



Fairfax County **REVENUE SOURCES**

A Guide to Sources of Revenue
for Fairfax County Government

January 2016

Department of Management and Budget

Fairfax County Revenue Sources

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Introduction

This report describes Fairfax County's major General Fund revenue categories. *Code of Virginia* authorization and tax rate limitations are noted and issues for each revenue source are identified and discussed briefly. Historical data are provided in the Appendix.

The General Fund revenue categories included in Section I: Taxes comprise over 91 percent of total General Fund Revenue, which as of the FY 2016 Adopted Budget Plan is projected to be \$3,810.5 million. Note that the FY 2016 revenue estimates will be revised as part of the development of the FY 2017 Advertised Budget Plan in order to take into account FY 2015 actual receipts and actual collections early in FY 2016. Table A-1 in the Appendix presents fiscal year tax revenue for the major revenue categories since FY 1990.

Fairfax County General Fund Revenue – FY 2016



SECTION I:

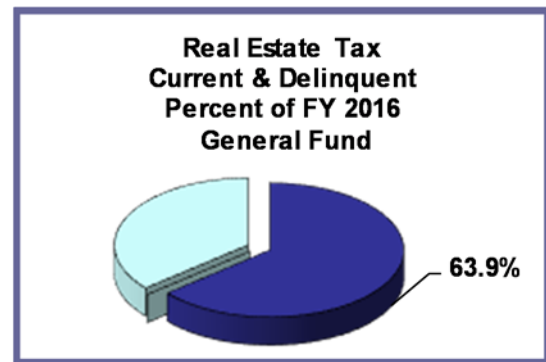
TAXES



Fairfax County General Fund Revenue – FY 2016

REAL ESTATE TAX – CURRENT & DELINQUENT

	<i>Millions</i>	<i>Growth</i>
FY 2013 Actual	\$2,123.4	3.7%
FY 2014 Actual	\$2,216.2	4.4%
FY 2015 Actual	\$2,357.1	6.4%
FY 2016 Adopted	\$2,434.2	3.3%



Description

Localities are authorized by §58.1-3200 through §58.1-3389 of the *Code of Virginia* to levy a tax on real property. There is no limit on the tax rate that may be imposed. All cities and counties within Virginia levy a Real Estate Tax. Like all Virginia localities, the tax on real estate is Fairfax County's primary revenue source. Real Estate Taxes are anticipated to represent nearly 64 percent of the County's total General Fund revenue in FY 2016. The tax is currently levied at \$1.09 per \$100 of assessed value of real estate. While the *Code of Virginia* requires counties to have a general reassessment at least every four years, Fairfax County reassesses real property on an annual basis in accordance with §58.1-3270. Real estate must be assessed uniformly and at 100 percent of the fair market value. The Real Estate Tax rate must be the same across all land uses, i.e. residential, multi-family, commercial and industrial.

Table 1
FY 2016 Real Estate Tax Relief
for the Elderly and Disabled

Income Limit	Percent Relief	Asset Limit
Up to \$52,000	100%	\$340,000 for all income limits
Over \$52,000 to \$62,000	50%	
Over \$62,000 to \$72,000	25%	

Fairfax County provides graduated real estate tax relief to residents who are either 65 or older or permanently and totally disabled and meet income and asset eligibility requirements. Current eligibility criteria are described in Table 1. For historical limits for the County's Tax Relief program, see Table A-4 in the Appendix.

The allowable asset limit to qualify for Tax Relief in Fairfax County is \$340,000 for all ranges of tax relief. The asset limit excludes the value of the taxpayer's dwelling and up to one acre of land on which the dwelling is located. There are no state maximum eligibility limits for income or assets.

Beginning in FY 2012, veterans who have a 100 percent service-connected permanent and total disability are eligible for real estate tax exemption on their principal residence regardless of income or assets. As a result of a Virginia constitutional amendment approved in November 2014, the primary residence of a surviving spouse of a member of the United States armed forces who was killed in action is exempt from the Real Estate Tax. In FY 2016, Real Estate Tax Relief for the Elderly and Disabled is projected to be \$26.2 million.

Fairfax County General Fund Revenue – FY 2016

Tax Limitations

The Real Estate Tax rate is controlled by the Fairfax County Board of Supervisors and can be adjusted each year after advertisement and a period of public comment. Residential and non-residential properties must be taxed at the same rate. Land and buildings must also be taxed at the same rate.

Issues

- The Real Estate Tax is a reliable and reasonably predictable source of revenue.
- The Real Estate Tax is relatively easy to enforce in that most mortgage companies require homeowners to pay estimated taxes into an escrow account and taxes must be paid when the property is sold.
- Real Estate taxes are deductible from federal and state income taxes.
- Both non-residential and residential property owners who benefit from services provided by the County are subject to the tax.
- Reliance on the Real Estate Tax to support County services has increased over time. Current and Delinquent Real Estate Tax revenue as a percentage of total General Fund Revenue was 50.7 percent in FY 2001 and has risen to 63.9 percent in FY 2016. Lack of revenue diversification places pressure on real estate taxpayers to finance County services.

Statistics

In FY 2015, Current and Delinquent Real Estate Tax revenues were \$2,357.1 million, an increase of 6.4 percent over FY 2014 receipts. Based on the FY 2016 Adopted Budget Plan, Current and Delinquent Real Estate Tax revenues are forecasted to increase 3.3 percent to \$2,434.2 million. FY 2016 Real Estate Tax receipts represent 63.9 percent of total General Fund revenue. Current Real Estate Tax revenue is expected to be \$2,425.3 million, while Delinquent Real Estate Taxes are projected to be \$9.0 million in FY 2016.

In the Appendix:

Table A-2, Real Estate Assessments, Tax Rates and Collection Rates, FY 1990 – FY 2016

Table A-3, Changes in the Real Estate Assessment Base, FY 1989 – FY 2016

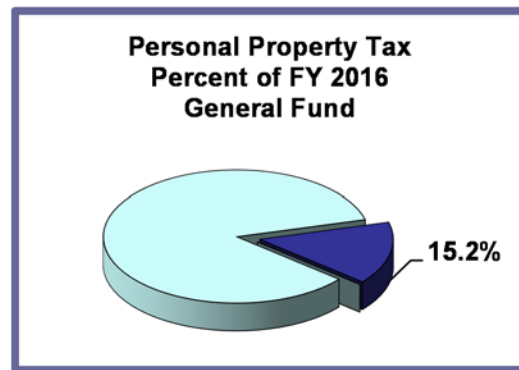
Table A-4, Historical Changes in Real Estate Tax Relief

Fairfax County General Fund Revenue – FY 2016

PERSONAL PROPERTY TAX – CURRENT & DELINQUENT*

	<i>Millions</i>	<i>Growth</i>
FY 2013 Actual	\$564.9	7.0%
FY 2014 Actual	\$571.4	1.1%
FY 2015 Actual	\$581.6	1.8%
FY 2016 Adopted	\$580.7	-0.2%

*Includes \$211.3 million reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998.



Description

Cities, counties and towns may levy a tax on tangible personal property owned by businesses and individuals in accordance with §58.1-3500 to §58.1-3523 of the *Code of Virginia*. Tangible personal property includes motor vehicles, business furniture, fixtures, computers, farming equipment and a variety of other motor vehicles (e.g., boats, recreation vehicles, etc.). The *Code of Virginia* allows localities to exempt household goods and personal effects from taxation. Fairfax County exempts these items from the Personal Property Tax.

Fairfax County currently levies the Personal Property Tax at \$4.57 per \$100 of assessed value. This rate has been in effect since FY 1988. The following properties are taxed at a reduced rate of \$0.01 per \$100 of assessed value: vehicles owned by auxiliary police officers; members or auxiliary members of volunteer rescue squads and volunteer fire departments; aircraft and flight simulators; antique vehicles; vehicles used for van pools; and, property, excluding vehicles, owned by homeowners' associations. Based on the *Code of Virginia*, mobile homes are considered personal property but are taxed at the Real Estate Tax rate, currently at \$1.09/\$100 of assessed value.

In FY 2016, vehicles comprise 73.6 percent of the total personal property tax levy. Vehicles owned by individuals accounted for 63.6 percent; business owned vehicles, 3.3 percent; and leased vehicles, 6.7 percent. Business personal property represents 20.6 percent of the total levy, Public Service Corporation property makes up 5.0 percent and the remaining 0.8 percent is mobile homes, trailers, and penalties for late filing.

Fairfax County, like most localities in Virginia, uses the *National Automobile Dealers Association (NADA) Official Used Car Guide* to determine the value of motor vehicles located in the County. In Fairfax County, the NADA trade-in value is used for assessment purposes. On an appeals basis, an adjustment to the value may be made for high mileage vehicles.

Fairfax County General Fund Revenue – FY 2016

Personal Property Tax Relief Act

The vehicle portion of the Personal Property Tax is comprised of two parts, that which is paid by citizens locally and that which is reimbursed by the Commonwealth of Virginia to the County as a result of the Personal Property Tax Relief Act (PPTRA) of 1998. The PPTRA reduces the Personal Property Tax paid on the first \$20,000 of the value for vehicles owned by individuals.

Table 2
FAIRFAX COUNTY
PPTRA PERCENTAGES SINCE STATE
REIMBURSEMENT WAS CAPPED

FISCAL YEAR	PERCENTAGE OF PERSONAL PROPERTY TAX
FY 2008	67.0%
FY 2009	68.5%
FY 2010	70.0%
FY 2011	70.0%
FY 2012	68.0%
FY 2013	63.0%
FY 2014	63.0%
FY 2015	62.0%
FY 2016	62.0%

In FY 1999, the first year of implementation, taxpayers were billed for the entire amount of tax levy and received a refund of 12.5 percent of the tax on the first \$20,000 of the value of their personal vehicle from the Commonwealth of Virginia. Vehicles valued less than \$1,000 were refunded 100 percent. From FY 2000 to FY 2002, the PPTRA reduced the Personal Property Taxes paid by citizens by 27.5 percent, 47.5 percent, and 70 percent, respectively, with an offsetting reimbursement paid to the County by the Commonwealth. Under the original approved plan, taxes paid by individuals were to be reduced by 100 percent in FY 2003. However, due to the Commonwealth's lower than anticipated General Fund revenue growth, the reimbursement rate remained at 70 percent from FY 2003 through FY 2006. The 2004 General Assembly approved legislation that capped statewide Personal Property Tax reimbursements at \$950 million in FY 2007 and beyond. Fairfax County's

allocation has been set at \$211.3 million based on the County's share of statewide tax year 2004 collections. Each year, County staff must determine the reimbursement percentage based on the County's fixed reimbursement and an estimate of the number and value of vehicles that will be eligible for tax relief. As the number and value of vehicles in the County vary, the percentage attributed to the state has varied as shown in Table 2.

Depreciation

Since the value of property decreases over time, the County established a depreciation schedule for business personal property based on the age of the property. The percentages from the depreciation schedule are applied to the original purchase price of the property to determine its fair market value. Due to the rapidity with which computer values change, a separate

Table 3
FY 2016
PERSONAL PROPERTY DEPRECIATION SCHEDULE

Year of Acquisition	COMPUTER EQUIPMENT Percent of Original Purchase Price Taxed	OTHER BUSINESS PROPERTY Percent of Original Purchase Price Taxed
1	50%	80%
2	35%	55%
3	20%	35%
4	10%	10%
5 or more	2%	10%

schedule for computer equipment was established in FY 1998. The Computer Depreciation

Fairfax County General Fund Revenue – FY 2016

schedule has been adjusted several times to more accurately reflect the depreciation of computer equipment. The current depreciation schedules are shown in Table 3.

Tax Limitations

The Personal Property Tax rate is locally controlled; therefore, there is no limit on the tax rate levied.

Issues

- Personal Property Taxes are deductible from federal and state income taxes.
- Although wealthier individuals purchase more expensive cars and replace their cars more frequently, Personal Property Taxes are generally considered to be regressive since the range of car values is much narrower than the range of incomes. A regressive tax is one in which lower income individuals pay a larger share of their income in taxes.

Other Jurisdictions

Table 4 shows Personal Property Tax rates and the assessment valuation method for surrounding jurisdictions. Rates have been standardized based on the assessment valuation method used by the locality. According to the National Automobile Dealers Association, trade-in values are 85 percent of retail and loan values are 76 percent of retail value.

Table 4 Effective Personal Property Tax Rates TY 2014 in Surrounding Jurisdictions			
Locality	Tax Rate/\$100	Assessment Valuation Method	Adjusted Effective Rate/\$100
Alexandria	\$5.00	Trade-In Value	\$4.25
Arlington County	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 County	4.20	Loan Value	3.19
Prince William County	3.70	Trade-In Value	3.15

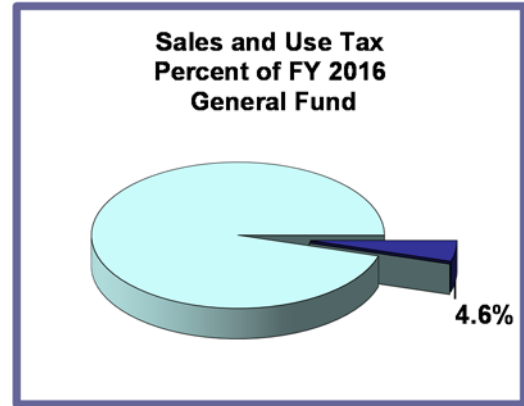
Source: Weldon Cooper Center for Public Service, *Virginia Local Tax Rates, 2014*

Statistics

In FY 2015, Current and Delinquent Personal Property Tax revenues were \$581.6 million, up 1.8 percent over FY 2014. Current taxes in FY 2015 were \$568.2 while delinquent tax collections were \$13.4 million. Based on the FY 2016 Adopted Budget Plan, Current Personal Property Tax revenue is projected to be \$568.4 million and Delinquent Personal Property Tax revenue is projected to be \$12.3 million.

Fairfax County General Fund Revenue – FY 2016

SALES AND USE TAX		
	Millions	Growth
FY 2013 Actual	\$166.9	2.5%
FY 2014 Actual	\$165.5	-0.9%
FY 2015 Actual	\$176.4	6.6%
FY 2016 Adopted	\$175.8	-0.3%



Description

Tangible personal property sold or used in the Commonwealth is subject to the Virginia retail sales and use tax unless specifically exempted by statute. The *Code of Virginia* §58.1-605 and §58.1-606 authorizes all localities in Virginia to levy a local option Sales Tax of 1.0 percent. It is collected by the state and distributed to each locality based on point-of-sale. The local option Sales Tax rate has remained at the maximum 1.0 percent rate since it was authorized in 1966.

