPTRA reimbursements in the following average proportions:

July-September	2%
October-December	59%
January-March	25%
April-June	14%

To balance the goal of matching current cash flow patterns with controlling administrative costs, localities in this category will receive their share of the \$950 million on the following dates and in the following proportions:

August 15	5%
November 15	75%
February 15	15%
May 15	5%

As with the payment schedule for cities and counties receiving more than \$20 million, cities and counties in this category will generally receive a greater share of their total payment at an earlier date than under the existing program.

Appendix A lists the localities included in this payment schedule.

### 4. Towns

Given the relatively low amount received in aggregate by towns (i.e., \$8 million) all but seven towns listed in Appendix A will receive their share of the \$950 million in its entirety on August 15. The seven towns listed in the Appendix to this report have spring billing dates and bill for the current tax year. Given the relatively small amounts associated with these seven towns, language amendments included in the introduced budget, HB 1500/SB 700, provide authority and funding to pay these “spring biller” towns during fiscal year 2006. Payments to these seven towns will be made in accordance with past practices.



The Honorable Mark R. Warner  
January 1, 2005  
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I would be pleased to discuss the payment schedules or proposed amendments to HB 1500/SB 700 with you in more detail, if you would find that useful.

## Appendix A

### Counties and Cities with Billing Dates Between January and June (Spring Billers)

(July 31-Estimate and percentage of spring bills normally paid through June 30, 2006, based on TY 2005;  
Balance of each spring biller's share will be paid during the first half of each fiscal year – 40% on August 15  
and 60% on November 15)

Albemarle County	Dinwiddie County	King George County	Richmond City
Buena Vista, City of	Emporia, City of	Lexington City	Roanoke City
Caroline County	Fluvanna County	Loudoun County	Roanoke County
Charlottesville	Frederick County	Nelson County	Salem City
Chesapeake	Fredericksburg, City of	Newport News	Spotsylvania County
Chesterfield County	Greene County	Norfolk	Stafford County
Clarke County	Hampton, City of	Petersburg, City of	Virginia Beach
Colonial Heights	Henrico County	Poquoson	Winchester City
Covington	James City County	Portsmouth	York County
Danville			

### Counties and Cities Receiving More Than \$20 Million Per Year

(August 15-50%; November 15-45%; February 15-3%; May 15-2%)

Alexandria  
Arlington County  
Fairfax County  
Prince William

### Counties and Cities Receiving Less Than \$20 Million Per Year

(August 15-5% November 15-75% February 15-15% May 15-5%)

Accomack County	Falls Church City	Madison County	Rockingham County
Alleghany County	Fauquier County	Manassas City	Russell County
Amelia County	Floyd	Manassas Park City	Scott County
Amherst County	Franklin City	Martinsville City	Shenandoah County
Appomattox County	Franklin County	Mathews County	Smyth County
Augusta County	Galax City	Mecklenburg County	Southampton County
Bath County	Giles County	Middlesex County	Staunton City
Bedford City	Gloucester County	Montgomery County	Suffolk City
Bedford County	Goochland County	New Kent	Surry County
Bland County	Grayson County	Northampton County	Sussex County
Botetourt County	Greensville County	Northumberland County	Tazewell County
Bristol City	Halifax County	Norton City	Warren County
Brunswick County	Hanover County	Nottoway County	Washington County
Buchanan County	Harrisonburg City	Orange County	Waynesboro City
Buckingham County	Henry County	Page County	Westmoreland County
Campbell County	Highland County	Patrick County	Williamsburg City
Carroll County	Hopewell	Pittsylvania County	Wise County
Charles City County	Isle of Wight County	Powhatan County	Wythe County
Charlotte County	King and Queen County	Prince Edward County	
Craig County	King William County	Prince George	
Culpeper County	Lancaster County	Pulaski County	

Cumberland County	Lee County	Radford City
Dickenson County	Louisa County	Rappahannock County
Essex County	Lunenburg County	Richmond County
Fairfax City	Lynchburg City	Rockbridge County

**Towns which Bill Between January and June Each Year**

(Paid in the Spring of FY 2006, pursuant to language proposed in HB 1500/SB 700)

Edinburg	Strasburg
New Market	Pamplin
Toms Brook	Woodstock
Vinton	

**All Other Towns**

(By August 15)

**Other**

Winchester

(Bills for prior 12 months, based on anniversary date of the vehicle license. Language is proposed in HB 1500/SB 700 to extend the potential payments for Winchester.)

