

Fairfax County Major Revenue Sources



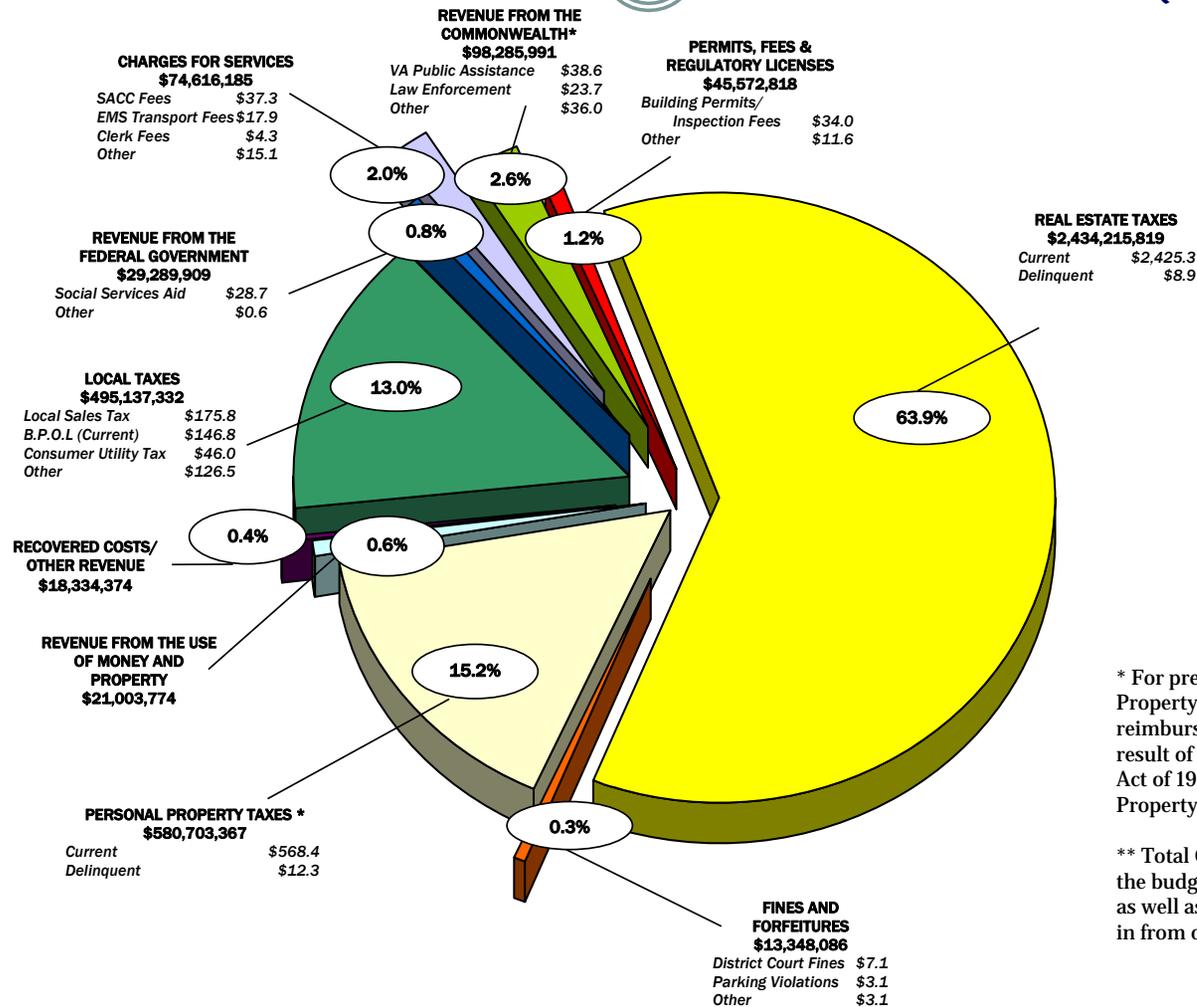
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FY 2016 Adopted Budget Plan: “Where it Comes From”

(subcategories in millions)



* For presentation purposes, Personal Property Taxes of \$211,313,944 that are reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998 are included in the Personal Property Taxes category.

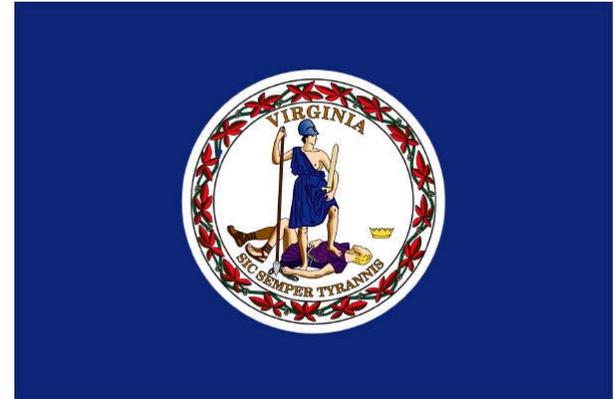
** Total County resources used to support the budget include the revenues shown here, as well as a beginning balance and transfers in from other funds.