A sales tax is a levy placed on goods and services purchased from a company that has a physical presence in Virginia. When a consumer buys goods and services from a retailer outside the state, they pay a use tax. Examples of goods on which a use tax is charged are leasing computer equipment and office furniture from another state for use within Virginia, as well as items purchased from catalogs and over the internet. Local use taxes are allocated back to localities based on the locality identified by the business or by the mailing address to which the goods are delivered. In FY 2015, the Use Tax portion made up 16.8 percent of Fairfax County's total Sales and Use Tax.

Total State, Local and Regional Sales Tax

In Northern Virginia, the total state Sales and Use Tax is 6.0 percent which includes the 1 percent local option Sales Tax, 4.3 percent state Sales Tax and 0.7 percent Regional Sales Tax for transportation. This regional sales tax is directed to the Northern Virginia Transportation Authority. A regional sales tax for transportation is also levied in Hampton Roads. The 4.3 percent state Sales Tax is divided into four components: 1.125 percent is earmarked for schools and distributed based on the locality's share of school age population; 0.25 is also earmarked for schools and is directed to the Public Education Standards of Quality/Local Tax Relief Fund; 0.9 percent is designated for transportation purposes and 2.025 percent is unrestricted and deposited in the Virginia's General Fund.

Fairfax County General Fund Revenue – FY 2016

Sales Tax Exemptions

Prescription Drugs have always been exempt from the Sales and Use Tax and nonprescription drugs became exempt as of July 1, 1998.

Food purchased for home consumption was fully exempted from the state's General Fund portion of the sales tax on July 1, 2005.

Tax Limitations

Any increase in the 1 percent local option Sales Tax rate would require enabling legislation by the Commonwealth of Virginia.

Issues

- The local option Sales Tax directly benefits Fairfax County since the tax on goods purchased in the County is returned to the County. Fairfax County's shopping centers generate millions of dollars in sales, a portion of which is generated from non-County residents.
- Sales taxes are generally considered regressive because low-income people spend a greater proportion of their income on Sales Taxes than high-income people do. The Sales Tax is less regressive when food and medicine are exempted since those with low incomes spend a larger percentage of their income on these essential items.
- Currently, out-of-state and remote vendors cannot be required to collect sales and use taxes in a state where they do not have a physical presence. Purchases made over the Internet are eroding the state and local sales tax base. According to the National Conference of State Legislatures, states lost an estimated \$23.3 billion in 2012 from uncollectible sales tax on e-commerce. Many on-line retailers voluntarily collect the tax. Amazon started to collect Sales Taxes in Virginia in September 2013.

Statistics

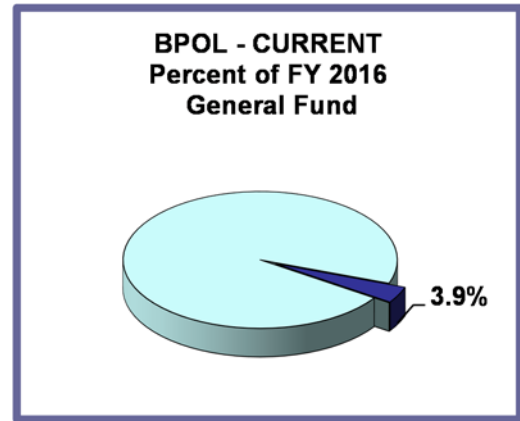
Sales Tax revenue in FY 2015 was \$176.4 million, an increase of 6.6 percent over the FY 2014 level.

One and one-eight percent of the state Sales Tax is distributed to school divisions based on the school age population of the locality. Fairfax County Public Schools received \$180.7 million in FY 2015 from this portion of the state Sales Tax and is projected to receive \$182.3 million in FY 2016.

Fairfax County General Fund Revenue – FY 2016

BUSINESS, PROFESSIONAL AND OCCUPATIONAL LICENSE (BPOL) TAX- CURRENT

	<i>Millions</i>	<i>Growth</i>
FY 2013 Actual	\$156.2	4.3%
FY 2014 Actual	\$152.0	-2.7%
FY 2015 Actual	\$152.5	0.4%
FY 2016 Adopted	\$146.8	-3.8%



Description

Localities are authorized by the *Code of Virginia*, §58.1-3700 through §58.1-3735, to impose a local license tax on businesses, professionals, and occupations operating within their jurisdiction as long as that they do not levy a Merchant's Capital Tax. According to *2014 Tax Rates: Virginia's Cities, Counties and Selected Towns*, all of the 38 cities, 48 of the 95 counties, and 115 towns levied BPOL taxes during the 2014 tax year.

Fairfax County levies the BPOL Tax on the previous calendar year's gross receipts of all businesses operating in the County, including individuals who work at home or are self-employed. The only exceptions are wholesale merchants, who are subject to the tax based on their gross purchases. Fairfax County's BPOL Ordinance conforms to Virginia's Uniform Model Ordinance legislation, which was passed by the 1996 Virginia General Assembly. The legislation required consistent administration of the BPOL tax across localities and mandated that localities adopt a uniform BPOL ordinance by January 1997.

The legislation created a tax-free gross receipts threshold for small businesses. Any locality with a population above 50,000 must exempt businesses with less than \$100,000 from the gross receipts portion of the tax but is allowed to impose a fixed fee on businesses at all levels of gross receipts. The maximum fixed fee allowed is \$50. Fairfax County exempts businesses with gross receipts of \$10,000 or less from the BPOL gross receipts tax and charges no fixed fee. Businesses with gross receipts between \$10,001 and \$50,000 are charged a \$30 flat fee and businesses with gross receipts between \$50,001 and \$100,000 are charged a \$50 fee. The flat fee structure is intended to ease the administrative burden on small businesses. For businesses with gross receipts above \$100,000, the appropriate BPOL tax rate for the business category is applied to all receipts. In Fairfax County, no fixed fee is charged to businesses with gross receipts over \$100,000.

Businesses must file and pay BPOL Taxes by March 1st each year based on their previous calendar year's gross receipts. Revenue from BPOL Taxes is impacted by the level of employment and federal government contract spending in the County. Federal contractors primarily fall in the Business Services or Consultant/Specialist categories. These two categories combined comprised nearly 43 percent of total BPOL Tax revenue in FY 2015.

Fairfax County General Fund Revenue – FY 2016

Virginia Supreme Court Ruling 2015

In January 2015, the Virginia Supreme Court affirmed a Virginia Commissioner of the Revenue formula that started to be used to deduct gross receipts from out-of-state operations in 2014. The ruling is anticipated to especially impact Northern Virginia where the largest and most globally oriented companies are located. As of December 2015, Fairfax County had eight appeals based on the new formula. These appeals are for multiple years and total approximately \$37 million including interest. The Board of Supervisors established a litigation reserve in FY 2014 for the refunds which are anticipated to be made during FY 2016.

Tax Limitations

Cities, counties and towns may levy BPOL taxes up to the state maximums. Counties cannot levy BPOL taxes within a town that also levies BPOL taxes unless the town agrees. Increases in the County's BPOL tax rates do not require state-enabling legislation, since most of the County's rates are below the state maximums.

Statistics

- In FY 2015, current BPOL Tax revenue was \$152.5 million, an increase of 0.4 percent over FY 2014.
- In FY 2015, 41,879 businesses paid BPOL Taxes. Of the total, 9,643 businesses, or approximately 23 percent, paid a \$30 flat fee; and, 6,585 businesses, or approximately 16 percent, paid a \$50 flat fee.
- While 25,651 businesses had gross receipts over \$100,000 and therefore paid BPOL Taxes in FY 2015 based on the appropriate tax rate by business category, 86 percent of total BPOL Tax revenue was paid by 1,012 businesses (2.4 percent) with annual gross receipts of more than \$25 million.
- If the County levied BPOL Taxes at the state maximum for all categories, an additional \$76.2 million would be generated. Increasing each rate by 1 cent per \$100 of gross receipts would generate \$7.1 million in revenue.
- The table below displays BPOL revenue, Fairfax County's tax rate and the state's maximum tax rate by tax category.

Fairfax County General Fund Revenue – FY 2016

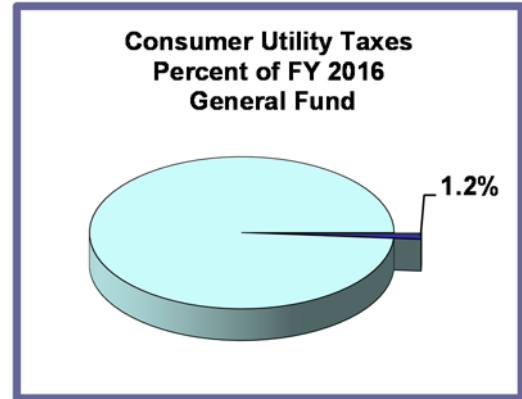
Table 5 BPOL TAX RATES (per \$100 of Gross Receipts) AND REVENUE BY BUSINESS CATEGORY			
	State Maximum Tax Rate	Fairfax County Tax Rate	FY 2015 Actual Revenue
Amusements	\$0.36	\$0.26	\$239,934
Builders and Developers	0.16	0.05	215,561
Business Service Occupations	0.36	0.19	34,609,498
Consultants/Specialists	0.36	0.31	30,769,680
Contractors	0.16	0.11	8,481,929
Hotels and Motels	0.36	0.26	1,438,583
Money Lenders	0.58	0.19	798,563
Personal Service Occupations	0.36	0.19	6,590,151
Professional & Specialized Occupations	0.58	0.31	18,117,320
Real Estate Brokers	0.58	0.31	1,819,625
Rent of House, Apt & Condo*	--	0.26	12,568,844
Repair Services	0.36	0.19	1,571,007
Research and Development	0.03	0.03	578,831
Retail Merchants	0.20	0.17	30,248,183
Telephone Companies	0.50	0.24	3,072,346
Wholesale Merchants	0.05	0.04	1,413,938
Total BPOL			\$152,533,993

*Fairfax County was grandfathered the authority to levy the tax on this category.

Fairfax County General Fund Revenue – FY 2016

CONSUMER UTILITY TAXES

	<i>Millions</i>	<i>Growth</i>
FY 2013 Actual	\$45.5	1.5%
FY 2014 Actual	\$46.0	1.2%
FY 2015 Actual	\$45.8	-0.5%
FY 2016 Adopted	\$46.0	0.5%



Description

The *Code of Virginia*, §58.1-3812 and §58.1-3814, authorizes localities to impose a tax on the consumers of public utilities. The County levies Utility Taxes on both residential and non-residential consumers of electricity and gas. The utility companies collect and remit the taxes to the County without charging an administrative fee.

According to *2014 Tax Rates: Virginia's Cities, Counties and Selected Towns*, 36 of the 38 Virginia cities, 87 of the 95 counties, and 94 towns levied at least one type of Consumer Utility Tax during the 2014 tax year.

Electric and Gas Utility Taxes

The Virginia General Assembly approved deregulation of the electric and gas utility industries beginning in 2001. Under competition, users may purchase electricity and gas from a vendor other than Virginia Power, Northern Virginia Electric Cooperative, Washington Gas, or Columbia Gas. However, these companies are still responsible for distributing the electricity and natural gas to consumers in Fairfax County. The legislation governing deregulation required the County to change the way it levies the Consumer Utility Tax from a method based on the dollar amount of the bill, to a method based on usage (kilowatt-hours for electricity and per 100 cubic feet for gas). These consumption-based rates became effective January 1, 2001.

Tax Limitations

- Residential customers of gas and electric services are taxed on usage but at a maximum of \$3 per month unless the locality had a rate exceeding the maximum as of July 1, 1972. Fairfax County's rate was higher and the maximum paid by residential customers is \$4 per monthly bill.
- There is no statutory ceiling on the rate paid by commercial or industrial customers.
- Counties may not levy the utility tax in incorporated towns if the town levies the tax. Vienna and Herndon both levy a consumer utility tax.

Fairfax County General Fund Revenue – FY 2016

- Fairfax County exempts buildings used for religious worship from the Consumer Utility Tax if the building is exempt from property taxation pursuant to Virginia Constitution Article X, §6 (2).

Issues

- Utility Taxes are administratively easier to collect than many other local taxes since the utility companies collect the tax from taxpayers and remit payment to the County.

Statistics

In FY 2015, total Utility Tax revenue was \$45.8 million, a decrease of 0.5 percent from FY 2014. In FY 2016, total Utility Tax revenue is projected to be \$46.0 million. Utility Tax revenue represents 1.2 percent of General Fund Revenue in FY 2016. The table below displays the revenue by type of utility in FY 2015.

Table 6
Utility Tax Revenue

	FY 2015 Revenue	Percent of Total
Electric	\$36,232,215	79.1%
Gas	9,580,232	20.9%
Total	\$45,812,447	100.0%

Based on Fairfax County's rates and taxable ceilings shown in the table below, the maximum a residential consumer could pay annually is \$48.00 in Electric Utility Taxes and \$48.00 in Gas Utility Taxes. A non-residential consumer could pay an annual maximum of \$12,000 in Electric Utility Taxes and \$3,600 in Gas Utility Taxes.