Note: Payment dates are based on the latest available information. If a locality is listed above in an incorrect category, actual payments will be determined by the correct billing date(s).

## **Appendix B**

### **Working Group of Local Officials**

#### **Commissioners of the Revenue**

Charles D. Crowson, Jr., City of Newport News

Mitchell W. Nuckles, City of Lynchburg

#### **Treasurers**

Richard Cordle, Chesterfield County Treasurer

C. William "Bill" Orndoff, Jr. Frederick County Treasurer

#### **Virginia Association of Counties**

Virgil Hazelett, County Manager, Henrico County

Kevin Greenlief, Fairfax County

#### **Virginia Municipal League**

Elmer Hodge, County Administrator, Roanoke County

Catheryn Whitesell, Budget Director, City of Virginia Beach

#### **Other Local Representatives**

Ellen R. Davenport, VACo

Michael L. Edwards, VML

Mary Ann Curtin, Chesterfield County

Alan D. Albert, LeClair Ryan

Appendix C

**2005 Appropriations Act  
Language Relating  
to Implementation  
of Senate Bill 5005**



**Appendix C**

**ITEM 503 OF THE 2005 SESSION REVISIONS TO THE 2004-06  
APPROPRIATIONS ACT**

[Language added during the 2005 Session is set out in  
*italics*]

Central Appropriations (995)

503.	Personal Property Tax Relief Program (74600)	<del>947,889,232</del>	<del>719,889,232</del>
		890,089,232	742,389,232

Fund Sources: General

<del>947,889,232</del>	<del>719,889,232</del>
890,089,232	742,389,232

Authority: Discretionary Inclusion.

A.1. Included in this Item is ~~\$947,889,232~~ \$890,089,232 from the general fund in the first year and ~~\$719,889,232~~ \$742,389,232 from the general fund in the second year to be used to implement a program which provides equitable tax relief from the personal property tax on vehicles.

2. The amounts appropriated in this Item provide for a local reimbursement level of 70 percent in tax years 2004 and 2005. The local reimbursement level for tax year 2006 is set at \$950.0 million pursuant to ~~Senate Bill 5005 of the 2004 Special Session~~ *Chapter 1 of the Acts of Assembly of 2004, Special Session I*. Payments to localities with calendar year 2006 car tax payment due dates prior to July 1, 2006, shall not be reimbursed until after July 1, 2006, *except as otherwise provided in paragraph F of this Item*.

B. Any unexpended balance remaining in this Item as of June 30, 2004, and June 30, 2005, shall be carried forward on the books of the Comptroller and shall be available for expenditure in the succeeding year. Any unexpended balance remaining in this Item on June 30, 2006, shall be carried forward on the books of the Comptroller and shall be available for expenditures in the next biennium, *including without limitation for the purpose of providing reimbursement to localities for personal property tax relief with respect to bills for tax year 2005 and earlier pursuant to paragraph D of this Item*.

C. *Notwithstanding the provisions of subsection B of § 58.1-3524, Code of Virginia, as amended by Chapter 1 of the Acts of Assembly of 2004, Special Session I, the determination of each county's, city's and town's share of the total funds available for reimbursement for personal property tax relief pursuant to that subsection shall be pro rata based upon the actual payments to such county, city or town pursuant to Chapter 35.1 of Title 58.1 of the Code of Virginia for tax year 2004 as compared to the actual payments to all counties, cities and towns pursuant to that chapter for tax year 2004, made with respect to reimbursement requests submitted on or before December 31, 2005, as certified in writing by the Auditor of Public Accounts not later than*

*March 1, 2006. Notwithstanding the provisions of the second enactment of Chapter 1 of the Acts of Assembly of 2004, Special Session I, this paragraph shall become effective upon the effective date of this act.*

