

INTRODUCED: February 13, 2023

A RESOLUTION No. 2023-R009

To set the rate of personal property tax relief for qualifying vehicles for the 2023 tax year pursuant to City Code §§ 26-495—26-497.

\_\_\_\_\_  
Patrons – Mayor Stoney and Ms. Lambert

\_\_\_\_\_  
Approved as to form and legality  
by the City Attorney  
\_\_\_\_\_

PUBLIC HEARING: FEB 27 2023 AT 6 P.M.

WHEREAS, Ordinance No. 2005-302-258, adopted November 14, 2005, ordained sections 26-495 through 26-497 to the Code of the City of Richmond (2020), as amended; and

WHEREAS, section 26-496(b) of the Code of the City of Richmond (2020), as amended, required the City Council to annually set the rate of personal property tax relief at such a level as is anticipated to exhaust fully the personal property tax relief funds provided to the City by the Commonwealth of Virginia; and

WHEREAS, the Council desires to set the rate of personal property tax relief as required by section 26-496(b) of the Code of the City of Richmond (2020), as amended, to facilitate the timely issuance of personal property tax bills by the City;

NOW THEREFORE,

AYES:               9           NOES:               0           ABSTAIN:                 

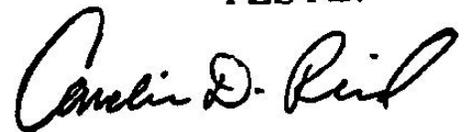
ADOPTED:     FEB 27 2023     REJECTED:                        STRICKEN:

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF RICHMOND:

1. That, pursuant to section 26-496(b) of the Code of the City of Richmond (2020), as amended, the Council hereby sets the rate of personal property tax relief by authorizing the Director of Finance to establish a personal property tax relief rate (i) of 100 percent for the 2023 tax year on the value of qualifying vehicles with an assessed value of \$1,000 or less in accordance with section 26-496(b) of the Code of the City of Richmond (2020), as amended, and (ii) not greater than 36.6 percent for the 2023 tax year on the value of qualifying vehicles with an assessed value greater than \$1,000 but less than or equal to \$20,000. Vehicles with an assessed value greater than \$20,000 shall not be eligible for tax relief on that portion of the assessed value in excess of \$20,000.

2. This resolution shall be in force and effect as of January 1, 2023.

**A TRUE COPY:  
TESTE:**

A handwritten signature in black ink that reads "Carlin D. Reed". The signature is written in a cursive style with a large initial "C".

**City Clerk**



# City of Richmond

## Intracity Correspondence

### O&R REQUEST

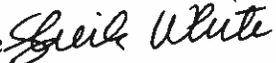
**DATE:** 01/25/2023 **EDITION:** 1

**TO:** The Honorable Members of City Council

**THROUGH:** The Honorable Levar M. Stoney, Mayor 

**THROUGH:** J.E. Lincoln Saunders, Chief Administrative Officer   


**THROUGH:** Sabrina Joy-Hogg, Deputy Chief Administrative Officer

**FROM:** Sheila White, Director of Finance 

**RE:** 2023 Personal Property Tax Relief Rate Resolution

**ORD. OR RES. No.** TBD

**PURPOSE:** To authorize the Director of Finance of the City of Richmond to establish the personal property tax relief rate for the 2023 tax year at such a level that is anticipated to fully exhaust personal property tax relief funds provided to the City by the Commonwealth of Virginia.

**REASON:** To implement the personal property tax relief rate for the City of Richmond pursuant to Ord. No. 2005-302-258 adopted by City Council on November 28, 2005 while providing additional relief via the 'stair-step' approach in accordance with Res. No. 2022-R024.

**RECOMMENDATION:** The City Administration recommends adoption of this resolution.

**BACKGROUND:** The 2005 Session of the Virginia General Assembly changed the Personal Property Tax Relief Act of 1998. Instead of reimbursing localities for property taxes assessed on personal use vehicle at a percentage of the tax assessment, The Commonwealth's obligation for tax relief was capped at \$950 million annually.

Each locality receives a portion of the \$950 million appropriated for tax relief based on the reimbursements from the Commonwealth in the 2004 tax year. As a result, the City of Richmond receives \$16.708 million from the Commonwealth annually. In November 2005, Richmond City Council adopted an ordinance to establish the general manner in which tax relief would be allocated.

In the 2023 tax year, the City will allocate the amount received from the Commonwealth to owners of vehicles that qualify for tax relief based in the assessed values of vehicles as of January 1, 2023. In order to fully exhaust the funds provided by the Commonwealth for tax relief, the rate of relief should be set as follows:

- 36.6% for owners of qualifying vehicles with an assessed value greater than \$1,000 but less than \$20,001.
- For those owners whose vehicles are assessed with a value of greater than \$20,000, they will receive tax relief at a rate of 36.6% for the amount of the assessment up to \$20,000. For the assessment that exceeds \$20,000, the taxpayer will receive no tax relief.
- Owners of vehicles with an assessed value of \$1,000 or less shall receive property tax relief of 100% as directed by Richmond City Council on November 28, 2005 via Ordinance 2005-302-258.