Table 7
CONSUMER UTILITY TAXES ON ELECTRICITY AND NATURAL GAS

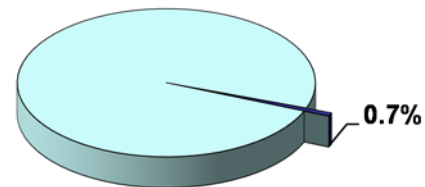
ELECTRICITY		NATURAL GAS	
Electric Power Customer Class	Monthly Tax FY 2001 - FY 2016	Natural Gas Customer Class	Monthly Tax FY 2001 - FY 2016
Residential	\$0.00605 per kWh	Residential	\$0.05259 per CCF
Minimum	+\$0.56 per bill	Minimum	+\$0.56 per bill
Maximum	\$4.00 per bill	Maximum	\$4.00 per bill
Master Metered		Master Metered	
Apartments	\$0.00323 per kWh	Apartments	\$0.01192 per CCF
Minimum	+\$0.56 / dwelling unit	Minimum	+\$0.56 / dwelling unit
Maximum	\$4.00 / dwelling unit	Maximum	\$4.00 / dwelling unit
Commercial	\$0.00594 per kWh	Nonresidential	\$0.04794 per CCF
Minimum	+\$1.15 per bill	Minimum	+\$0.845 per bill
Maximum	\$1,000 per bill	Maximum	\$300 per bill
Industrial	\$0.00707 per kWh	Nonresidential	
Minimum	+\$1.15 per bill	Interruptible	\$0.00563 per CCF
Maximum	\$1,000 per bill	Minimum	+\$4.50 per meter
		Maximum	\$300 per meter

Fairfax County General Fund Revenue – FY 2016

VEHICLE LICENSE / REGISTRATION FEE CURRENT & DELINQUENT

	<i>Millions</i>	<i>Growth</i>
FY 2013 Actual	\$26.4	0.3%
FY 2014 Actual	\$26.7	1.2%
FY 2015 Actual	\$26.8	0.1%
FY 2016 Adopted	\$27.0	0.9%

Vehicle License /
Registration Fee
Percent of FY 2016
General Fund



Description

Section 46.2-752 of the *Code of Virginia* authorizes localities to levy a vehicle license or decal fee, on motor vehicles, trailers and semi-trailers. Fairfax County began levying the fee in the mid-1970s but eliminated it from FY 2007 through FY 2010. The fee was reinstated in FY 2011. At that time, the requirement to display a vehicle decal was eliminated. The Vehicle License Fee is included in the County's Personal Property Tax bill and is due on October 5th each year. For vehicles purchased or brought into the County during the year, the fee is prorated for the number of months the vehicle is located in the County.

According to the *Virginia Local Tax Rates, 2014*, 34 of the 38 cities, 86 of the 95 counties and 120 towns levied vehicle license fees during the 2014 tax year. Of these jurisdictions, 26 cities, 70 counties (including Fairfax County), and 66 towns reported that they no longer require the display of a vehicle decal.

Localities have authority to make certain exemptions from the Vehicle License fee. In Fairfax County, one vehicle owned by seniors and people with disabilities receiving Real Estate Tax Relief is exempted from the Vehicle Registration Fee. In addition, vehicles owned or leased by disabled veterans, auxiliary police officers and members of volunteer fire and rescue departments are exempt from the fee.

Tax Limitations

The local Vehicle License fee may not exceed the level charged by the state, which is currently \$40.75 for vehicles weighing less than 4,000 pounds. This includes a base fee of \$33.00 plus \$6.25 for emergency medical service (EMS) programs and a \$1.50 safety inspection fee. The base state fee for vehicles weighing more than 4,000 pounds is \$38. With the EMS program fee and safety inspection fee, the state fee for vehicles over 4,000 pounds is \$45.75. The state fee for motorcycles is \$28.75 (\$18 base fee, \$3 surcharge, \$6.25 EMS fee and \$1.50 safety inspection fee.)

Fairfax County levies the Vehicle License Fee on private passenger vehicles at the state's base rate of \$33 for vehicles weighing less than 4,000 pounds, \$38 for those vehicles over 4,000 pounds and \$18 for motorcycles.

Fairfax County General Fund Revenue – FY 2016

Additional Revenue If Fee were Increased

Because the County's Vehicle License Fees are below the state maximums, the fee could be raised. Based on revenue received in FY 2015, each \$1 increase in the fee would generate an additional \$760,000 in revenue. At the state maximum rates, approximately \$6.0 million would be generated.

Fees in Surrounding Jurisdictions

The table below shows Vehicle License Fees in Fairfax County and surrounding jurisdictions. The other localities charge one fee for private passenger vehicles regardless of weight.

Table 8		
Vehicle License Fees in Fairfax County and Surrounding Jurisdictions		
Locality	Private Passenger Vehicles	
	Vehicles	Motorcycles
Fairfax County		\$18
Vehicles up to 4,000 lbs	\$33	
Vehicles >4,000 lbs	38	
Alexandria	33	21
Arlington County	33	18
Falls Church	33	28
Fairfax City	33	18
Loudoun County	25	16
Prince William County	24	12

Statistics

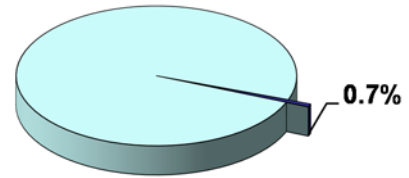
- In FY 2015, the Vehicle License Tax generated \$26.8 million in revenue. Current Taxes collected were \$26.1 million while receipts from Delinquent Vehicle License Taxes were \$0.7 million. Current and Delinquent Vehicle License Taxes are projected to generate \$27.0 million in FY 2016.

Fairfax County General Fund Revenue – FY 2016

RECORDATION AND DEED OF CONVEYANCE TAXES

	<i>Millions</i>	<i>Growth</i>
FY 2013 Actual	\$33.7	-7.8%
FY 2014 Actual	\$25.1	-25.4%
FY 2015 Actual	\$30.3	20.5%
FY 2016 Adopted	\$24.9	-17.8%

Recordation &
Deed of Conveyance
Percent of FY 2016
General Fund



Description

State and local recordation (grantee) and deed of conveyance (grantor) taxes are levied when real estate property in the County is sold or conveyed. The Recordation Tax is also paid when property is refinanced.

Recordation (Grantee) Tax

Virginia Code §58.1-814 and §58.1-3800 permits Virginia cities and counties to levy the recordation tax at one-third the state tax rate. On September 1, 2004, the state tax on recording deeds was increased from 15 cents to 25 cents per \$100 of the deed, or the actual value of the property conveyed, whichever is greater. As a result of the state increase, the County's Recordation Tax was increased from 5 cents to 8.33 cents per \$100 of value. The proceeds from this portion of the tax are deposited in the County's General Fund. Recordation Taxes are paid by the purchaser of the property. A portion of the state-collected Recordation Tax for property located in Northern Virginia is transferred to the Northern Virginia Transportation Commission for repayment of transportation bonds.

As of July 1, 2012, the state Recordation Tax on mortgage refinancings was reduced from 25 cents per \$100 of the deed to 18 cents; thus, the County's Recordation Tax on refinancings was reduced to 6 cents per \$100 of value. The tax is to be paid regardless of the lender. Previously, if refinancing with the same lender, the borrower was exempt from the Recordation Tax. The tax rate for recording property that was purchased was not reduced.

Deed of Conveyance (Grantor) Tax

The Deed of Conveyance is paid by the seller of the property. The state Deed of Conveyance Tax is 50 cents for each \$500, or fraction thereof (§58.1-802). One-half of the Deed of Conveyance Tax collected goes into the state treasury, while the other half is returned to the locality where the property is located. Deed of Conveyance Taxes are not levied on mortgage refinancings.

Fairfax County General Fund Revenue – FY 2016

Regional Grantor Tax

In addition to the state and local Grantor Tax, HB 2313 passed in 2013 imposes a \$0.15 per \$100 Grantor Tax called the “Regional Congestion Relief Fee” in the Northern Virginia Transportation District to help fund transportation projects. Localities in the district are Alexandria, Arlington, Fairfax City, Fairfax County, Falls Church, Loudoun County, Prince William County, Manassas, Manassas Park, Vienna, and Herndon. The revenue generated from this state tax is remitted to the Northern Virginia Transportation Authority.

Issues

- Recordation and Deed of Conveyance Taxes are relatively easy to administer.
- This revenue category is very sensitive to changes in the housing market and mortgage interest rates and experiences significant annual variability. Combined Recordation and Deed of Conveyance Tax receipts peaked at \$51.4 million in FY 2006 during the real estate boom. Receipts fell to a 13-year year low of \$24.9 million in FY 2010.
- Recordation Taxes are more sensitive to fluctuations in interest rates because the tax is levied when mortgages on property located in the County are refinanced, whereas the Deed of Conveyance Tax is not.

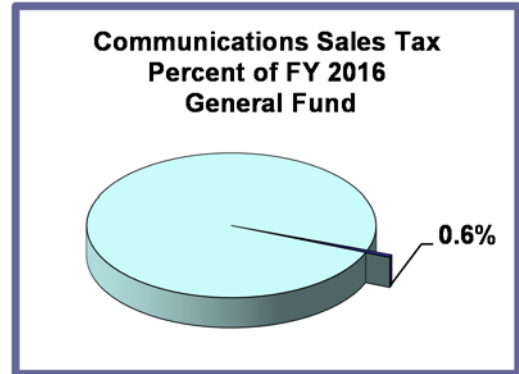
Statistics

In FY 2015, Recordation and Deed of Conveyance Taxes were \$23.9 million and \$6.4 million, respectively. The combined total was \$30.3 million, an increase of 20.5 percent over FY 2014. As interest rates are anticipated to rise, these categories are expected to fall in FY 2016 to a total of \$24.9 million.

Fairfax County General Fund Revenue – FY 2016

COMMUNICATIONS SALES & USE TAX (GENERAL FUND PORTION)

	<i>Millions</i>	<i>Growth</i>
FY 2013 Actual	\$47.9	1.9%
FY 2014 Actual	\$45.8	-4.4%
FY 2015 Actual	\$20.8	-54.5%
FY 2016 Adopted	\$21.9	5.1%



Description

The Communications Sales and Use Tax is a statewide tax that was first implemented in January 2007, after the 2006 Virginia General Assembly approved legislation that changed the way in which taxes are levied on communications services. Based on this legislation, local taxes on land line and wireless telephone services were replaced with a 5 percent statewide Communication Sales and Use Tax. In addition to the communications services previously taxed, the 5 percent Communication Sales Tax applies to satellite television and radio services, internet calling and long-distance telephone charges. As part of this legislation, local E-911 fees were repealed and replaced with a statewide \$0.75 per line per month fee. These rates were meant to provide revenue neutrality to localities with FY 2006 receipts. All communications taxes are remitted to the state for distribution to localities based on the locality's share of total statewide FY 2006 collections of these taxes. Fairfax County's share is determined by the state and is set at 18.89 percent.

Of the total tax, the Cable Franchise portion is directed to the County's Fund 40030, Cable Communications. Prior to FY 2015, the percentage of the remaining revenue was directed to Fund 40090, E-911 and the General Fund based on their relative share of the tax in FY 2006. However, to cover all the expenses in the E-911 Fund, a transfer from the General Fund was still required. To eliminate the need for a General Fund transfer, as of FY 2015, the amount of the Communications Sales Tax directed to Fund 40090, E-911 is determined based on expenditure requirements of the fund so that no General Fund transfer is required.

Tax Limitations

The Communications Tax is a state tax and the 5.0 percent tax rate is set by the state.

Issues

- Revenue from the Communications Tax has declined over time. In FY 2006, prior to the replacement of local Communication Taxes by the state tax, the County generated \$85.5 million in combined local Communication Taxes (the consumer utility tax on land-line and wireless telephone services, the E-911 Tax and the Cable Franchise Fee.) In FY 2015, the statewide Communications Sales and Use Tax generated \$79.3 million for Fairfax County.

Fairfax County General Fund Revenue – FY 2016

- The 2015 General Assembly directed the Virginia Department of Taxation to conduct a study of the performance of the Communications Sales and Use Tax. The report which was released in December 2015 indicated that statewide, the tax had declined in five out of 7 years including FY 2013 through FY 2015. The advisory panel that authored the report recommended that if the General Assembly wanted to increase the revenue from the tax that it could broaden the tax base by eliminating current exemptions for audio and video streaming services and prepaid calling services.

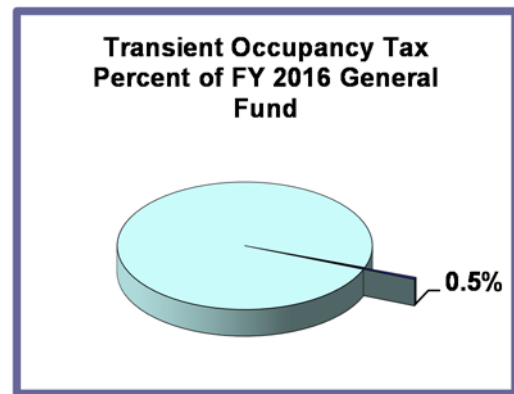
Statistics

In FY 2016, total Communications Sales Taxes are projected to be \$81.0 million. From the total tax, Cable Franchise Fees of \$17.8 million will be directed to Fund 40030, Cable Communications. Of the remaining tax, \$41.3 million will be posted in Fund 40090, E-911 and \$21.9 million to the General Fund in FY 2016.

Fairfax County General Fund Revenue – FY 2016

TRANSIENT OCCUPANCY TAX

	Millions	Growth
FY 2013 Actual	\$19.0	-3.0%
FY 2014 Actual	\$18.3	-3.5%
FY 2015 Actual	\$20.0	9.3%
FY 2016 Adopted	\$19.3	-3.6%



Description

The Transient Occupancy Tax is charged for the occupancy of any room or space in hotels, motels, boarding houses, travel campgrounds, or other facilities providing lodging for less than 30 days. While cities and towns are granted the authority to levy a Transient Occupancy Tax without any rate limitation, counties in Virginia are limited to a tax rate of 2.0 percent based on §58.1-3819 of the *Code of Virginia*, unless given special legislative authority to levy the tax at a higher rate.

During the 2004 General Assembly session, legislation was approved allowing Fairfax County to raise its Transient Occupancy Tax from 2.0 percent to 4.0 percent with the additional 2.0 percent being used to promote tourism in the County (*Code of Virginia* §58.1-3824.) The Board of Supervisors approved this increase, effective July 1, 2004, as part of the FY 2005 Adopted Budget Plan. As required by legislation, 25.0 percent of the additional revenue is designated to the Fairfax County Convention and Visitors' Center. The remaining 75.0 percent of the additional tax must be used by the County to promote tourism.

