

## Section 10

### Tangible Personal Property Tax, 2000

---

Cities, counties, and towns may levy a tax on the tangible personal property of businesses and individuals pursuant to the *Code of Virginia*, §§58.1-3500 through 58.1-3521. Included in this category are such items as motor vehicles, business furniture and fixtures, farming equipment, and a variety of motorized vehicles, including boats, recreational vehicles, campers, and trailers. Localities may elect to prorate the taxes on motor vehicles, trailers and boats which have acquired a situs within a locality after the tax day for the balance of the tax year. The proration must be on a monthly basis with a period of more than a half a month counted as a full month and a period of less than half a month not counted. The local ordinance also applies to items that lose their situs after tax day (§58.1-3516).

Under §58.1-3504 of the *Code of Virginia*, localities may elect to exempt household goods and personal effects from taxation; under §58.1-3505 of the *Code*, they may also exempt certain farm animals, products, and machinery. In addition, according to §58.1-3506 of the *Code*, the following categories are segregated as separate classes of tangible personal property under the condition that the tax rate on these items may not

exceed that levied on other classifications of tangible personal property: boats or watercraft weighing five tons or more; certain aircraft; antique automobiles; certain heavy construction machinery; certain computer hardware; privately owned pleasure boats and watercraft used for recreational purposes only; motor vehicles specially equipped to provide transportation for physically handicapped individuals; privately owned vans with a seating capacity for twelve or more used exclusively for a ride-sharing arrangement; motor vehicles owned by a nonprofit organization and used to deliver meals to homebound persons or to provide transportation to senior or handicapped citizens; privately owned camping trailers and motor homes, as defined in §46.2-100 of the *Code*, which are used for recreational purposes only; and motor vehicles owned by members or auxiliary members of a volunteer rescue squad or volunteer fire department. Section §58.1-3506 provides for the segregation of motor vehicles owned or leased by a motor carrier into a separate classification of personal property.

Furthermore, the *Code of Virginia* provides that all vehicles without motor power that are used or designed to be

used as manufactured homes are segregated as separate classes of tangible personal property. This is conditional upon the assessment ratio and the tax being the same as those applicable to real property [§58.1-3506, Subdivision A 8, and §58.1-3506, Clause (iii), Subsection B]. In addition, tangible personal property used in research and development of businesses and certain energy conversion equipment used in manufacturing are segregated as separate classes of tangible personal property. This is conditional upon the assessment ratio and the tax not exceeding that applicable to machinery and tools (§58.1-3506 of the *Code*).

In 2000 the General Assembly modified certain portions of §58.1-3506. It created a separate classification of tangible personal property for tangible property used in the provision of internet services and authorized localities to tax such property at lower rates than applied to the general class of tangible personal property within each locality. The Assembly reclassified privately owned trailers and motor homes used exclusively for recreational purposes. The legislation provides that such property may be taxed at a rate that does not exceed the rate applied to the general class of tangible personal property in the locality.

The most important tangible personal property category is motor vehicles. This tax is often called the "car tax," even though it covers sports utility vehicles and trucks as well. In an earlier survey for fiscal year 1995, localities were asked to provide the percentage of

personal property taxes coming from motor vehicles. The unweighted average percentages for cities, counties, and towns were 70 percent, 77 percent, and 88 percent, respectively (For more information, please refer to *1995 Tax Rates*, Section 9.1).

The Personal Property Tax Relief Act of 1998 (see §58.1-3524) eliminates the tangible personal property tax imposed on the first \$20,000 of value on passenger cars, pickup or panel trucks, and motorcycles owned or leased by natural persons and used for non-business purposes. The tax is eliminated over five years with 12.5 percent of the tax eliminated in 1998, 27.5 percent in 1999, 47.5 percent in 2000, 70 percent in 2001, and 100 percent in 2002 and thereafter. The tax on vehicles valued at \$1,000 or less was completely eliminated beginning in 1998.

Vehicle assessed values are based on published market guides. For valuation of automobiles, all localities use the National Automobile Dealers' Association's *Official Used Car Guide* (N.A.D.A.) as their *primary* valuation guide for cars and sport utility vehicles. When a vehicle is not listed in the primary guide, the locality obtains values from some other source. Information on other sources was requested on the questionnaire and will be provided by the Cooper Center on request. All cities and counties in Virginia levy this tax on motor vehicles. These tax rates are reported in **Table 10.1** (automobiles and trucks of less than two tons) and **Table 10.2** (large trucks of two tons and over). **Table 10.3** provides the payment and assessment schedules

for personal property tax for motor vehicles.

Any comparison of personal property tax rates across localities is misleading if differences in the source of assessment value are not considered. Thus, the effective tax rates must be standardized by using a specified make of automobile. An adjusted effective tax rate was calculated for each locality based on the N.A.D.A. retail value of a 1999 Toyota Camry LE four-door sedan with a four-cylinder engine. In recent years, the Camry has been one of the best selling cars in the U.S.

Concept	N.A.D.A. Value	Percent of N.A.D.A. Retail Value
Retail value (RV)	16,975	100
Trade-in value (TV)	14,675	86
Loan value (LV)	13,225	78

Source: National Automobile Dealers Association, *Official Used Car Guide* (January 2000).

The adjusted effective tax rate is found by multiplying the nominal tax rate by the percent of retail value and the assessment ratio. For those localities using the retail value and assessing at 100 percent, the nominal and adjusted effective tax rates are the same. As shown in **Table 10.1**, adjusted effective tax rates vary greatly. For cities they range from \$1.16 (Danville) to \$4.09 (Alexandria). The median for cities is \$2.84. For counties, the adjusted rates range from \$0.17 in Bath to \$3.93 in Fairfax. The median for the counties is \$2.48. The town rates are in addition to county rates. Town rates range from \$0.02 in Clintwood to \$1.76 in Warrenton. The median for the 110 towns that reported imposing the tangible personal property tax on motor vehicles is \$0.46.

