



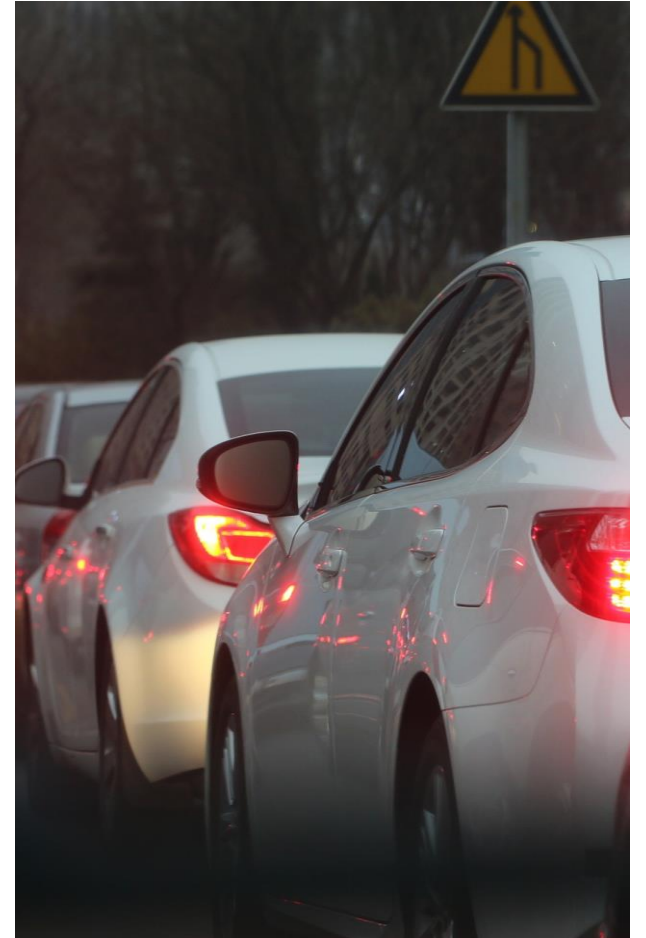
# Options for Personal Property Taxes on Vehicles

Board of Supervisors Budget Committee Meeting

March 15, 2022

# How Vehicle Values are Determined

- Vehicles are assessed using the JD Power (formerly National Automobile Dealers Association (NADA)) pricing guide as of January 1.
- JD Power is used by all localities in the Commonwealth of Virginia as their primary source.
- Vehicles in Fairfax County are assessed at 100% of the clean Trade-In value. Typically, most vehicles depreciate annually.



# Why Vehicle Values are Increasing

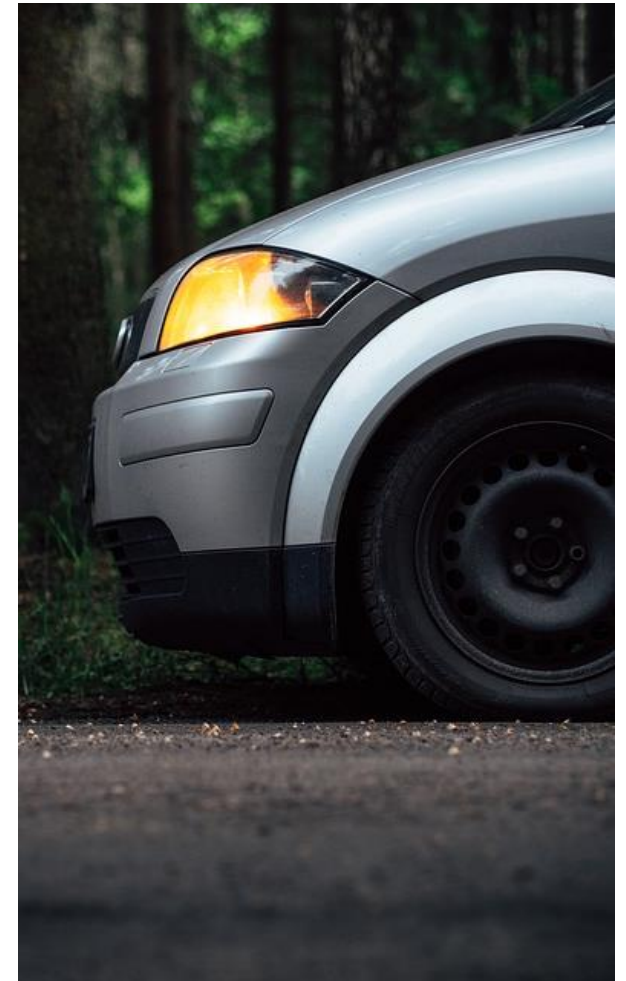
- Almost 90% of Fairfax County vehicle owners will experience a substantial increase in the assessed value of vehicles due to January 2022 JD Power values.
- The COVID-19 pandemic altered trends of the automobile industry.
  - Automakers built fewer cars because of global shortages in critical auto parts like microchips; yet the demand for cars remains high.
  - This low supply and high demand caused values to rise.
  - Used cars have gone up in value because fewer people are selling their older cars. Rental fleet sales also declined.
  - Low interest rates are helping to fuel car purchases, but more buyers for fewer available cars means higher prices.