FY 2016 GENERAL FUND RECEIPTS = \$3,810,507,655

Virginia is a Dillon Rule State



- Counties have only those powers expressly granted to them by the General Assembly
- Limits the County's flexibility to raise revenue and diversify the tax base
- Fairfax County is over reliant on the Real Estate Tax
 - Real Estate taxes represent 63.9% of General Fund revenue in FY 2016, up from 50.7% in FY 2001
- Excluding Real Estate, the state caps or limits 90% of the remaining revenue



Real Estate Tax

\$2.43 billion, 63.9% of General Fund Revenue



- **Largest source of revenue for all localities in Virginia**
- **341,788 residential parcels /11,122 commercial parcels**
- **No restriction as to the tax rate**
 - FY 2016 rate is \$1.09/\$100 of assessed value
- **Tax rate must be the same between:**
 - Residential and Commercial properties
 - Land and building
- **Tax Relief is available for Elderly and Disabled**
 - Phased-in for incomes up to \$72,000
 - Asset limit of \$340,000 for all income levels

Personal Property Tax

\$580.7 million, 15.2% of General Fund Revenue



- **Personal Property taxes are paid on vehicles and business property – vehicle portion is 74% of the total**
 - Approximately 1.0 million vehicles in the County
 - Taxable Value is based on the National Automobile Dealers Association (NADA) trade-in value as of January each year
- **Tax rate is not restricted**
- **Tax rate of \$4.57/\$100 of assessed value (trade-in) has not changed since FY 1988**



Personal Property Tax (continued)



- Tax rate is in-line with other Northern Virginia localities

Personal Property Tax Rates TY 2014

Locality	Tax Rate / \$100	Assessment Valuation Method	Effective Tax Rate/ \$100*
Alexandria	\$5.00	Trade-In Value	\$4.25
Arlington	5.00	Loan Value	3.80
Fairfax City	4.13	Trade-In Value	3.51
Fairfax County	4.57	Trade-In Value	3.88
Falls Church	4.84	Trade-In Value	4.11
Loudoun	4.20	Loan Value	3.19
Prince William	3.70	Trade-In Value	3.15

*Source: Weldon Cooper Center for Public Service

Virginia Personal Property Tax Relief Act (PPTRA) of 1998



- Reduces the Personal Property Tax paid on the first \$20,000 of the value for vehicles owned by individuals with a partially offsetting reimbursement from the Commonwealth
- Phased-in over several years
- Original plan was to reduce 100% of the tax on the first \$20,000 in FY 2003
- State reimbursement was 70% from FY 2002- FY 2006
- State capped reimbursement statewide at \$950 million in FY 2007
 - Fairfax County's fixed allocation is \$211.3 million
- Each year the County must determine the reimbursement percentage based on an estimate of the number and value of vehicles in the County
 - FY 2016 PPTRA percentage is 62%

Sales Tax

\$175.8 million, 4.6% of General Fund Revenue



- **Local Option Sales Tax is limited to 1%**
- **Distributed to localities based on point of sale**
- **Total Sales Tax in Northern Virginia is 6.0%**
 - **4.3% State**
 - ✦ 1.125% - Schools based on school age population (FCPS \$182.3m in FY16)
 - ✦ 0.25% - School funding - Standards of Quality formula
 - ✦ 0.90% - Transportation
 - ✦ 2.025% - Unrestricted state general fund
 - **0.7% Northern Virginia Transportation Authority**
 - **1.0% Local Option Sales Tax**



Business, Professional and Occupational Licenses (BPOL) \$146.8 million, 3.9% of General Fund

- Levied on previous calendar year's gross receipts
 - Combined Consultant and Business Service Occupations categories represent 43% of total receipts
- Businesses pay a flat fee or a tax rate based on their level of Gross Receipts
 - State maximum flat fee is \$50 at all levels of gross receipts

Business Gross Receipts	Flat Fee / Tax	Number / Percent of Businesses
<=\$10,000	Exempt	
\$10,001 - \$50,000	\$30 Flat Fee	9,643 /23%
\$50,001 - \$100,000	\$50 Flat Fee	6,585/ 16%
Over \$100,000	Gross Receipts Taxed by Business Category	25,651/61%*

*86% of total BPOL revenue is paid by 1,012 businesses (2.4%) that have annual gross receipts of more than \$25 million.

