

Section 10

Tangible Personal Property Tax, 2001

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 2001 the General Assembly modified certain portions of §58.1-3506 by reclassifying equipment used in forest harvesting activities. Such equipment is now a separate class of tangible personal property. Localities may impose a tangible personal property tax on equipment used in forest harvesting and silvicultural activities at a rate which does not exceed the applicable tax to the general class of tangible personal property in the locality.

Historically, the most important tangible personal property category has been motor vehicles. This tax is often called the "car tax," even though it covers sport utility vehicles, pickup and panel trucks, and motorcycles as well. In an earlier survey for fiscal year 1995, localities were asked to provide the percentage of personal property taxes coming from motor vehi-

cles. 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) immediately eliminated the tangible personal property tax imposed on vehicles valued at \$1,000 or less. For passenger cars, pickup or panel trucks, and motorcycles owned or leased by natural persons and used for non-business purposes that are valued over \$1,000, the tax is eliminated on the first \$20,000 of value over a five year period. Twelve and ½ percent of the tax was eliminated in 1998, 27.5 percent in 1999, 47.5 percent in 2000, 70 percent in 2001, and 100 percent will be eliminated in 2002 and thereafter. To proceed on this schedule, various revenue targets established in the act must be met. If they are not met, relief is frozen at the current percentage until the revenue situation improves. The relief percentages are based on local effective tax rates (here, defined as the nominal rate times the assessment ratio) in effect on July 1, 1997 or August 1, 1997, whichever was greater. If a locality changes its effective rate after that date, the reimbursement continues to be at the previous effective rate. In 2001 the following localities reported increases in their effective rates: the counties of Alleghany, Buckingham, Cumberland, Grayson, King and Queen, King William, Lee, Mathews, Mecklenburg, Page, Patrick, Scott,

and Wythe. Several towns, including Colonial Beach, Fries, and Iron Gate, also increased their rates.

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. All cities and counties in Virginia levy this tax on 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 alternative valuations for a specified make of automobile. To do this, an adjusted effective tax rate was calculated for each locality based on the N.A.D.A. retail value of a 2000 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. The base data, summarized in the table below, were obtained from NADA's *Official Used Car Guide*.

Concept	N.A.D.A. Value (\$)	% of N.A.D.A. Retail Value
Retail value (RV)	17,450	100
Trade-in value (TV)	15,050	86
Loan value (LV)	13,550	78

Source: National Automobile Dealers Association, *Official Used Car Guide* (January 2001).

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.

Summary figures for the adjusted effective tax rate per \$100 are provided at the end of each section in **Table 10.1**. For cities, the median rate was \$2.84. The first and third quartile measures were \$2.50 and \$3.30, respectively. The maximum tax applied was \$4.09 (Alexandria) and the minimum effective rate, \$1.40 (Bristol).

County summary figures are consistently lower than the city figures. For the counties, the median rate was \$2.50. The first and third quartiles were \$1.65 and \$3.06. Fairfax charged the highest tax at \$3.93 per \$100, while the minimum rate was \$0.17, charged by Bath County.

The towns had the lowest rates. The median measure was \$0.48. The first and third quartiles were \$0.31 and \$0.78, respectively. A maximum rate of \$2.50 was charged by Colonial Beach. In contrast, Kilmarnock charged \$0.06.

Besides the effective tax rate, **Table 10.1** also provides data on 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 for the 111 towns that reported

imposing the tangible personal property tax on motor vehicles.

The assessment value is important because it gives us an estimate of the percent of retail value the locality will assign to the automobile when determining the effective tax rate discussed earlier. The assessment value used varied among localities. Among the cities it was split between loan value (18) and trade-in value (16), with five cities using retail value. A majority of counties (58) used loan value. Twenty-two used trade-in value, and fifteen used retail value. Since many towns used the same concept as their respective counties a tally is not shown for them.

Localities incorporate an assessment ratio in helping establish an effective tax rate. Most cities and counties used a 100 percent ratio of whatever value concept they adopted. Thus, 35 cities used 100 percent while 4 used fractional assessments ranging from 30 to 90 percent. Similarly, the majority of counties (81) assessed at 100 percent. The remaining 14 counties used fractional assessments ranging from 20 to 50 percent.

Most cities and counties did not provide special personal property tax relief for the elderly or disabled. Only 5 cities and 8 counties provided relief for the elderly and only 7 cities and 13 counties 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 2000*. The rates in the Virginia Department of Taxation's publication are for the 2000 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 the personal property tax, and categories of vehicles for which proration is offered. In the survey, it was determined that 27 cities, 75 counties, and 109 towns collected the tax once a year, while 12 cities, 20 counties, and 5 towns collected it semi-annually. The most common due dates for payment of the tax were June 5th and December 5th. Also, localities predominantly indicated January 1st as the effective date of assessment. Of the localities that reported imposing personal property tax on motor vehicles, 17 cities, 46 counties, and 19 towns offered 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, 28 counties, and 18 towns offered 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 used different definitions for the term. For more detailed

definitions of the categories for which proration is offered, please contact the individual localities, based on the listing in Appendix B.

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 how many localities imposed 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, and R&D property; to farm and livestock categories.

The items on which taxes were most likely to be imposed included watercraft, recreational vehicles, heavy tools and machinery, computer hardware, and mobile homes. The items on which taxes were least likely to be imposed included livestock, farm equipment, and household items.

Item	Number of Localities Imposing Tax		
	Cities	Counties	Towns
Watercraft > 5 tons	34	82	45
Pleasure boats	33	80	47
Aircraft	18	82	24
Antique vehicles	20	61	35
Recreational vehicles	34	75	39
Heavy tools/machinery	38	92	36
Computer hardware	38	93	33
Generating equipment	22	52	20
R&D property	22	83	15
Other business property	10	19	5
Livestock	5	18	0
Farm	7	38	8
Household	0	1	1
Mobile homes	32	95	78

An item's 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.

Fees based on these values varied throughout for the various categories of equipment. 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.

County rates for watercraft over 5 tons, pleasure boats, and recreational vehicles varied from \$0.0001 in Prince William County, which established the tax in that amount only to have it on the books for possible future use, 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 the 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.