According to *Virginia Local Tax Rates 2014*, 37 of the 38 cities, 76 of the 95 counties, and 73 of the reporting towns levied a Transient Occupancy Tax during the 2014 tax year. Of the 76 counties that impose a Transient Occupancy Tax, 57 have been authorized to impose a tax higher than 2.0 percent. Restrictions vary on the use of the revenue generated above a 2.0 percent rate. For example, Arlington County was given special authorization to raise its Transient Occupancy Tax from 2.0 percent to 5.0 percent in 1977 with no restriction of how the revenue is to be used. Virginia Code §58.1-3819 allows 50 counties to impose a rate of up to 5.0 percent provided that the additional revenue above a 2.0 percent rate is used to promote tourism and travel. These localities include Loudoun, Prince William, Roanoke, Spotsylvania, and Stafford. In addition to the standard 2 percent rate allowed for counties, Chesterfield, Hanover, and Henrico are authorized to collect another 4 percent for the promotion of tourism, another 2 percent if the county's governing body approves construction of a county conference center and an additional 1 percent for development and improvement of the Virginia Performing Arts Foundation's facilities in Richmond or for promoting tourism and business in the Richmond metropolitan area. These counties currently levy an 8 percent Transient Occupancy Tax.

Fairfax County General Fund Revenue – FY 2016

Regional Transient Occupancy Tax

In addition to the local Transient Occupancy Tax, HB 2313 passed in 2013 imposes a 2 percent state lodging tax in the Northern Virginia Transportation District to help fund transportation projects. Localities in the district are Alexandria, Arlington, Fairfax City, Fairfax County, Falls Church, Loudoun, Prince William County, Manassas, Manassas Park, Vienna, and Herndon. The revenue generated from this state tax is remitted to the Northern Virginia Transportation Authority.

Tax Limitations

In Virginia, cities and towns may levy the tax with no limitations. Counties are limited to maximum of 2.0 percent unless specifically authorized by state legislation. Fairfax County is authorized to levy a local Transient Occupancy Tax of 4.0 percent.

In Virginia, the Transient Occupancy Tax is levied in addition to the Sales Tax.

Issues

- A majority of the tax is paid by visitors, which makes this tax a method to transfer some tax burden to nonresidents. For business travelers, the tax paid is reimbursed and can be considered a cost of doing business.
- Studies indicate that the demand for lodging is price inelastic, or insensitive to price changes. Therefore, a moderate occupancy tax has little effect on the number of rooms rented. Consumers choose hotels based on location and advertised price, not tax rate.
- Revenue from the Transient Occupancy Tax is influenced by the economy and other external factors. For example, during federal government cutbacks, the Transient Occupancy Tax declined.

Statistics

In FY 2015, the Transient Occupancy Tax generated \$20.0 million, an increase of 9.3 percent over FY 2014. Transient Occupancy Tax rates levied in surrounding jurisdictions are shown in the following table.

Fairfax County General Fund Revenue – FY 2016

Table 9
FY 2016 Local Transient Occupancy Tax Rates by Jurisdiction

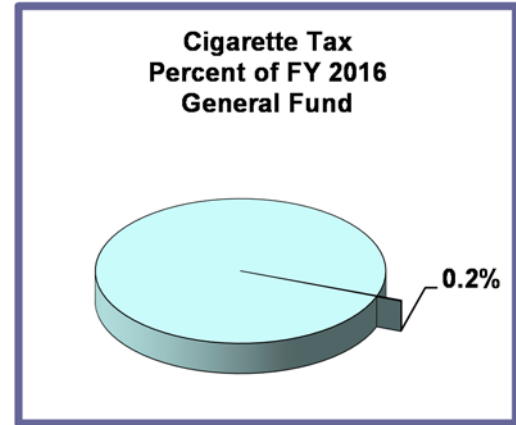
Locality	Locally Levied Transient Occupancy Tax Rate ¹	Comments
Virginia Localities²		
Alexandria	6.5% + \$1 per night	
Arlington County	5.0%	Arlington County has no use restrictions on the tax levied above the 2% rate allowed to be levied by counties.
Falls Church	7.0%	
Fairfax City	4.0%	
Fairfax County	4.0%	The additional 2% tax must be used for tourism related purposes; 25% of that revenue is provided to the Fairfax County Convention and Visitors' Center. Fairfax County's 2% tourism rate is applied to the towns of Vienna and Herndon and is in addition to the town rates.
Herndon	6.0%	Fairfax County's 2% tax for tourism also applies to the town.
Loudoun County	5.0%	The additional 3% tax is deposited in the Restricted Use Transient Occupancy Tax Fund. Visit Loudoun is allocated 75% of the restricted revenues with the remaining 25% of the restricted revenue available to fund other tourism uses.
Manassas	5.0%	
Prince William County	5.0%	Revenue from a 3% tax rate must be used for tourism-related purposes.
Vienna	3.0%	Fairfax County's 2% tourism rate also applies to the town.
Other Local Jurisdictions		
Washington DC	14.5%	
Montgomery County, Maryland	7.0%	
Prince George's County, Maryland	7.0%	

¹ A state Transient Occupancy Tax of 2% also applies in Northern Virginia localities. This additional tax is for transportation purposes and is remitted to the Northern Virginia Transportation Authority.

² Virginia counties are restricted to a 2% tax rate unless authorized by legislation.

Fairfax County General Fund Revenue – FY 2016

CIGARETTE TAX		
	Millions	Growth
FY 2013 Actual	\$8.3	-7.3%
FY 2014 Actual	\$7.8	-6.0%
FY 2015 Actual	\$7.4	-5.8%
FY 2016 Adopted	\$7.2	-2.7%



Description

The *Code of Virginia* §58.1-3830 allows cities, counties and towns to impose a local Cigarette Tax if the locality had the authority prior to January 1, 1977. In addition, a state tax is imposed for the storage or receipt of cigarettes for purposes of distribution within the state. The Cigarette Tax is levied in addition to the Sales Tax.

Cities and towns are permitted to levy the tax without restriction on the rate charged. As specified in the *Code of Virginia* §58.1-3831, only the counties of Fairfax and Arlington may levy a Cigarette Tax and only at a rate not to exceed 5 cents per pack of 20 cigarettes or the amount levied by the state, whichever is greater. Until 2004, the state tax on cigarettes was 2.5 cents per pack so the maximum the County could levy was 5 cents per pack. The state raised its tax on cigarettes to 20 cents per pack effective September 1, 2004 and to 30 cents per pack as of July 1, 2005. Fairfax County and Arlington County concurrently raised their Cigarette Taxes to equal the state rate. Cities and towns in Northern Virginia levy the tax at higher rates. Alexandria levies the tax at \$1.15 per pack of 20 cigarettes; whereas, Fairfax City levies the tax at 85 cents while Falls Church, Vienna and Herndon levy at a rate of 75 cents per pack. The Northern Virginia Cigarette Tax Board, a regional, inter-jurisdictional enforcement authority, collects the tax from retailers for all of the above jurisdictions except for Arlington County (which collects the tax itself). The Cigarette Tax Board deducts an administrative fee from the taxes collected and remits the remainder to member jurisdictions based on point of sale. Staff from each of the member jurisdictions is represented on the Cigarette Tax Board. In addition to the jurisdictions listed above, member jurisdictions include Manassas, Manassas Park, Purcellville, Leesburg, Warrenton and Dumfries.

According to *2014 Tax Rates: Virginia's Cities, Counties and Selected Towns*: 29 of the 38 Virginia cities and 52 towns levied a tax on cigarettes in tax year 2014. Only the counties of Arlington and Fairfax levied the tax, the only counties with authorization to do so.

Fairfax County General Fund Revenue – FY 2016

Tax Limitations

Cities and towns may levy a Cigarette Tax only if they had authority to do so prior to January 1, 1977. Except for Arlington County and Fairfax County, counties in Virginia are not allowed to levy a Cigarette Tax. Arlington and Fairfax counties are limited to the rate levied by the Commonwealth of Virginia. An increase over the state rate would require state-enabling legislation for these two counties.

Issues

- Changes in Cigarette Tax revenue may be affected by the level of expenses of the Northern Virginia Cigarette Tax Board. Expenses include staff salaries, office space, vehicles purchases and operation and computers expenses. Total expenses are distributed to member localities based on the locality's share of the number of cigarette packs sold.

Statistics

Since reaching a peak of \$10.4 million in FY 2006, Cigarette Tax revenue has declined in every year except one. FY 2015 Cigarette Tax receipts were \$7.4 million and are expected to be \$7.2 million in FY 2016.

Fairfax County General Fund Revenue – FY 2016

OTHER TAX CATEGORIES

Bank Franchise Tax

The Bank Franchise Tax is a tax on the net capital of a bank as defined in the *Code of Virginia* §58.1-1205. The term “bank” means any incorporated bank, banking association or savings bank that is a member of the Federal Reserve System. Banks file concurrent returns to the state and County by March 1 each year. The state rate is \$1.00 per each \$100 of net capital. Fairfax levies the maximum local tax of \$0.80 per \$100 of net capital. If a locality imposes the local tax, the bank is entitled to a credit against the state franchise tax. The Fairfax County Department of Tax Administration sends bills to the banks for the local tax in April and the tax is due June 1. A county tax does not apply to incorporated towns.

Revenue: FY 2013, \$17.0m; FY 2014, \$16.7m; FY 2015, \$15.4m; FY 2016 est., \$15.9 m.

Consumption Tax

Authorized by the *Code of Virginia* §58.1-2900, this tax is levied on consumers of electricity and gas and is in addition to the Consumer Utility Tax. The tax replaced the BPOL tax on utility companies in 2001 following the deregulation of gas and electric utilities. Rates are set by the state and are based on usage.

Revenue: FY 2013, \$4.0m; FY 2014, \$3.9m; FY 2015, \$3.8m; FY 2016 est., \$3.9m

Vehicle Rental Tax

Authorized by the *Code of Virginia* §58.1-2400, businesses collect a tax of 4.0 percent of the gross proceeds on the vehicle rental and remit the tax to the Virginia Department of Taxation. The tax is distributed to localities monthly. Prior to July 1, 2012, the tax was collected by the Virginia Department of Motor Vehicles and remitted to localities quarterly.

Revenue: FY 2013, \$2.7m; FY 2014, \$2.4m; FY 2015, \$2.5m; FY 2016 est., \$2.4m

Short Term Daily Rental Property Tax

The *Code of Virginia* §58.1-3510, authorizes localities to levy a 1 percent tax on the gross receipts generated from the rental of tangible personal property other than vehicle rentals. The code allows a 1.5 percent tax on heavy equipment rentals. In Fairfax County, all short-term rentals are taxed at 1.0 percent. The tax is levied on merchants that derive at least 80 percent of their gross rental income from rentals made for a period of 92 days or less. The tax is collected from the consumer and is remitted to the County quarterly in lieu of the payment of business personal property tax on the rental inventory. Examples of property subject to the tax include video rentals and rentals of gardening equipment.

Revenue: FY 2013, \$0.3m; FY 2014, \$0.3m; FY 2015, \$0.4m; FY 2016 est., \$0.3m

Fairfax County General Fund Revenue – FY 2016



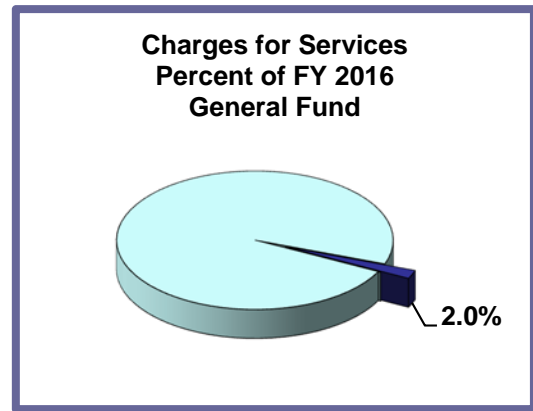
SECTION II:

OTHER MAJOR REVENUE SOURCES



Fairfax County General Fund Revenue – FY 2016

CHARGES FOR SERVICES		
	Millions	Growth
FY 2013 Actual	\$72.7	4.4%
FY 2014 Actual	\$71.3	-1.9%
FY 2015 Actual	\$72.9	2.2%
FY 2016 Adopted	\$74.6	2.3%



Description

Fairfax County charges fees for a wide variety of services including before and after school care, recreation activities, animal shelter impoundments and adoptions, overdue library books and various Health Department services. Service charges, or user fees, are an equitable way to finance the cost of government services that do not benefit the general public. The cost is borne by those that use the service. Many of the County's fees include a sliding scale based on ability-to-pay.

County fees and fares are reviewed regularly to maximize revenue, increase cost recovery and to maintain consistency with surrounding jurisdictions. Some fees are adjusted annually.

Four of the largest fees included in Charges for Services are discussed below. The Emergency Medical Transport Fee is also included in the Charges for Services category and is discussed in more detail at the end of this section.

School Age Child Care (SACC)

In FY 2016, the before and after school SACC program will provide child care for approximately 10,500 children daily (unduplicated count) in 140 SACC centers located throughout the County in 138 schools, one community center, and one recreation center. SACC also provides programs during winter and spring breaks and during the summer. Parental fees offset the cost of SACC programs. Fees are adjusted annually and are determined by a sliding scale based on income. In FY 2016, SACC Fees are projected to generate \$37.3 million.

Clerk Fees

Clerk Fees are authorized in §17.1-275 of the *Code of Virginia* and represent the County's share of fees paid to the Circuit Court for recording wills, deeds and marriage licenses; filing civil suits, criminal actions and financing statements; and other miscellaneous duties. Any assignment of a mortgage loan due to refinancing, home sale or change in bank financing is subject to a processing fee imposed by the Circuit Court. Consequently, these fees are sensitive to fluctuations in the housing market. These fees are collected by the Clerk of the Courts and remitted in their entirety to the Virginia Compensation Board. If fees collected exceed the amount of the payroll and expenses of the Circuit Court, the locality is determined to be in "excess" status and is refunded

Fairfax County General Fund Revenue – FY 2016

one-third of the excess fees with the Commonwealth retaining two-thirds. Prior to FY 2010, the locality was refunded two-thirds the excess Clerk Fee with the Commonwealth retaining one-third. In FY 2016, Fairfax County's share of excess Clerk Fees is projected to be \$4.3 million.

Health Department Fees

Fees are charged for a variety of medical services provided by the County's Health Department. Most of these fees are set by the state with a differential allowance for Northern Virginia. In FY 2016, Health Department Fees are projected to generate \$3.8 million.

Recreation Fees

Recreation Fees are charged for classes at community centers and other Department of Neighborhood and Community Services' (DNCS) programs. In addition, fees for the Rec-Pac program, camps and some tours offered by the Park Authority are included in this General Fund revenue category. In FY 2016, Recreation fees are projected to generate \$2.6 million.