BPOL TAX RATES BY CATEGORY (per \$100 of Gross Receipts)

<u>Business Category</u>	<u>State Maximum Tax Rate</u>	<u>Fairfax County Tax Rate</u>
Amusements	\$0.36	\$0.26
Builders and Developers	0.16	0.05
Business Service Occupations	0.36	0.19
Consultants/Specialists	0.36	0.31
Contractors	0.16	0.11
Hotels and Motels	0.36	0.26
Money Lenders	0.58	0.19
Personal Service Occupations	0.36	0.19
Professional and Specialized Occupations	0.58	0.31
Real Estate Brokers	0.58	0.31
Rent of House/Apt./Condo	—	0.26
Repair Services	0.36	0.19
Research and Development	0.03	0.03
Retail Merchants	0.20	0.17
Telephone Companies	0.50	0.24
Wholesale Merchants	0.05	0.04

BPOL (continued)



- At state maximum rates for all categories, an additional \$76.2 million would be generated
- Increasing each category's rate by 1 cent per \$100 of gross receipts would generate \$7.1 million
- Over the years, numerous attempts have been made by the state to reduce or eliminate the BPOL tax
 - JLARC study indicated that moving from gross receipts to net income could reduce local revenue from the tax by about 95 percent
- Recent Virginia Supreme Court Decision will mean the loss of significant revenue
 - The case involved how Virginia companies can calculate deductions for work performed out-Of-state
 - The County has set aside a reserve to pay refunds

Consumer Utility Taxes

\$46.0 million, 1.2% of General Fund Revenue



- **Paid by consumers of gas and electricity based on usage**
- **Maximums based on current rates**
 - Residential: \$4/month for gas; \$4/month for electric
 - Nonresidential: \$300/month gas; \$1,000/month electric
- **At maximum rates for residential customers**
- **No statutory ceiling for nonresidential customers**

Vehicle License Fee

\$27.0 million, 0.7% of General Fund Revenue



- **Vehicle license on motor vehicles and trailers**
- **No decal required since FY 2011**
- **Fee is limited to the same rate as the state**
- **Fairfax County levies at the state base rates**
 - Vehicles up to 4,000 lbs: \$33
 - Vehicles >4,000 lbs: \$38
 - Motorcycles: \$18
- **In addition to the state's base rate, the state adds fees of \$7.75 for vehicles and \$10.75 for motorcycles**
 - The state uses these fees for emergency medical service programs and safety inspections

Vehicle License Fee (continued)



- Fairfax County could raise the vehicle license fee by \$7.75 for vehicles and \$10.75 for motorcycles
 - At these maximum rates, an additional \$6.0 million would be generated

- Fairfax County's rate for some private vehicles is above the rates of surrounding jurisdictions

Locality	Private Vehicles	Motorcycles
Fairfax County		\$18
Vehicles ≤ 4,000 lbs	\$33	
Vehicles > 4,000 lbs	\$38	
Alexandria	\$33	\$21
Arlington & Fairfax City	\$33	\$18
Falls Church	\$33	\$28
Loudoun County	\$25	\$16
Prince William County	\$24	\$12

Deed of Conveyance and Recordation Taxes \$24.9 million, 0.7% of General Fund Revenue



- Both are levied when real estate property is sold. Recordation tax is also paid on mortgage refinancings
- Tax rates are set by the state
- Recordation Tax set at 8.33 cents/\$100 - 1/3 the state rate
- Deed of Conveyance Tax set at 50 cents/\$500 with 1/2 going to the state and 1/2 returned to locality

Communications Sales and Use Tax

\$21.9 million, 0.6% of General Fund Revenue



- **A 5% state tax that replaced local taxes on telephones, mobile phones, E-911 and cable services in FY 2007**
 - The rate was intended to provide revenue neutrality to localities
- **Distribution to localities based on the level of the local taxes in FY 2006**
 - Fairfax County's share is 18.89%
- **Revenue from the tax is deposited in the County's Cable Fund, E-911 Fund and General Fund**
- **Tax base has deteriorated over time**
 - In FY 2006, the County's local taxes generated \$85.5 million
 - In FY 2015, the Communications Sales tax generated \$79.3 million for all funds