*D. 1. Except as provided in subparagraph D 2, the entitlement to personal property tax relief for qualifying vehicles arising under the provisions of § 58.1-3524 as it existed prior to the amendments made in Chapter 1 of the Acts of Assembly, 2004 Special Session I, for tax year 2005 and all prior tax years shall expire on September 1, 2006. The treasurer or other official charged with collection of personal property taxes levied upon qualifying vehicles may issue a supplemental tax bill for the full amount of any taxes, penalty and interest for tax year 2005 and prior tax years that remain due and owing as of September 1, 2006, or such earlier date as reimbursement with respect to such bill is no longer available from the Commonwealth, without regard to or credit for any reimbursable amount to which such qualifying vehicle would have been entitled pursuant to the provisions of § 58.1-3524 as it existed prior to the amendments effected by Chapter 1 of the Acts of Assembly of 2004, Special Session I.*

*2. Notwithstanding the provisions of subparagraph D 1, the Commonwealth shall honor requests for personal property tax relief reimbursement received from the City of Winchester with respect to bills rendered for the tax year 2005 through April 1, 2007. The treasurer of the City of Winchester may issue a supplemental tax bill for the full amount of any taxes, penalty and interest for tax year 2005 and prior tax years that remain due and owing as of April 1, 2007, or such earlier date as reimbursement with respect to such bill is no longer available from the Commonwealth, without regard to or credit for any reimbursable amount to which such qualifying vehicle would have been entitled pursuant to the provisions of § 58.1-3524 as it existed prior to the amendments effected by Chapter 1 of the Acts of Assembly of 2004, Special Session I.*

*3. Out of this appropriation, \$24,000,000 in the second year is provided to reimburse counties, cities, and towns for personal property taxes paid for qualifying vehicles for tax year 2005 and earlier which would normally have been paid on or after July 1, 2006. Such appropriation shall terminate the obligations of the Commonwealth under the Personal Property Tax Relief Act as it existed prior to the enactment of Chapter 1 of the Acts of Assembly of 2004, Special Session I.*

*E. The requirements of subsection C 2 of § 58.1-3524 and subsection E of § 58.1-3912, Code of Virginia, as amended by Chapter 1 of the Acts of Assembly, 2004 Special Session I, with respect to the establishment of tax rates for qualifying vehicles and the format of tax bills shall be deemed to have been satisfied if the locality provides by ordinance or resolution, or as part of its annual budget adopted pursuant to Chapter 25 of Title 15.2 of the Code of Virginia or the provisions of a local government charter or Chapter 4, 5, 6, 7 or 8 of Title 15.2 of the Code of Virginia, if applicable, specific criteria for the allocation of the Commonwealth's payments to such locality for tangible personal property tax relief among the owners of qualifying vehicles, and such locality's tax bills provide a general description of the criteria upon which relief has been allocated and set out, for each qualifying vehicle that is the subject of such bill, the specific dollar amount of relief so allocated.*

*F. The Secretary of Finance may authorize advance payment, from funds appropriated in this Item, of sums otherwise due a town on and after July 1, 2006, for personal property tax relief under the provisions of Chapter 1 of the Acts of Assembly, 2004 Special Session I, if the Secretary finds that such town (1) had a due date for tangible personal property taxes on qualified vehicles for tax year 2006 falling between January 1 and June 30, 2006, (2) had a due date for tangible personal property taxes on qualified vehicles for tax year 2004 falling between January 1 and June 30, 2004, (3) received reimbursements pursuant to the provisions of Chapter 35.1 of Title 58.1 of the Code of Virginia between January 1 and June 30, 2004, (4) utilizes the cash method of accounting, and (5) would suffer fiscal hardship in the absence of such advance payment.*

*G. It is the intention of the General Assembly that reimbursements to counties, cities and towns that had a billing date for tax year 2004 tangible personal property taxes with respect to qualifying vehicles falling between January 1 and June 30, 2004, and received personal property tax relief reimbursement with respect to tax year 2004 from the Commonwealth between January 1 and June 30, 2004, pursuant to the provisions of Chapter 35.1 of Title 58.1 of the Code of Virginia as it existed prior to the amendments effected by Chapter 1 of the Acts of Assembly, 2004 Special Session I, be made by the Commonwealth with respect to sums attributable to such spring billing dates not later than August 15 of each fiscal year.*