Issues

- It is economically efficient and equitable to charge users directly for the services that they consume. In this instance, taxpayers do not pay for services they neither want nor need.
- User fees reduce the reliance on General Property Taxes to fund services that benefit a particular segment of the population.
- When charged for a service, users have an incentive to use only what is needed or desired.
- Charges for Services may impose a burden on low-income individuals. To reduce this burden, alternative fee structures can be established based on income.

Fee Limitations

For most fees included in Charges for Services, there are no rate limitations. Two notable exceptions are Clerk Fees and Health Department Fees. Clerk Fees and many Health Department Fees are determined by the Commonwealth of Virginia. The County currently charges the maximum permitted on those categories.

Statistics

As of the FY 2016 Adopted Budget Plan, Charges for Services are projected to be \$74.6 million representing 2.0 percent of total General Fund revenue. The largest category, School Age Child Care (SACC) fees is anticipated to generate \$37.3 million in FY 2016. Other fees included in this category with the associated FY 2016 revenue projection include Emergency Medical Services Transport Fees, \$17.9 million; Clerk Fees, \$4.3 million; Recreation Fees, \$2.6 million; Health Department Fees, \$3.8 million; and, Library Overdue Fees, \$1.3 million.

Fairfax County General Fund Revenue – FY 2016

Emergency Medical Services Transport Fee

Description

Section 32.1-111.14 of the *Code of Virginia* authorizes localities to make reasonable charges for the use of emergency medical service (EMS) vehicles. The fee was first levied in Fairfax County in April 2005 after a task force of County staff and community members recommended the implementation of an EMS fee. The fee applies only when a transport occurs, not for care rendered when there is no transport. Fees were last increased in FY 2015. FY 2016 fees for EMS transport services are shown in the following table:

Table 10	
Fairfax County EMS Transport Fees	
Type of Service	FY 2016 Rate
Basic Life Support (BLS) Transport	\$500
Advanced Life Support (ALS) Level 1 Transport	\$650
Advanced Life Support (ALS) Level 2 Transport	\$800
Mileage from patient pick-up to hospital	\$12 per mile

The billing plan waives the 20 percent Medicare co-payment for EMS transport service, as well as, health plan co-payments for County residents. Co-payments are billed for persons who are transported and are not residents of Fairfax County. A hardship waiver procedure is used for County residents who are not insured and for whom payment would create a financial difficulty. Ability-to-pay is not considered in the provision of emergency medical transport services.

Fee Limitations

An EMS fee must not exceed the cost of providing the service.

Issues

- Payment for ambulance transport services is a common component of health insurance coverage. Reimbursement by Medicare and Medicaid is based on schedules set annually.
- The fee covers only a portion of the County's transport cost. In FY 2015, the average estimated cost of an EMS transport in Fairfax County was \$1,207.

Fairfax County General Fund Revenue – FY 2016

Other Jurisdictions

EMS transport fees in Fairfax County and surrounding jurisdictions are shown in the table below.

Table 11 FY 2016 EMS Transport Fees in Surrounding Jurisdictions				
Locality	BLS	ALS1	ALS2	Charge Per Mile
Alexandria	\$400	\$500	\$675	\$10.00
Arlington County	400	500	675	10.00
Fairfax City	572	676	780	10.40
Fairfax County	500	650	800	12.00
Loudoun County	467	660	770	11.00
Prince William County	400	500	700	10.00
District of Columbia	428	508	735	6.55
Montgomery County	400	500	700	8.50

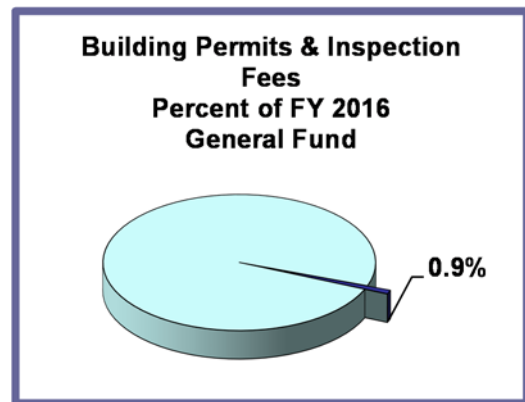
Statistics

In FY 2015, EMS transports totaled 50,692 generating \$17.9 million in revenue.

Fairfax County General Fund Revenue – FY 2016

BUILDING PERMITS & INSPECTION FEES

	<i>Millions</i>	<i>Growth</i>
FY 2013 Actual	\$28.3	5.0%
FY 2014 Actual	\$28.9	2.4%
FY 2015 Actual	\$33.7	16.3%
FY 2016 Adopted	\$34.0	1.1%



Description

The *Code of Virginia* authorizes localities to charge fees for the review, permit, inspection and administration of development and construction-related activities. In Fairfax County, the Land Development Services (LDS) agency administers fees for the following types of services: the review of plans, plats and studies related to building and development; the issuance of building permits; the inspection of site and subdivision development; the inspection of building construction and alterations; and the testing of materials used in development and construction. Consistent with the Board of Supervisors' policy, these fees are designed to recover at least 90 percent, but no more than 100 percent of the costs associated with these services.

Fee Limitations

Building Permits and Inspection Fees have no rate limitations except those determined by the Board of Supervisors in regards to cost recovery and consistency with surrounding jurisdictions.

2015 Fee Increase

The Board of Supervisors approved increases to LDS fees effective January 1, 2015. The fee increase supported additional staff resources in a variety of agencies involved in the plan review, permit and inspection process. The goal of the additional staff is to assist the County in improving customer service and to reduce plan review timeframes.

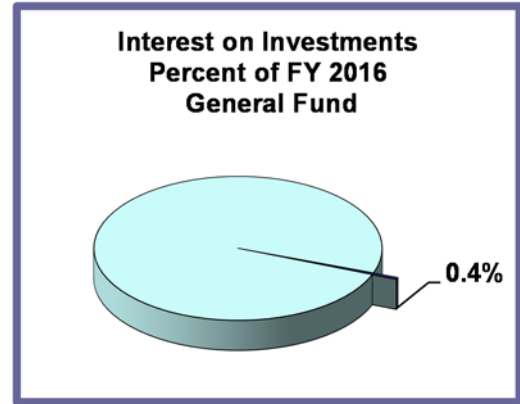
Statistics

In FY 2015, Building Permits and Inspection Fee revenue was \$33.7 million, an increase of 16.3 percent over FY 2014. The increase was due to construction activity and the fee increase implemented on January 1, 2015. In FY 2016, fees are projected to be \$34.0 million.

Fairfax County General Fund Revenue – FY 2016

INTEREST ON INVESTMENTS

	<i>Millions</i>	<i>Growth</i>
FY 2013 Actual	\$13.3	-7.4%
FY 2014 Actual	\$10.8	-18.7%
FY 2015 Actual	\$10.7	-1.4%
FY 2016 Adopted	\$15.8	47.9%



Description

Interest income is generated from the County investment portfolios. The amount of revenue generated depends on the size of the County's investment portfolios and the market rates of interest prevailing at the time when the instruments were purchased. The County's portfolio is managed with the following priorities: safety, liquidity and yield. The County's investment policy is dictated by state statute and policies established by the County's Investment Committee. The Investment Committee consists of the following employees:

- Chief Financial Officer/Director of Management and Budget
- Director, Department of Tax Administration
- Director, Department of Finance
- Deputy Director, Department of Finance
- Investment Manager and Investment Analysts, Department of Finance

Through careful fiscal planning and sound financial management, Fairfax County has achieved a "triple A" bond rating from Moody's Investors Service, Inc., Standard and Poor's Corporation and Fitch Investor's Services, the three major bond rating agencies in the country. Fairfax County is one of only 80 local and state governments evaluated by the three rating agencies that currently maintain this status. The County's exceptional "triple A" bond rating gives its bonds an unusually high level of marketability and results in the County being able to borrow for needed capital improvements at low rates, thus realizing significant savings now and in the future for the citizens of Fairfax County.

The County's investment staff manages various portfolios: a short-term Liquidity portfolio, a Core portfolio with maximum maturities of one year, a Core Extended portfolio with maximum maturities of two years (with maturities laddered), a Revenue Stabilization portfolio, and bond proceeds.

Fairfax County General Fund Revenue – FY 2016

Issues

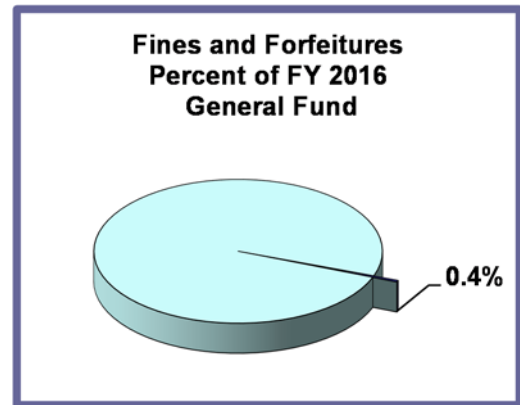
- Interest on Investments revenue is very sensitive to prevailing market conditions such as interest rates, making it a volatile revenue source.
- Risk is minimized through diversification of investment instruments to avoid over-investment in specific instruments such as individual financial institutions or maturities.

Statistics

In FY 2007 when the average yield on County investments was 5.1 percent, Investment Interest revenue was at a record high of \$92.1 million; however revenue fell each year through FY 2015 when Interest on Investments was \$10.7 million. The federal funds rate remained at a targeted rate of 0.0 percent to 0.25 percent from December 2008 until December 2015 when the target was increased to 0.25 percent to 0.50 percent. The federal funds rate is anticipated to be raised modestly through 2016 and as a result, Investment Interest revenue is projected to increase in FY 2016 to \$15.8 million.

Fairfax County General Fund Revenue – FY 2016

FINES AND FORFEITURES		
	Millions	Growth
FY 2013 Actual	\$14.1	0.3%
FY 2014 Actual	\$14.1	-0.4%
FY 2015 Actual	\$13.1	-6.8%
FY 2016 Adopted	\$13.3	1.8%



Description

This category includes revenue collected for court fines, parking tickets and forfeitures as a result of violations of local ordinances. Any penalties and interest due to late payment of the fine is also included in this category.

General District Court Fines

The majority of the revenue in the Fines and Forfeitures category results from General District Court fines from criminal and traffic cases. When both state and County code exist for a traffic violation, the revenue is directed to the County only when the *Fairfax County Code* is cited on the traffic ticket. In FY 2016, General District Court fines are expected to be \$7.2 million including penalties and interest. Court fines are at the maximum allowed by the Commonwealth of Virginia.

Parking Tickets

All parking offenses are classified by state law as traffic infractions and the maximum penalty is set by Virginia Code §§46.2-100 and 46.2-113. In most cases, that maximum penalty is \$250 per violation. With three exceptions, the County Code currently imposes a fine of \$50 for parking violations. Handicapped accessible parking violations are at the maximum allowed at \$500 for each violation, the fine for parking a commercial vehicle in a residential area is \$100 and the fine for parking in a residential parking district without the required decal is \$75.

While the County could impose fines of up to \$250 per parking violation, there is a lower practical limit, because Virginia law gives persons the option of going to court to contest a parking offense. The court is allowed to follow a payment schedule of fines established by the Virginia Supreme Court that could lower the parking violation fee to \$20 with a court processing fee of \$61 for a total amount of \$81. The parking fine should remain low enough to encourage most violators to prepay parking tickets in lieu of pursuing a court appeal that would consume additional staff time and potentially result in a lower fine.

Fairfax County General Fund Revenue – FY 2016

In addition to the parking violation fee, the Department of Tax Administration charges other legally permissible fees, when applicable, in the collection of parking tickets which may include a \$25 penalty if the violation is not paid within 21 days; a \$30 administrative collection fee; \$20 Department of Motor Vehicles Registration Hold fee; plus private collection agent fees of 20 percent. In FY 2016, Parking Ticket revenue is projected to generate \$3.1 million.

Fairfax County General Fund Revenue – FY 2016



SECTION III:

OTHER POTENTIAL REVENUE SOURCES NOT CURRENTLY LEVIED



Fairfax County General Fund Revenue – FY 2016

MEALS TAX

Potential Revenue from a 1.0 percent Meals Tax:	\$22.5 million
Potential Revenue from a 4.0 percent Meals Tax:	\$90.0 million

Description

As authorized by §58.1-3833 of the *Code of Virginia*, counties may levy a Meals Tax on food and beverages offered for human consumption if the tax is approved in a voter referendum. The voter referendum may be initiated either by a resolution of the Board of Supervisors or on the filing of a petition signed by 10 percent of the voters registered in the County. Cities and towns may impose a Meals Tax without holding a referendum. In addition, several counties have been exempted from the voter referendum requirement in the *Code of Virginia* provided that a public hearing is held before adoption and the governing body by unanimous vote adopts the tax by local ordinance. The counties granted an exemption to the voter referendum requirement are Arlington County, Roanoke County, Rockbridge County, Frederick County, and Montgomery County.

As with many other local taxes, counties in Virginia are restricted in their authority to levy the Meals Tax within an incorporated town unless the town grants authority to the county. The Town of Vienna imposes a Meals Tax at 3.0 percent and Herndon levies a rate of 2.5 percent. Other Northern Virginia localities that tax meals are: Alexandria, Arlington, Fairfax City, Falls Church, Manassas, and Manassas Park. Each of these jurisdictions levies the meals tax at 4.0 percent. According to the *2014 Tax Rates: Virginia's Cities, Counties and Selected Towns Rates*, all 38 cities, 48 of the 95 counties, and 106 of the reporting towns levied a Meals Tax during the 2014 tax year.

Table 12 Meals Tax Rates in Northern Virginia Jurisdictions	
Locality	Meals Tax Rate
Alexandria	4.0%
Arlington County	4.0%
Fairfax City	4.0%
Fairfax County	—
Falls Church	4.0%
Herndon	2.5%
Loudoun County	—
Prince William County	—
Manassas	4.0%
Manassas Park	4.0%
Vienna	3.0%

Tax Limitations

Counties are limited to a rate of up to 4.0 percent and must gain voter approval in a referendum before levying the tax. There are no restrictions on the use of the tax revenue generated by the Meals Tax.