Please note that the 2023 tax year rate is not the calculated rate, nor was the 2022 rate. The 36.6% rate reflects the will of City Council via the recommendation of the administration to provide additional relief to personal property taxpayers via a 'stair-step' approach as outlined in Res. No. 2022-R024. For additional details, please see the attached White Paper: Setting the PPTRA Percentage for 2023.

**FISCAL IMPACT / COST:** N/A

**FISCAL IMPLICATIONS:** This will ensure that the City, through a stair-stepped approach, receives its due portion of both local personal property taxes and State personal property tax relief with minimized impact to taxpayers in light of recent NADA value increases.

**BUDGET AMENDMENT NECESSARY:** N/A

**REVENUE TO CITY:** N/A

**DESIRED EFFECTIVE DATE:** Upon adoption

**REQUESTED INTRODUCTION DATE:** 02/13/2023

**CITY COUNCIL PUBLIC HEARING DATE:** 02/27/2023

**REQUESTED AGENDA:** Consent

**RECOMMENDED COUNCIL COMMITTEE:** Finance & Economic Development

**CONSIDERATION BY OTHER GOVERNMENTAL ENTITIES:** None

**AFFECTED AGENCIES:** Department of Finance

O&R Request

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**RELATIONSHIP TO EXISTING ORD. OR RES.:** Ord. No. 2005-302-258, Res. No. 2022-R024

**REQUIRED CHANGES TO WORK PROGRAM(S):** None

**ATTACHMENTS:** WHITE PAPER: Setting the PPTRA Percentage for 2023

**STAFF:** Jeff Crawford, Program and Operations Manager



DEPARTMENT OF  
**FINANCE**

**WHITE PAPER:  
Setting the PPTRA  
Percentage for 2023**

Offsetting NADA value increases to reduce supply chain impacts on Richmond's taxpayers through a stair-step approach.

*01/24/2023*

## INTRODUCTION TO THE PERSONAL PROPERTY TAX RELIEF ACT (PPTRA)

The Personal Property Tax Relief Act of 1998 (PPTRA) created a statewide program governed by Chapter 35.1. Personal Property Tax Relief to provide relief for owners of personal-use motor vehicles and their locality personal property taxes up to the first \$20,000 of valuation. However, the cost of the program skyrocketed for the state versus projections due to a number of factors:

- New car values increased faster than inflation;
- Car dealers provided incentives to purchase new vehicles;
- More people moved into the state while vehicle ownership per household rose;

As a result of these increasing costs, the state shifted its strategy for personal property tax relief.

The legislative strategy shift froze the dollar value of tax relief. Additionally, instead of the state providing relief directly to taxpayers as a check, it provided the same amount of relief annually to localities to apply directly to tax bills. The amount of relief provided to the City of Richmond, since the freezing of the value in 2005, was set at \$16,708,749.

This \$16.7M, as guided by the Code of Richmond Division 7. – Personal Property Tax Relief, must be distributed annually, as follows:

- To eliminate the personal property taxation of each qualifying vehicle with an assessed value of \$1,000.00 or less;
- With respect to qualifying vehicles with an assessed value of greater than \$1,000.00 but less than or equal to \$20,000.00 at a rate that, in combination with the following, is estimated to fully utilize all available State personal property tax relief;
- With respect to qualifying vehicles with assessed values greater than \$20,000 provided at a rate fixed annually by the City Council and applied up to the first \$20,000.00 of each qualifying vehicle;

In summary, the City must set a level of funding for personal property tax relief that is annually divided by a larger number, so long as there is growth. The generalized formula is presented below:

$$\frac{PPTQVV^1 > \$1K, \leq \$20K}{(\$16.7M - PPTQVV \leq \$1K)} = PPTRA \%$$

As applied to three hypothetical vehicles the impact of a 50 percent rate (a simplified percentage used solely for example) is presented in Table 1, below:

**TABLE 1: Example Impact by Valuation Category<sup>2</sup>**

CATEGORY	LOW-VALUE VEHICLE	MID-VALUE VEHICLE	HIGH-VALUE VEHICLE
PPTRA Category	≤ \$1,000	> \$1,000, ≤ \$20,000	> \$20,000
Vehicle Valuation	\$990	\$19,300	\$289,000
Original Tax	\$37	\$714	\$10,693
PPTRA Valuation	\$990	\$19,300	\$20,000
PPTRA Tax Amount	\$37	\$714	\$740
Example PPTRA %	100.0%	50.0%	50.0%
PPTRA \$	\$37	\$357	\$370
Adjusted Tax	\$0	\$357	\$10,323

<sup>1</sup> Note: PPTQVV = Personal Property Tax for Qualifying Vehicle Valuation

<sup>2</sup> Note: All values rounded to nearest dollar

As the table displays, the full personal property tax for a vehicle valued at  $\leq \$1,000$  is paid, the PPTRA percentage is applied to the full tax amount for a vehicle valued  $> \$1,000$  and  $\leq \$20,000$ , and the PPTRA percentage is applied only to the first  $\$20,000$  for vehicles valued  $> \$20,000$ .