# Projections in the FY 2023 Advertised Budget

- Initial projections indicated increases in the average vehicle levy of approximately 15.5 percent, based on November 2021 JD Power values.
  - This data was used to build the FY 2023 Advertised Budget
- However, January 2022 vehicle values reflect an increase of over 33 percent in the average vehicle levy in the County.
- This increase – combined with the declining impact of state Personal Property Tax Relief Act (PPTRA) funds – results in additional revenue beyond what is included in the Advertised Budget and would result in an increase of \$186 in the average vehicle tax bill

# Options to Mitigate Impact on Taxpayers

- Reduce the Personal Property tax rate
  - Would impact property beyond vehicles
  - Rate may need to be reevaluated when vehicle values normalize
- Use a different assessment valuation method (Retail, Trade-In, Loan)
  - Fairfax currently uses mid-range option (Trade-In)
  - Impact of switching to lower assessment method (Loan Value) unknown.
- Apply an assessment ratio
  - Well tailored to temporary nature of the assessment increases
  - Favored by many NoVa localities
  - **Recommended approach by staff**



# 85% Assessment Ratio Scenario

	Personal Use Vehicle FY 2022	Personal Use Vehicle FY 2023 (Jan 1, 2022 Values)	
		No Ratio	85% Ratio
Average Assessed Value	\$11,778	\$15,663	\$13,314
Tax Rate per \$100 of assessed value	\$4.57	\$4.57	\$4.57
<b>Total Tax Bill</b>	<b>\$538</b>	<b>\$716</b>	<b>\$608</b>
State Share (based on PPTRA rate)	\$309 @ 57.5%	\$301 @ 42.0%	\$301 @ 49.5%
<b>Taxpayer Share</b>	<b>\$229</b>	<b>\$415</b>	<b>\$307</b>
Change from FY 2022	--	\$186	\$78

# Impact of 85% Assessment Ratio

- Staff recommends implementing an 85% Assessment Ratio for Tax Year 2022
- Projected average tax bill would be reduced from \$415 to \$307
  - This would be an average increase of \$78 from FY 2022
  - Results in an effective average assessed value increase of 13% (down from 33%)
- If the PPTRA reimbursement rate remained at the current 57.5%, the projected increase of \$78 would be reduced to \$29
- Additional projected revenue beyond that included in the FY 2023 Advertised Budget Plan would be completely offset

# Next Steps

- Required system changes are in planning stages and communication strategies are being discussed
- Per the Code of Virginia, any assessment ratio must be approved by the Board of Supervisors
  - Board recommendation would be included as part of the Budget Mark-Up on April 26, 2022
  - Resolution to adopt assessment ratio would be included in formal budget adoption motions on May 10, 2022