Fairfax County General Fund Revenue – FY 2016

Issues

- A Meals Tax would further diversify the County's revenue base. A 4.0 percent Meals Tax is equivalent to approximately 4.0 cents on the FY 2016 Real Estate Tax rate.
- A Fairfax County Meals Tax was put to voter referendum in April 1992, but was defeated 58 percent to 42 percent with approximately 102,000 votes cast, representing about 25 percent of total registered voters in 1992.
- In 2004, legislation was introduced in the General Assembly to exempt Fairfax County from the voter referendum requirement. The legislation was passed by the Senate but failed in the House.

Meal Tax Task Force

The Chairman of the Board of Supervisors convened a task force in the spring of 2014 to consider a meals tax referendum in the County. The Task Force developed arguments both for and against doing so but made no recommendation as to whether or not to proceed with a referendum.

Statistics

Based on calendar year 2013 taxable sales at Food and Drink Places in Fairfax County, a 1.0 percent Meals Tax would generate approximately \$22.5 million in revenue. At the maximum 4.0 percent rate, a County Meals Tax would generate annual revenue of approximately \$90.0 million. More information regarding the Meals Tax can be found in section A-5 of the Appendix.

Fairfax County General Fund Revenue – FY 2016

ADMISSIONS TAX

Potential Revenue from a 1.0 percent Admissions Tax:	\$0.6 million
Potential Revenue from a 5.0 percent Admissions Tax:	\$3.0 million
Potential Revenue from a 10.0 percent Admissions Tax:	\$6.0 million

Description

The local Admissions Tax is authorized in §58.1-3818 of the *Code of Virginia* and is a tax that may be imposed on the admission to almost any event. Events potentially subject to the Admissions Tax are classified according to the following six categories:

1. Events from which gross receipts go wholly to charitable purpose(s);
2. Public and private elementary, secondary, and college school-sponsored events, including events sponsored by school-recognized student organizations;
3. Entry into museums, botanical or similar gardens, and zoos;
4. Participation in sporting events;
5. Entry into major league baseball games and events at major league baseball stadiums with a seating capacity of at least 40,000 persons; and,
6. All other admissions.

A locality that levies the tax may choose on which of the six categories to impose the tax and can target specific types of events and may charge various rates for different events. Organizations exempt from sales and use taxes are eligible to request that admissions taxes be waived for events where the sole purpose is to raise money for charitable purposes.

Tax Limitations

Cities and towns have the authority to impose the tax with no rate ceiling. Thirteen counties including Fairfax have been authorized to levy a tax on admissions. Counties are limited to a rate of 10 percent of the admission price.

Other Jurisdictions

According to *2014 Tax Rates: Virginia's Cities, Counties and Selected Towns Rates*, 16 of the 38 cities levied an Admissions Tax during the 2014 tax year. Only three of the thirteen counties authorized to levy the tax do so. These counties are Dinwiddie, New Kent and Roanoke.

The City of Alexandria began levying an Admissions Tax on the sale of movie and live theater tickets in FY 2006. Alexandria's tax is equal to 10 percent of the admissions fee up to 50 cents. Alexandria reports that receipts have declined over the past several years due to decreases in movie theater attendance in the City. In Alexandria, the Admissions Tax is expected to generate \$0.8 million in FY 2016.

According to the Virginia Auditor of Public Accounts, Virginia Beach collected the highest level of Admission Taxes in FY 2014 at \$6.0 million. Norfolk was second at \$3.7 million. Norfolk levies the tax at a rate of 10 percent while Virginia Beach charges 5 percent for sporting events and 10

Fairfax County General Fund Revenue – FY 2016

percent for concerts. Both of these cities have a concert hall and Norfolk is the home of a Triple-A baseball team.

Issues

- Fairfax County attempted to impose an Admissions Tax in 1970; however, theater owners successfully challenged the tax in the Fairfax County Circuit Court. The Court ruled that the enabling legislation violated: 1) the Virginia Constitution's restrictions against special legislation for the assessment and collection of taxes and 2) the Equal Protection Clause of the Fourteenth Amendment to the United States Constitution. However, the first ruling is no longer valid because of changes to the Virginia Constitution effective in 1971 that permits the General Assembly to enact special legislation regarding taxation. Because of the change in the Virginia Constitution, the Board of Supervisors adopted a second local Admissions Tax ordinance in 1972 but the new ordinance was also challenged by local theater owners who raised new objections and renewed their federal constitutional claims. The Board repealed its second ordinance prior to trial in June 1973. The Board has made no further efforts to enact a County Admissions Tax.
- Federal law restricts the imposition of a County Admissions Tax on events conducted at the Filene Center at Wolf Trap which is owned by the federal government. Tickets at the Barns at Wolf Trap could be taxed. However, the Barns would be exempt if non-profits as a group were exempted.
- On October 2, 2009, the Virginia Attorney General ruled that the County could levy a tax on admissions for non-university events at the Patriot Center (now named Eagle Bank Arena) on the George Mason University campus.
- Since Fairfax County has a potentially wide range of ticket prices, a percentage tax rate would be more equitable than a maximum amount per ticket. Setting a maximum per ticket would put a larger burden on movie theater attendees (as a percentage of ticket price). For example, a 50 cent maximum on a movie ticket of \$10 is equal to 5 percent. A 50 cent maximum on a \$50 ticket at Eagle Bank Arena would equate to a 1 percent tax.

Alexandria's Experience

Businesses subject to the Admissions Tax file monthly with the City of Alexandria. Alexandria has less than 1 full-time staff person assigned to the Admissions Tax. If Fairfax County were to levy an Admissions Tax, more staff would likely be required because of the larger number of venues subject to the tax. There are just two movie theaters in the City of Alexandria.

Fiscal Impact

If levied in Fairfax County, each 1 percent Admission Tax is projected to generate revenue of approximately \$0.6 million; therefore, a 5 percent tax would generate \$3.0 million and a maximum 10 percent Admissions Tax would generate \$6.0 million.

Fairfax County General Fund Revenue – FY 2016

PROBATE TAX

Potential Revenue from a Probate Tax: \$0.3 million

Description

The *Code of Virginia* §58.1-1718 authorizes cities and counties to impose a tax on the probate of every will or grant of administration equal to one-third the state tax rate. The state tax rate is \$0.10 for every \$100 of assessed value for estates over \$15,000.

According to *Virginia Local Tax Rates, 2014*, 23 of the 38 cities and 54 of the 95 counties levied a Probate Tax in 2014.

Tax Limitations

A local Probate Tax could be enacted with a local ordinance approved by the Board of Supervisors. The local Probate Tax rate must be \$0.033 per \$100 of assessed value, one-third the state tax rate.

Statistics

In FY 2015, the Fairfax County Circuit Court collected \$0.9 million in state probate taxes. If the County imposed an additional local tax of \$0.033 per \$100 of assessed value, the tax would be expected to generate approximately \$0.3 million in revenue.

Fairfax County General Fund Revenue – FY 2016



APPENDIX



TABLE A-1 FAIRFAX COUNTY SELECTED FISCAL YEAR REVENUES & GROWTH RATES

CATEGORY	FY1990	FY1991	FY1992	FY1993	FY1994	FY1995	FY1996
Real Estate - Current & PSC	\$743,553,435	\$796,832,554	\$788,299,755	\$777,591,199	\$769,829,478	\$777,442,232	\$799,094,783
<i>Growth Rate</i>		7.17%	-1.07%	-1.36%	-1.00%	0.99%	2.79%
Real Estate - Delinquents	4,673,081	4,629,899	8,989,472	8,858,108	9,174,577	6,615,671	6,253,341
<i>Growth Rate</i>		-0.92%	94.16%	-1.46%	3.57%	-27.89%	-5.48%
Personal Property - Current & PSC	194,078,638	217,769,257	218,006,128	224,717,172	238,522,729	266,796,076	292,195,387
<i>Growth Rate</i>		12.21%	0.11%	3.08%	6.14%	11.85%	9.52%
Personal Property - Delinquents	8,986,516	9,325,022	8,406,795	10,546,452	14,047,258	10,422,348	9,708,838
<i>Growth Rate</i>		3.77%	-9.85%	25.45%	33.19%	-25.81%	-6.85%
Local Sales Tax	72,596,443	69,302,638	70,795,175	75,800,757	83,219,690	89,797,900	93,277,613
<i>Growth Rate</i>		-4.54%	2.15%	7.07%	9.79%	7.90%	3.88%
BPOL - Current	44,446,303	45,600,093	43,671,860	47,830,472	53,173,706	56,663,048	61,677,068
<i>Growth Rate</i>		2.60%	-4.23%	9.52%	11.17%	6.56%	8.85%
BPOL - Delinquents	3,987,480	2,664,276	3,389,882	5,229,456	6,311,975	4,900,091	3,738,597
<i>Growth Rate</i>		-33.18%	27.23%	54.27%	20.70%	-22.37%	-23.70%
Consumer Utilities	42,426,570	52,095,437	53,916,179	60,358,238	63,744,847	65,226,910	67,349,984
<i>Growth Rate</i>		22.79%	3.50%	11.95%	5.61%	2.32%	3.25%
Communications Tax	<i>Not Levied -----Not Levied</i>						
<i>Growth Rate</i>							
Recordation Tax	6,540,729	4,904,038	6,319,420	7,956,577	8,756,555	5,298,799	5,931,106
<i>Growth Rate</i>		-25.02%	28.86%	25.91%	10.05%	-39.49%	11.93%
Deed of Conveyance	2,773,018	1,963,172	2,376,599	2,537,262	2,774,922	2,464,311	2,481,861
<i>Growth Rate</i>		-29.20%	21.06%	6.76%	9.37%	-11.19%	0.71%
Vehicle Lic. - Current & Delinq.	11,416,005	11,640,236	11,753,393	14,535,408	9,410,159	15,454,107	15,783,516
<i>Growth Rate</i>		1.96%	0.97%	23.67%	-35.26%	64.23%	2.13%
Transient Occupancy	2,743,937	2,891,906	2,707,129	3,046,661	3,431,228	3,616,699	3,935,342
<i>Growth Rate</i>		5.39%	-6.39%	12.54%	12.62%	5.41%	8.81%
Cigarettes	2,403,367	2,227,882	2,202,879	2,158,219	2,195,770	2,122,432	2,079,012
<i>Growth Rate</i>		-7.30%	-1.12%	-2.03%	1.74%	-3.34%	-2.05%
Charges for Services	13,727,686	15,273,267	16,887,153	19,670,379	21,465,075	21,441,355	24,270,981
<i>Growth Rate</i>		11.26%	10.57%	16.48%	9.12%	-0.11%	13.20%
Building Permits and Inspection Fees	25,087,633	19,086,939	17,712,322	19,090,561	19,709,647	19,565,468	20,347,240
<i>Growth Rate</i>		-23.92%	-7.20%	7.78%	3.24%	-0.73%	4.00%
Investment Interest	47,350,260	44,220,362	29,939,396	20,732,835	19,593,527	36,052,095	36,314,073
<i>Growth Rate</i>		-6.61%	-32.30%	-30.75%	-5.50%	84.00%	0.73%
Fines and Forfeitures	5,221,371	5,676,389	5,098,987	4,940,689	5,324,258	6,206,510	6,750,834
<i>Growth Rate</i>		8.71%	-10.17%	-3.10%	7.76%	16.57%	8.77%

TABLE A-1 FAIRFAX COUNTY SELECTED FISCAL YEAR REVENUES & GROWTH RATES

CATEGORY	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Real Estate - Current & PSC	\$871,394,705	\$896,760,625	\$933,542,541	\$993,049,391	\$1,079,282,128	\$1,225,980,110	\$1,387,669,725
<i>Growth Rate</i>	9.05%	2.91%	4.10%	6.37%	8.68%	13.59%	13.19%
Real Estate - Delinquents	6,425,107	5,448,449	9,831,905	7,753,426	6,713,396	7,223,765	8,863,905
<i>Growth Rate</i>	2.75%	-15.20%	80.45%	-21.14%	-13.41%	7.60%	22.70%
Personal Property - Current & PSC	319,469,404	340,032,388	359,957,520	387,089,592	427,509,066	457,944,080	457,188,347
<i>Growth Rate</i>	9.33%	6.44%	5.86%	7.54%	10.44%	7.12%	-0.17%
Personal Property - Delinquents	4,501,649	153,814	7,957,013	11,140,648	9,807,844	13,519,292	9,307,036
<i>Growth Rate</i>	-53.63%	-96.58%	5073.14%	40.01%	-11.96%	37.84%	-31.16%
Local Sales Tax	98,497,233	105,338,868	115,728,083	128,787,605	133,492,619	125,577,043	126,785,250
<i>Growth Rate</i>	5.60%	6.95%	9.86%	11.28%	3.65%	-5.93%	0.96%
BPOL - Current	64,208,085	69,257,482	75,017,144	79,541,864	89,266,311	91,291,755	93,427,421
<i>Growth Rate</i>	4.10%	7.86%	8.32%	6.03%	12.23%	2.27%	2.34%
BPOL - Delinquents	3,619,738	836,890	383,908	759,683	1,459,796	1,595,541	2,443,614
<i>Growth Rate</i>	-3.18%	-76.88%	-54.13%	97.88%	92.16%	9.30%	53.15%
Consumer Utilities	70,439,211	73,684,760	75,565,353	80,334,545	85,388,447	86,368,876	85,892,727
<i>Growth Rate</i>	4.59%	4.61%	2.55%	6.31%	6.29%	1.15%	-0.55%
Communications Tax	<i>Not Levied -----Not Levied</i>						
<i>Growth Rate</i>							
Recordation Tax	6,390,543	8,364,054	10,311,788	9,184,508	11,535,139	14,847,060	21,192,964
<i>Growth Rate</i>	7.75%	30.88%	23.29%	-10.93%	25.59%	28.71%	42.74%
Deed of Conveyance	2,890,685	3,149,330	3,900,465	4,240,440	4,802,268	4,960,527	5,812,743
<i>Growth Rate</i>	16.47%	8.95%	23.85%	8.72%	13.25%	3.30%	17.18%
Vehicle Lic. - Current & Delinq.	16,037,963	16,380,358	16,817,908	17,540,176	18,232,854	18,694,344	19,052,623
<i>Growth Rate</i>	1.61%	2.13%	2.67%	4.29%	3.95%	2.53%	1.92%
Transient Occupancy	4,490,094	5,105,806	5,734,566	6,554,093	7,509,826	6,347,280	6,467,769
<i>Growth Rate</i>	14.10%	13.71%	12.31%	14.29%	14.58%	-15.48%	1.90%
Cigarettes	1,969,232	1,973,937	1,903,281	1,990,991	1,922,003	1,735,694	1,826,052
<i>Growth Rate</i>	-5.28%	0.24%	-3.58%	4.61%	-3.47%	-9.69%	5.21%
Charges for Services	26,066,238	28,029,439	30,792,411	29,572,596	32,751,935	35,241,909	40,549,148
<i>Growth Rate</i>	7.40%	7.53%	9.86%	-3.96%	10.75%	7.60%	15.06%
Building Permits and Inspection Fees	22,497,872	24,939,833	27,156,982	27,819,644	26,351,242	23,221,172	22,296,236
<i>Growth Rate</i>	10.57%	10.85%	8.89%	2.44%	-5.28%	-11.88%	-3.98%
Investment Interest	38,185,675	44,941,205	45,626,292	47,351,748	56,321,542	25,424,651	17,818,481
<i>Growth Rate</i>	5.15%	17.69%	1.52%	3.78%	18.94%	-54.86%	-29.92%
Fines and Forfeitures	7,211,910	7,411,845	7,139,633	7,579,871	9,116,533	10,318,703	11,046,988
<i>Growth Rate</i>	6.83%	2.77%	-3.67%	6.17%	20.27%	13.19%	7.06%