**Table 10.1** also provides the assessment value concept, the nominal tax rate, the percent of retail value, the assessment ratio, and information about tax relief for the elderly and the disabled. Data are provided for all cities and counties and the 110 towns that reported imposing the tangible personal property tax on motor vehicles.

Summary figures for the adjusted effective tax rate per \$100 are provided at the end of each section. For cities, the median rate is \$2.84. The first and third quartile measures are \$2.47 and \$3.29, respectively. The maximum tax applied is \$4.09 (Alexandria) and the minimum among cities, \$1.16 (Danville).

County summary figures are consistently lower than the city figures. For the counties, the median rate is \$2.48. The first and third quartiles are \$1.65 and \$2.92. Fairfax charged the highest tax at \$3.93 per \$100, while the minimum rate was \$0.17, charged by Bath county.

The lowest summaries were recorded by the towns. The median measure was \$0.47. The first and third quartiles were \$0.31 and \$0.78, respectively. A maximum rate of \$1.76 was charged by Warrenton. In contrast, Clintwood charged \$0.02.

The assessment value concept employed varies among localities. Among the cities it is almost split between loan value (19) and trade-in value (16), with five cities using retail value. A majority of counties (57) use loan value.

Twenty-one use trade-in value, and seventeen use retail value. Since many towns use the same concept as their respective counties a tally is not shown for them. Most cities and counties assess at 100 percent of whatever value concept they have adopted. Thus, 35 cities use 100 percent while 5 use fractional assessments ranging from 30 to 90 percent. Similarly, the majority of counties (80) assess at 100 percent. The remaining 15 counties use fractional assessments ranging from 20 to 50 percent.

Most cities and counties do not provide special personal property tax relief for the elderly or disabled. Only 5 cities and 6 counties provide relief for the elderly and only 6 cities and 11 counties provide relief for the disabled.

Information on nominal tax rates of towns that did not respond to the survey can be found in the Virginia Department of Taxation's publication, *Local Tax Rates: Tax Year 1999*. The rates in the Virginia Department of Taxation's publication are for the 1999 tax year; this is the most recent information available for towns that did not respond to the Cooper Center survey.

**Table 10.2** gives the pricing guide and the value used, the nominal tax rate

and the depreciation schedule, if any, for large trucks, two tons and over.

**Table 10.3** provides the personal property tax due date(s), the effective date of assessment, options for payment

of personal property tax, and categories of vehicles for which proration is offered. Twenty-seven cities, 77 counties, and 119 towns collect the tax once a year, while 10 cities, 18 counties, and 5 towns collect it semi-annually. The most common due dates for payment of the tax are June 5<sup>th</sup> and December 5<sup>th</sup>. Also, localities predominantly indicated January 1<sup>st</sup> as the effective date of assessment. Of the localities imposing personal property tax on motor vehicles, 16 cities, 35 counties, and 17 towns offer options for the payment of the tax. The most common payment alternative provided by local governments is the option for taxpayers to prepay their balance at any time during the calendar year before the due date. Moreover, 22 cities, 27 counties, and 19 towns offer proration for personal property tax on specific categories of motor vehicles. Though the term motor vehicle applies to all automotive vehicles with rubber tires for use on roadways, many localities use different definitions for the term. For more detailed definitions of the categories for which proration is offered, please contact the individual localities.

**Table 10.4** shows tangible personal property taxes other than the motor vehicle tax for cities, counties, and 97 reporting towns. The table below summarizes which localities impose

Item	Localities Imposing Tax		
	Cities	Counties	Towns
Watercraft > 5 tons	33	79	48
Pleasure boats	32	80	51
Aircraft	18	81	25
Antique vehicles	19	60	39
Recreational vehicles	33	73	43
Heavy tools/machinery	36	90	40
Computer hardware	35	92	31

Generating equipment	20	51	21
R&D property	22	57	18
Other business property	6	14	4
Livestock	5	19	0
Farm	8	41	9
Household	0	1	1
Mobile homes	32	94	87

each tax. There are a total of fourteen categories, ranging from personal property such as pleasure boats, aircraft, antique vehicles and recreational vehicles; to business property such as tools, computer hardware, generating equipment, R&D property; to farm and livestock categories.

The items on which taxes are most likely to be imposed include watercraft, recreational vehicles, heavy tools and machinery, computer hardware and mobile homes. The items on which taxes are least likely to be imposed include livestock, farm equipment and household items. Value is determined either by depreciation schedules drawn up by the localities or with the aid of value guides such as NADA, Anderson-Bugg, or Wingate.

In cities that imposed fees on watercraft, the tax rate for watercraft over 5 tons varied anywhere from \$0.01 per \$100 (Portsmouth) to \$5.60 per \$100

(Covington). The rate on pleasure boats varied from \$0.01 (Portsmouth) to \$6.00 (Bristol). The tax on recreational vehicles ranged anywhere from \$1.00 in Hampton and Newport News to \$6.00 in Bristol. Taxes on heavy tools and machinery ranged anywhere from \$1.42 in Galax to \$6.00 in Bristol. Computer hardware followed similar tax schedules.

In counties rates for watercraft over 5 tons, pleasure boats, and recreational vehicles varied from \$0.0001 in Prince William County to \$8.70 in Madison. Rates for heavy tools and machinery and computer hardware varied from \$0.20 in Bath to \$8.70 in Madison.

Rates also varied for towns that imposed fees. For watercraft over 5 tons, Iron Gate charged \$7.50 while Clintwood charged \$0.03. Recreational vehicle rates ranged from \$3.75 in Pearisburg to \$0.03 in Clintwood.