### INCREASES IN NADA VALUES DECREASES THE PPTRA PERCENTAGE

The Department of Finance, like all Virginia localities, does not actively set the value of vehicles. Instead this data is provided to the Department by the Virginia Department of Motor Vehicles (DMV) and is largely based on National Automobile Dealers Association (NADA) valuations. While NADA values typically increase on a year to year basis, the continuing economic impact of the COVID-19 pandemic have driven values at an unprecedented rate in prior years.

2021 saw high growth in vehicle valuations due to microchip shortages associated with the coronavirus pandemic which constrained inventory at dealerships across the country, leading to increased valuations for existing vehicles. Anecdotally, this is why you may have recently seen more television commercials offering to *buy* your car than to *sell* you their car from local dealers.

This trend continued in 2022, though somewhat cooled, as reflected by NADA Chief Economist Patrick Manzi who stated, "Simply put, there were more buyers than there were cars in 2022."<sup>3</sup> When supply does not keep pace with demand – vehicle valuations increase.

However, as anticipated in the 2022 version of this white paper, the valuation growth has plateaued somewhat as auto dealers increase capacity. This is reflected in the used vehicle average transaction prices, a large driver of vehicle valuation which was limited in 2022, as shown in the figure below.

**FIGURE 1: Used Vehicle Average Transaction Price<sup>4</sup>**



Vehicle valuations largely conformed to the administrations future assumptions when developing the stair-step approach in 2022.

### THE 2023 PPTRA PERCENTAGE

The amount of PPTRA funds (denominator) remains stagnant from year to year at \$16.7 million while the number of qualifying vehicles, individual assessments, and total levy (numerator) has been increasing – this dictates a drop in the PPTRA percentage. However, in accordance with Res. No. 2022-R024, the

<sup>3</sup> Source: Manzi, Patrick (2023) [NADA Issues Analysis of 2022 Auto Sales and 2023 Sales Forecast](#)

<sup>4</sup> Source: Manzi, Patrick (2022) [Changing Used Car Price Trends Have Consumer Anxious about Sales, Trade-Ins](#)

administration is proposing a stair-step approach to the 2023 PPTRA rate which is the midpoint between the calculated rate and last year's frozen rate. This approach will provide additional relief to personal property tax payers while having minimal impact to the FY2023 budget.

The 2023 PPTRA percentage has been calculated to be 22.9 percent. This percentage, as dictated by City Code Sec.26-497. – Allocation of relief among taxpayers. is, "estimated to fully utilize all available State personal property tax relief." However, given the stair-step approach, the administration recommends a value of 36.6 percent. This adjusted percentage is the mid-point of last year's frozen rate of 50.4 percent and the calculated amount. This percentage is anticipated to provide an additional \$9.6 million of relief negligible impact to budgeted revenues as these are projected based on historic actuals.

A specific example of the beneficial impact to qualifying taxpayers with a 2023 PPTRA stair-step rate of 36.6 percent is displayed compared to the calculated rate in Table 3, below.

**TABLE 3: Stair-step PPTRA Benefit for Example Taxpayers<sup>5</sup>**

	<b>LOW-VALUE VEHICLE</b>	<b>MID-VALUE VEHICLE</b>	<b>HIGH-VALUE VEHICLE</b>
Value Range	≤\$1K	>\$1K, <\$20K	≥\$20K
Example Vehicle	1996 Toyota Camry	2019 Ford Escape	2021 Tesla Model S
Vehicle Value	\$980	\$19,600	\$105,000
Base Tax	\$36	\$725	\$3,885
<i>PPTRA Stair-step Percent</i>	<i>100.0%</i>	<i>36.6%</i>	<i>36.6%</i>
PPTRA Amount	\$36	\$266	\$271
Taxpayer Amount	\$ -	\$460	\$3,614
<i>PPTRA Calculated Percent</i>	<i>100.0%</i>	<i>22.9%</i>	<i>22.9%</i>
PPTRA Amount	\$36	\$166	\$169
Taxpayer Amount	\$ -	\$559	\$3,716
<b>Stair-step Taxpayer Benefit</b>	<b>\$ -</b>	<b>\$100</b>	<b>\$102</b>

As displayed in the table, low-value vehicles have their entire personal property tax paid regardless of the PPTRA rate, however mid and high-value vehicles will experience up to \$102 in additional relief at the 36.6 percent stair-step rate versus the 22.9 percent calculated rate.

As previously outlined in Res. No. 2022-R024, 2022 was the 'frozen' year at 50.4 percent, this year the administration recommends a 'stair-step' percentage of 36.6 percent to continue to provide additional relief in addition to the PPTRA amount, and the 2024 percent will be recommended as calculated. There is the potential that the calculated amount will not sink as low as 22.9 percent – but this is dependent on the auto industry for supply to meet demand.

<sup>5</sup> Note: All values rounded for clarity