TABLE A-1 FAIRFAX COUNTY FISCAL YEAR TAX REVENUES & PERCENTAGE GROWTH RATES

CATEGORY	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Real Estate - Current & PSC	\$1,493,005,588	\$1,628,278,309	\$1,772,129,121	\$1,884,685,393	\$1,962,290,716	\$2,035,691,953	\$2,105,601,756
<i>Growth Rate</i>	7.59%	9.06%	8.83%	6.35%	4.12%	3.74%	3.43%
Real Estate - Delinquents	7,725,129	9,625,911	11,715,456	11,324,812	12,823,358	12,154,915	10,369,320
<i>Growth Rate</i>	-12.85%	24.61%	21.71%	-3.33%	13.23%	-5.21%	-14.69%
Personal Property - Current & PSC	459,439,408	454,391,979	481,746,584	508,315,189	509,654,928	516,476,095	495,954,205
<i>Growth Rate</i>	0.49%	-1.10%	6.02%	5.52%	0.26%	1.34%	-3.97%
Personal Property - Delinquents	14,429,174	19,538,777	15,808,127	14,033,618	9,525,472	11,251,285	11,531,361
<i>Growth Rate</i>	55.04%	35.41%	-19.09%	-11.23%	-32.12%	18.12%	2.49%
Local Sales Tax	140,070,124	147,781,944	152,475,529	159,224,006	160,855,221	153,852,596	149,547,338
<i>Growth Rate</i>	10.48%	5.51%	3.18%	4.43%	1.02%	-4.35%	-2.80%
BPOL - Current	101,997,399	115,117,435	125,169,480	132,541,948	138,323,224	139,987,138	138,542,613
<i>Growth Rate</i>	9.17%	12.86%	8.73%	5.89%	4.36%	1.20%	-1.03%
BPOL - Delinquents	2,774,622	287,799	2,009,588	3,931,528	677,150	2,560,310	(25,355)
<i>Growth Rate</i>	13.55%	-89.63%	598.26%	95.64%	-82.78%	278.10%	-100.99%
Consumer Utilities	84,219,305	84,676,016	87,897,069	65,822,196	45,038,069	42,522,776	45,090,887
<i>Growth Rate</i>	-1.95%	0.54%	3.80%	-25.11%	-31.58%	-5.58%	6.04%
Communications Tax	Not Levied -----Not Levied			20,847,380	56,007,544	53,805,974	52,075,447
<i>Growth Rate</i>					168.66%	-3.93%	-3.22%
Recordation Tax	23,167,574	38,869,512	41,890,983	34,017,913	23,810,971	19,993,188	19,858,891
<i>Growth Rate</i>	9.32%	67.78%	7.77%	-18.79%	-30.00%	-16.03%	-0.67%
Deed of Conveyance	7,697,968	9,804,572	9,504,114	7,640,157	6,120,864	5,042,037	5,006,052
<i>Growth Rate</i>	32.43%	27.37%	-3.06%	-19.61%	-19.89%	-17.63%	-0.71%
Vehicle Lic. - Current & Delinq.	19,503,579	19,802,772	19,572,404	Not Levied		Not Levied	
<i>Growth Rate</i>	2.37%	1.53%	-1.16%				
Transient Occupancy	7,221,578	14,629,545	18,683,140	25,110,144	20,525,480	18,097,701	17,815,686
<i>Growth Rate</i>	11.65%	102.58%	27.71%	34.40%	-18.26%	-11.83%	-1.56%
Cigarettes	1,899,798	6,061,050	10,381,450	9,818,764	9,498,075	9,463,536	9,160,355
<i>Growth Rate</i>	4.04%	219.04%	71.28%	-5.42%	-3.27%	-0.36%	-3.20%
Charges for Services	42,529,744	47,537,672	57,537,996	58,088,619	57,965,028	61,862,075	62,980,797
<i>Growth Rate</i>	4.88%	11.78%				6.72%	1.81%
Building Permits and Inspection Fees	22,386,354	21,954,441	24,860,999	24,044,998	20,412,208	17,095,017	19,652,704
<i>Growth Rate</i>	0.40%	-1.93%				-16.25%	14.96%
Investment Interest	14,758,923	27,110,409	70,058,334	92,075,833	78,236,825	36,460,012	16,792,303
<i>Growth Rate</i>	-17.17%	83.69%	158.42%	31.43%	-15.03%	-53.40%	-53.94%
Fines and Forfeitures	13,272,803	15,523,328	15,077,117	14,834,607	14,873,179	16,444,077	14,942,650
<i>Growth Rate</i>	20.15%	16.96%	-2.87%	-1.61%	0.26%	10.56%	-9.13%

TABLE A-1 FAIRFAX COUNTY SELECTED FISCAL YEAR REVENUES & GROWTH RATES

CATEGORY	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016 Adopted
Real Estate - Current & PSC	\$2,008,788,382	\$2,039,030,516	\$2,114,366,872	\$2,208,682,432	\$2,347,110,528	\$2,425,254,804
<i>Growth Rate</i>	-4.60%	1.51%	3.69%	4.46%	6.27%	3.33%
Real Estate - Delinquents	11,048,523	8,253,302	9,039,828	7,476,877	10,007,002	8,961,015
<i>Growth Rate</i>	6.55%	-25.30%	9.53%	-17.29%	33.84%	-10.45%
Personal Property - Current & PSC	501,638,715	514,451,205	555,327,063	557,187,061	568,187,789	568,371,027
<i>Growth Rate</i>	1.15%	2.55%	7.95%	0.33%	1.97%	0.03%
Personal Property - Delinquents	11,647,685	13,780,980	9,620,149	14,258,513	13,418,376	12,332,340
<i>Growth Rate</i>	1.01%	18.32%	-30.19%	48.22%	-5.89%	-8.09%
Local Sales Tax	154,757,415	162,839,599	166,893,847	165,459,545	176,374,517	175,815,535
<i>Growth Rate</i>	3.48%	5.22%	2.49%	-0.86%	6.60%	-0.32%
BPOL - Current	145,094,542	149,738,567	156,170,308	151,965,995	152,533,993	146,818,108
<i>Growth Rate</i>	4.73%	3.20%	4.30%	-2.69%	0.37%	-3.75%
BPOL - Delinquents	5,442,466	5,727,649	3,146,726	4,114,892	4,458,284	3,620,264
<i>Growth Rate</i>	-	5.24%	-45.06%	30.77%	8.35%	-18.80%
Consumer Utilities	45,416,719	44,880,564	45,533,092	46,044,609	45,812,447	46,044,609
<i>Growth Rate</i>	0.72%	-1.18%	1.45%	1.12%	-0.50%	0.51%
Communications Tax	50,724,263	47,017,386	47,933,955	45,831,948	20,816,708	21,882,460
<i>Growth Rate</i>	-2.59%	-7.31%	1.95%	-4.39%	-54.58%	5.12%
Recordation Tax	21,621,287	26,223,747	28,281,179	19,968,520	23,898,873	19,490,385
<i>Growth Rate</i>	8.87%	21.29%	7.85%	-29.39%	19.68%	-18.45%
Deed of Conveyance	4,762,400	4,799,439	5,374,337	5,136,480	6,358,738	5,371,403
<i>Growth Rate</i>	-4.87%	0.78%	11.98%	-4.43%	23.80%	-15.53%
Vehicle Lic. - Current & Delinq.	27,459,817	26,354,485	26,424,324	26,733,725	26,764,735	27,007,263
<i>Growth Rate</i>	-	-4.03%	0.26%	1.17%	0.12%	0.91%
Transient Occupancy	18,339,532	19,576,387	18,990,201	18,329,279	20,040,188	19,325,499
<i>Growth Rate</i>	2.94%	6.74%	-2.99%	-3.48%	9.33%	-3.57%
Cigarettes	8,949,345	8,984,975	8,329,640	7,831,221	7,377,057	7,181,484
<i>Growth Rate</i>	-2.30%	0.40%	-7.29%	-5.98%	-5.80%	-2.65%
Charges for Services	64,096,781	69,627,663	72,674,073	71,318,911	72,911,452	74,616,185
<i>Growth Rate</i>	1.77%	8.63%	4.38%	-1.86%	2.23%	2.34%
Building Permits and Inspection Fees	23,276,650	26,901,342	28,253,527	28,941,689	33,671,389	34,048,488
<i>Growth Rate</i>	18.44%	15.57%	5.03%	2.44%	16.34%	1.12%
Investment Interest	14,899,618	14,355,549	13,297,996	10,805,326	10,659,349	15,761,539
<i>Growth Rate</i>	-11.27%	-3.65%	-7.37%	-18.74%	-1.35%	47.87%
Fines and Forfeitures	16,563,245	14,084,487	14,131,523	14,073,583	13,115,761	13,348,086
<i>Growth Rate</i>	10.85%	-14.97%	0.33%	-0.41%	-6.81%	1.77%

TABLE A-2 FAIRFAX COUNTY REAL ESTATE ASSESSMENTS, TAX RATES AND COLLECTION RATES				
Fiscal Year	Assessed Value	Change From Prior Year	Tax Rate/\$100 of Assessed Value	Collection Rate
1990	62,516,387,715	12,854,445,250	\$1.19	99.49%
1991	73,002,588,025	10,486,200,310	\$1.11	98.96%
1992	72,302,422,545	(700,165,480)	\$1.11	98.87%
1993	67,903,385,910	(4,399,036,635)	\$1.16	99.03%
1994	66,964,173,075	(939,212,835)	\$1.16	99.15%
1995	67,422,720,415	458,547,340	\$1.16	99.32%
1996	69,118,533,620	1,695,813,205	\$1.16	99.47%
1997	70,983,735,045	1,865,201,425	\$1.23	99.56%
1998	72,921,126,280	1,937,391,235	\$1.23	99.54%
1999	75,808,703,150	2,887,576,870	\$1.23	99.50%
2000	80,606,964,270	4,798,261,120	\$1.23	99.63%
2001	87,814,139,795	7,207,175,525	\$1.23	99.53%
2002	99,793,391,730	11,979,251,935	\$1.23	99.65%
2003	114,902,589,425	15,109,197,695	\$1.21	99.67%
2004	129,247,150,810	14,344,561,385	\$1.16	99.61%
2005	144,804,746,670	15,557,595,860	\$1.13	99.62%
2006	178,818,426,150	34,013,679,480	\$1.00	99.62%
2007	219,405,403,770	40,586,977,620	\$0.89	99.64%
2008	228,499,236,560	9,093,832,790	\$0.89	99.66%
2009	229,669,844,640	1,170,608,080	\$0.92	99.66%
2010	206,808,012,920	(22,861,831,720)	\$1.04	99.71%
2011	187,780,076,910	(19,027,936,010)	\$1.09	99.67%
2012	193,918,874,000	6,138,797,090	\$1.07	99.69%
2013	200,263,343,910	6,344,469,910	\$1.075	99.71%
2014	207,073,144,800	6,809,800,890	\$1.085	99.74%
2015	219,021,273,450	11,948,128,650	\$1.09	99.77%
2016	226,608,986,400	7,587,712,950	\$1.09	99.65%*

*Estimated

Table A-3
FAIRFAX COUNTY
CHANGES IN THE REAL ESTATE ASSESSMENT BASE
(in millions)

Assessed Base Change Due To:	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995
Equalization % Change	\$5,995.7 15.04%	\$9,075.4 18.27%	\$7,194.7 11.51%	(\$2,007.6) -2.75%	(\$4,689.4) -6.48%	(\$1,671.7) -2.46%	(\$861.6) -1.29%
Residential Nonresidential	15.53% 13.81%	19.01% 16.54%	13.06% 7.85%	-1.90% -4.80%	-3.74% -13.22%	-0.52% -7.86%	0.01% -5.28%
Normal Growth % Change	\$3,802.3 9.54%	\$3,779.0 7.61%	\$3,291.5 5.26%	\$1,307.4 1.79%	\$290.4 0.40%	\$732.5 1.08%	\$1,320.2 1.97%
Total Change Total % Change	\$9,798.0 24.58%	\$12,854.4 25.88%	\$10,486.2 16.77%	(\$700.2) -0.96%	(\$4,399.0) -6.08%	(\$939.2) -1.38%	\$458.6 0.68%

Assessed Base Change Due To:	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Equalization % Change	\$241.7 0.36%	\$392.6 0.57%	\$567.7 0.80%	\$1,289.6 1.77%	\$2,241.4 2.96%	\$4,139.6 5.13%	\$8,523.0 9.70%
Residential Nonresidential	0.49% -0.09%	-0.23% 3.27%	-0.50% 5.05%	0.04% 7.12%	0.77% 9.24%	5.13% 5.15%	11.26% 5.92%
Normal Growth % Change	\$1,454.1 2.16%	\$1,472.6 2.13%	\$1,369.7 1.93%	\$1,598.0 2.19%	\$2,556.9 3.37%	\$3,067.6 3.81%	\$3,456.3 3.94%
Residential Nonresidential	NA NA	NA NA	NA NA	1.88% 3.16%	2.12% 6.97%	2.46% 7.22%	2.83% 6.63%
Total Change Total % Change	\$1,695.8 2.52%	\$1,865.2 2.70%	\$1,937.4 2.73%	\$2,887.6 3.96%	\$4,798.3 6.33%	\$7,207.2 8.94%	\$11,979.3 13.64%