Transient Occupancy Tax

\$19.3 million, 0.5% of General Fund Revenue



- Counties are limited to a 2% tax rate unless given specific legislative authority
- Fairfax County was authorized to levy a 4% tax in 2004
 - Revenue from the additional 2% must be used to promote tourism
 - ✦ 25% designated to the Fairfax County Convention and Visitors' Center (\$2.6 million in FY 2015)
- Raising the rate would require state enabling legislation
- Arlington, Loudoun and Prince William are allowed a 5% tax rate
 - Loudoun and Prince William must use the revenue above a 2% to promote tourism
 - Arlington has no restrictions on the use of the tax
- An additional 2% state lodging tax is levied to fund transportation projects in Northern Virginia
 - Revenue directed to the Northern Virginia Transportation Authority



Cigarette Tax

\$7.2 million, 0.2% of General Fund Revenue



- **Fairfax and Arlington are the only counties in Virginia allowed to tax cigarettes and are limited to the state rate of 30 cents/pack**
 - Raising the rate requires legislative authority
- **Surrounding cities and towns tax cigarettes at higher rates**
 - Alexandria: \$1.15/pack
 - Fairfax City: \$0.85/pack
 - Falls Church, Vienna, Herndon: \$0.75/pack
- **At Alexandria's rate of \$1.15/pack, an additional \$20.4 million could be generated**

Charges for Services

\$74.6 million, 2.0% of General Fund Revenue



- **User Fees -- Those that use the service are charged a fee**
- **The County regularly conducts a User Fee Study to compare the cost of the service to the fee charged and to compare the cost of similar services offered by others -- both public and private**
- **Sliding fee scales based on income are available for some categories**
- **Revenue in Charges for Services:**
 - **School Age Child Care fees (\$37.3 million) charged for before and after school care at elementary schools – fees adjusted annually**
 - **Emergency Transport Service Fees (\$17.9 million) – Fees raised in FY 2015**
 - **Clerk Fees (\$4.3 million) – at maximum rates**
 - **Health Department Fees (\$3.7 million) – Most fees set by the state**
 - **Recreation Classes (\$2.6 million)**

Building Permits and Inspection Fees

\$34.0 million, 0.9% of General Fund Revenue



- Fees charged for review, permit, inspection and administration of development and construction activities
- Fees are designed to recover at least 90% but no more than 100% of costs
- Revenue is rarely collected in the same year that expenditures are incurred since development projects span several years
- Fees were increased in January 2015 to provide additional staff in order to reduce plan review timeframes



Fines and Forfeitures

\$13.3 million, 0.4% of General Fund Revenue



- **General District Court Fines** are at the maximum allowed by the state and comprise \$7.2 million of this category
- **Parking Tickets (\$3.1 million)** – County imposes a \$50 fine for most parking violations, except:
 - Handicapped accessible parking violations - at max \$500
 - Parking a commercial vehicle in a residential area - \$100
 - Parking in residential parking district without a decal - \$75
- **Maximum Parking Ticket fine is \$250**
 - Lower level encourages prepayment rather than court appeal
 - Court can follow a payment schedule that could levy a fine of \$20 with a processing fee of \$61.

Revenue Sources Not Currently Levied



Meals Tax

Potential Revenue: Each 1% Tax = \$22.5 million



- **Counties can levy a Meals Tax if approved in a voter referendum. Cities and towns can levy with council approval**
- **At the maximum 4%, a Meals Tax could generate \$90 million in Fairfax County**
 - Equivalent to nearly 4 cents on the FY 2016 Real Estate Tax rate
- **Other local jurisdictions levy the Meals Tax**
 - Alexandria, Arlington, Fairfax City & Falls Church levy 4%
 - Vienna 3%
 - Herndon 2.5%

Admissions Tax

Potential Revenue: Each 1% Tax = \$0.6 million



- **13 counties including Fairfax are authorized to levy a tax on admission to almost any event – only 3 counties levy the tax**
 - 16 of 38 cities levy the tax
 - Locally, only Alexandria levies an Admissions Tax
- **Maximum rate of 10% of the admission price**
- **Tax would apply to movie theaters, live theater events, non-university events at George Mason University, etc.**
- **At the maximum 10% rate, additional revenue of \$6.0 million could be generated**

Probate Tax

Potential Revenue \$0.3 million



- All localities are authorized to levy a tax on wills equal to one-third the state rate
- State rate is 10 cents for every \$100 of assessed value for estates over \$15,000
- 23 of the 38 cities and 54 of the 95 counties in Virginia levy a Probate Tax
- If the County imposed a local tax of 3.3 cents, \$0.3 million could be generated

Categories with Rate Flexibility / Potential Revenue Sources



- **Existing revenue categories with rate flexibility**
 - Real Estate Tax
 - Personal Property Tax
 - BPOL
 - Vehicle Licenses
 - User Fees
- **Potential revenue sources not currently levied**
 - Meals Tax – only if approved by voter referendum
 - Admissions Tax
 - Probate Tax