Assessed Base Change Due To:	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Equalization % Change	\$11,699.8 11.72%	\$11,428.5 9.94%	\$12,322.2 9.54%	\$30,124.7 20.80%	\$35,328.9 19.76%	\$5,410.2 2.47%	(\$2,332.0) -1.02%
Residential Nonresidential	16.27% 0.52%	14.55% -2.94%	11.29% 3.74%	23.09% 12.74%	20.57% 16.64%	-0.33% 13.57%	-3.38% 7.00%
Normal Growth % Change	\$3,409.4 3.42%	\$2,916.1 2.54%	\$3,235.4 2.50%	\$3,889.0 2.69%	\$5,258.1 2.94%	\$3,683.6 1.68%	\$3,502.6 1.53%
Residential Nonresidential	3.01% 4.41%	2.60% 2.36%	2.49% 2.54%	2.62% 2.93%	3.01% 2.67%	1.00% 4.38%	0.77% 4.11%
Total Change Total % Change	\$15,109.2 15.14%	\$14,344.6 12.48%	\$15,557.6 12.04%	\$34,013.7 23.49%	\$40,587.0 22.70%	\$9,093.8 4.15%	\$1,170.6 0.51%

Table A-3
FAIRFAX COUNTY
CHANGES IN THE REAL ESTATE ASSESSMENT BASE
(in millions)

Assessed Base Change Due To:	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Equalization % Change	(\$24,171.5) -10.52%	(\$18,570.1) -8.98%	\$5,015.3 2.67%	\$4,904.1 2.53%	\$5,259.4 2.63%	\$10,026.1 4.84%	\$5,269.7 2.40%
Residential Nonresidential	-12.55% -4.51%	-5.56% -18.29%	2.34% 3.73%	0.71% 8.21%	3.50% 0.14%	6.54% -0.10%	3.39% -0.60%
Normal Growth % Change	\$1,309.6 0.57%	(\$457.9) -0.22%	\$1,123.5 0.60%	\$1,440.4 0.74%	\$1,550.4 0.77%	\$1,922.0 0.93%	\$2,318.0 1.06%
Residential Nonresidential	0.51% 0.74%	0.12% -1.16%	0.37% 1.31%	0.26% 2.26%	0.42% 1.79%	0.51% 2.13%	0.51% 2.74%
Total Change Total % Change	(\$22,861.9) -9.95%	(\$19,028.0) -9.20%	\$6,138.8 3.27%	\$6,344.5 3.27%	\$6,809.8 3.40%	\$11,948.1 5.77%	\$7,587.7 3.46%

Table A-4 Fairfax County Historical Changes in Real Estate Tax Relief for the Elderly and Disabled			
	Income Limit	Asset Limit	Percent Relief
FY 2000	Up to \$30,000	\$150,000	100%
	Over \$30,000 to \$35,000		50%
	Over \$35,000 to \$40,000		25%
FY 2001	Up to \$35,000	\$150,000	100%
	Over \$35,000 to \$40,000		50%
	Over \$40,000 to \$46,000		25%
FY 2002	Up to \$40,000	\$150,000	100%
	Over \$40,000 to \$46,000		50%
	Over \$46,000 to \$52,000		25%
FY 2003	Up to \$40,000	\$160,000	100%
	Over \$40,000 to \$46,000		50%
	Over \$46,000 to \$52,000		25%
FY 2004	Up to \$40,000	\$190,000	100%
	Over \$40,000 to \$46,000		50%
	Over \$46,000 to \$52,000		25%
FY 2005	Up to \$40,000	\$240,000	100%
	Over \$40,000 to \$46,000		50%
	Over \$46,000 to \$52,000		25%
FY 2006 through FY 2016	Up to \$52,000	\$340,000	100%
	Over \$52,000 to \$62,000		50%
	Over \$62,000 to \$72,000		25%

Meals Tax in Fairfax County

Updated May 2014

Description

The meals tax is a tax imposed on the purchase of all prepared and ready to eat food and beverages. All restaurants as well as grocery stores and convenience stores selling prepared foods at a delicatessen counter must collect this tax from their customers if a locality levies the tax. As authorized by §58.1-3833 of the *Code of Virginia*, counties may levy the tax if approved in a voter referendum. The voter referendum may be initiated

either by a resolution of the Board of Supervisors or on the filing of a petition signed by 10 percent of the voters registered in the County. Cities and towns may impose a meals tax without holding a referendum. In addition, several counties have been exempted from the voter referendum requirement provided that a public hearing is held before adoption and the governing body, by unanimous vote, adopts the tax by local ordinance. The counties that have been granted an exemption to the voter referendum requirement are Arlington County, Roanoke County, Rockbridge County, Frederick County, and Montgomery County.

To what kind of items does the meals tax apply?

- A tax on prepared food and beverages (ready-to-eat) at restaurants, lunchrooms, cafeterias, coffee shops, cafes, taverns, delis, push cart operations and hot dog stands
- Includes alcoholic and non-alcoholic beverages served with a meal
- Does not apply to groceries - grocery and convenience stores only collect the tax on ready to eat foods - such as the deli or salad bar
- Does not apply to vending machines

Meals Tax in Other Jurisdictions

While Fairfax County does not levy the meals tax, the Town of Vienna levies a 3.0 percent meals tax and the Town of Herndon imposes the meals tax at 2.5 percent. Other Northern Virginia localities that tax meals are: Alexandria, Arlington, Fairfax City, Falls Church, Manassas, and Manassas Park. Each of these jurisdictions levies the meals tax at 4.0 percent. The tax is in addition to the state's sales tax. According to the publication, *2013 Tax Rates: Virginia's Cities, Counties and Selected Towns Rates*, all 39 cities levy the meal tax. In addition, 47 counties, and 104 of the reporting towns in Virginia levied a meals

tax during tax year 2013. Two additional counties will begin levying the meals tax in 2014. The State of Maryland, Montgomery County, and Prince George's County do not levy a meals tax. Maryland's sales tax is 6.0 percent.

The table below shows the meals tax rates and revenue for surrounding jurisdictions that levy a meals tax.

Meals Tax Rates and Revenue Generated

Locality	FY 2014 Sales Tax Rate Paid on Meals¹	FY 2014 Meals Tax Rate	FY 2014 Estimated Meals Tax Revenue (millions)
<i>Northern Virginia</i>			
Alexandria	6.0%	4.0%	\$17.6
Arlington	6.0%	4.0%	\$34.7
Falls Church	6.0%	4.0%	\$2.7
Fairfax City	6.0%	4.0%	\$5.4
Herndon	6.0%	2.5%	\$2.0
Vienna ²	6.0%	3.0%	\$1.9
District of Columbia ³	0.0%	10.0%	\$331.3

¹ Rate as of July 1, 2013.

² The revenue for the meals tax in Vienna also includes the lodging tax.

³ In DC, the Sales Tax does not apply to meals. The revenue shown for the meals tax in DC represents FY 2012 data and also includes taxes on rental vehicles.

Revenue Estimate

Based on calendar year 2013 taxable sales at Food and Drink Places in Fairfax County, a 1.0 percent meals tax is estimated to generate approximately \$22.5 million in revenue in FY 2015. At the maximum 4.0 percent rate, a County meals tax would generate annual revenue of approximately \$90.0 million.

What effect would the meals tax have on an average resident at a 4.0% tax rate?

- On a \$5 “fast food” meal, tax would be 20 cents
- On a \$50 meal at a “nice restaurant,” tax would be \$2.00

Tax Limitations

Counties in Virginia are limited to a rate of up to 4.0 percent and must gain voter approval in a referendum before levying the tax. There are no restrictions on the use of the tax revenue generated by the meals tax. However, some localities that levy the meals tax earmark a portion or all the revenue to a specific purpose. For example, Vienna's meals tax revenue goes entirely to the debt service fund. Herndon dedicates approximately 1.0 percentage point of the 2.5 percent tax rate to economic development initiatives and capital improvement projects. Some counties that have asked voters in recent years to approve the meals tax had planned on dedicating at least a portion of the revenue to a specific purpose such as schools operating expenditures or new school construction.

Under state law, a county meals tax does not apply within the limits of a town that has its own meals tax. Since Herndon and Vienna levy their own meals tax, a Fairfax County meals tax would not apply within their limits. The Town of Clifton currently does not have a meals tax. State law also provides that a county meals tax would apply in a town without a meals tax only if the town's governing body approves. Therefore, a Fairfax County meals tax would not apply to Clifton unless the Town Council allowed it to apply within the town.

Issues

Who would pay the meals tax?

- Commuters, travelers and tourists who pass through Fairfax County
- County residents who choose to dine out

who choose to dine out.

- A meals tax would further diversify the County's revenue base. **A 4.0 percent meals tax is equivalent to over 4 cents on the FY 2015 Real Estate Tax rate.** When the County increases the real estate tax, this applies to all property-owning County residents, regardless of their ability to pay. If the County imposed a meals tax, it would apply to tourists, commuters and travelers, as well as residents

Tourist Spending in Fairfax County

- 2012 total tourist spending in Fairfax County: \$2,745 million*
- Estimated tourist spending on eating out in Fairfax County: \$631.4 million
- Estimated 4.0% meals tax revenue generated from tourists: \$25.3 million

* Source: Virginia Tourism Corporation

- Based on visitor spending data from the Virginia Tourism Corporation, it is estimated that approximately 28 percent of meals expenditures in Fairfax County are generated by non-County residents.

- The Fairfax County restaurant customer base is comprised of many non-residents. For example, **352,738 individuals commute into Fairfax County** on a daily basis, almost three times more than into Arlington County.

Commuting Patterns in the Northern Virginia Region

	Fairfax County	Arlington County	Prince William County	Loudoun County
People who live and work in the area	241,394	19,686	44,996	52,378
In-Commuters	352,738	120,568	62,543	86,751
Out-Commuters	273,669	91,933	145,348	120,263
Net In-Commuters (In-Commuters minus Out-Commuters)	79,069	28,635	-82,805	-33,512

Source: "Virginia Workforce Connection – Community Profiles, March 2014"

- Demand for restaurant meals is relatively inelastic and therefore a meals tax would likely have minimal impact on the price or quantity of sales. The decision to eat out is not entirely an economic one but to a large extent is driven by convenience, adjacency, food selection, ambience, and other non-economic factors. For example, when Arlington instituted a meals tax in 1991, the County saw restaurant revenues increase in the year after its meals tax was implemented. The National Restaurant Association reports having no research that shows an overall negative impact on restaurant sales of a restaurant meals tax. Restaurant sales are more heavily impacted by other cyclical economic trends. From 2006 to 2013, restaurant sales in Fairfax County increased 35.1 percent, or an average annual growth of 4.4 percent. During the recent economic recession, restaurant sales in the County fell 0.6 percent between 2008 and 2009.

- Sales tax on unprepared food is considered a regressive tax since lower-income households tend to spend larger fractions of their incomes on necessities such as food and clothing. This is why it is typical for unprepared foods to be taxed at a lower tax rate than other items or even to be exempt from sales taxes altogether. Restaurant meals are not necessities and, based on the Bureau of Labor Statistics Consumer Expenditure Survey, higher-income households tend to spend a larger share of their food budget on eating out.

Administering the Meals Tax

Typically, in localities that levy the meals tax, the Commissioner of the Revenue is responsible for administering the tax. All restaurants and other places that sell food and drinks in a form ready for consumption, on or off their premises, must collect this tax from their customers when the charge for the food and beverages is paid. They are then required, within a specified period, to prepare and file monthly reports and to remit to the Commissioner of the Revenue the taxes collected in the previous month. For the purpose of compensating their collection efforts and timely filing and remittance of the tax, localities may allow businesses to deduct a commission or a dealer's discount, the size of which varies by locality. For example, Falls Church allows a 2 percent commission, Fairfax City and Vienna – 3 percent, and Herndon – 6 percent. Alexandria and Arlington do not provide a commission.

Steps to Initiate Meals Tax Referendum

- The process requires approximately a 4-month lead time
- Board of Supervisors (BOS) approves, by majority vote, a resolution to initiate a referendum
- Office of the County Attorney writes a petition to the Circuit Court asking for an order for a special election on the meals tax question. The petition would include a certified copy of the BOS resolution and a draft order for the court to enter
- Absentee ballots must be available 45 days before the election

For a November ballot, the resolution by the Board of Supervisors would need to be approved by the end of June to early July. This is the same time frame used for a bond referendum.

These are only the requisite technical steps required by law that the Board of

Supervisors must follow for a meals tax referendum. For a successful referendum outcome, a lot more needs to be done ahead of time. The Board of Supervisors would have to seek and build a broad consensus in the community including residents, businesses, neighborhood and civic organizations. This would entail actively engaging all the stakeholders in a discussion about the pros and cons of levying a meals tax.

Recent Meals Tax Voter Referendum History

- A Fairfax County meals tax was put to voter referendum in April 1992, but was defeated 58 percent to 42 percent with approximately 102,000 votes cast, representing about 25 percent of total registered voters in 1992.
- In 2004, legislation was introduced to exempt Fairfax County from the voter referendum requirement. The legislation was passed by the Senate but failed in the House.
- Loudoun County held a referendum for a meals tax in November 2008 but it failed by a vote of 70 percent to 30 percent. The new tax would have funded new school construction.
- Henrico, Chesterfield and Middlesex Counties held meals tax referendums in November 2013. Henrico's 4.0 percent meals tax was approved 51.5 percent to 48.5 percent with 102,274 votes casted. Henrico's tax will be dedicated to Henrico's schools. It should be noted that Henrico County mounted a strong public awareness campaign for the meals tax including a website and numerous public discussions. Middlesex County also approved a 4.0 percent meals tax (55.8 percent to 44.2 percent, 3,816 votes casted). The revenue in Middlesex County is to be used to fund emergency services and capital improvements for the county and schools. The referendum for a 2.0 percent meals tax failed in Chesterfield County, 56.1 percent to 43.9 percent with 103,214 total votes.