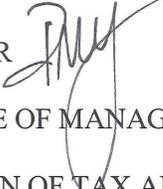


# City of Alexandria, Virginia

## MEMORANDUM

**DATE:** APRIL 16, 2014

**TO:** THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

**THROUGH:** RASHAD M. YOUNG, CITY MANAGER 

**FROM:** NELSIE L. SMITH, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET 

**SUBJECT:** BUDGET MEMO #21: CONSIDERATION OF TAX ALTERNATIVES FOR THE  
FY 2015 BUDGET

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The purpose of this memorandum is to provide details on possible revenue alternatives to support the fiscal year (FY) 2015 budget. Staff has identified a number of tax categories that could be increased and therefore added to the City's General Fund revenues if the City Council chooses to modify them. The tax alternatives affect both individual and business taxpayers. In all cases, the City has the statutory authority to increase the tax rates because: (1) the current tax rates are not at the State maximum as enumerated in the Code of Virginia; (2) the maximum does not apply to the City; or (3) there is no maximum.

Comparison tables for FY 2015 revenues can be found in Attachment I. Summary tables comparing the City's current tax rates with the rates applied by our comparator jurisdictions can be found in Attachment II. The tables included in each section below give the same information on a tax-by-tax basis. Personal property taxes are not eligible for an increase in FY 2015 as the current rate was advertised as the maximum rate; an analysis of personal property taxes is provided for future reference only as Attachment III.

### **Real Estate Tax**

The real estate tax is the City's largest source of revenue. For 2014 assessments, the total equalized taxable assessments increased by 3.31 percent with reassessments increasing by 2.25 percent and new construction adding 1.06 percent. The City Manager's proposed budget made no increase to the tax rate. Based on an increase in the average assessment, the average residential tax bill would increase by \$206.

A half cent increase in the real estate tax rate, as advertised as the maximum, would increase FY 2014 revenues by \$0.9 million, FY 2015 revenues by \$1.8 million and the average residential tax bill by another \$25 in CY 2014.

Table I: Real Estate Tax Rates and Revenues

<b>FY 2015 Proposed Revenue</b>	<b>Rate Change</b>	<b>Potential Additional Revenue</b>	<b>Percentage Increase as Percent of FY 2015 Proposed Revenue</b>
\$369.0 million	+0.5 cents to \$1.043 per \$100	\$1.8 million	0.5%

Table II: Current Real Estate Tax Rate Comparison

<b>Jurisdiction</b>	<b>Tax Rate</b>
<b>City of Alexandria</b>	<b>\$1.038 per \$100 of assessed value</b>
Arlington County	\$1.006 per \$100 of assessed value
Fairfax County	\$1.085 per \$100 of assessed value
Loudoun County	\$1.235 per \$100 of assessed value
Prince William County	\$1.181 per \$100 of assessed value
State Maximum: None	

**Cigarette Tax**

The City levies a tax on every person who sells, distributes, or uses cigarettes. The tax is currently administered by the Northern Virginia Cigarette Tax Board, a regional, inter-jurisdictional enforcement authority. The City’s current tax rate of \$1.00 was increased from \$0.80 in FY2014. FY 2014 collections-to-date project \$2.85 million in tax revenue. The proposed budget recommends no change in this rate.

In February 2014, CVS Pharmacy Stores announced plans to stop selling cigarettes and other tobacco products by October 2014. While the impact of this announcement will not be realized until mid FY 2015, it is estimated that overall cigarette sells in the City could drop as high as 20 percent. The City’s rate is currently the highest tax rate for cigarettes in the Commonwealth of Virginia, though less than half of the tax rates for cigarettes sold in the District of Columbia (\$2.50) and Maryland (\$2.00). Analysis of regional cigarette tax sales in the past have suggested that a significant proportion of consumers purchase cigarettes in Virginia to avoid paying higher prices outside the state.

Table IX: Cigarette Tax Rates and Revenues

<b>FY 2015 Projected Revenue</b>	<b>Tax Rate</b>	<b>Potential Additional Revenue</b>	<b>Percentage Increase as Percent of FY 2015 Projected Revenue</b>
\$2.85 million	\$1.00 per pack to \$1.05 per pack	\$70,000	2.5%
	\$1.00 per pack to \$1.10 per pack	\$140,000	5.0%
	\$1.00 per pack to \$1.15 per pack	\$210,000	7.5%

Table X: Current Cigarette Tax Rate Comparison

Jurisdiction	Tax Rate
<b>City of Alexandria</b>	<b>\$1.00 per pack</b>
Arlington County	\$0.30 per pack
Fairfax County	\$0.30 per pack
Loudoun County	N/A
Prince William County	N/A
Virginia Average	\$0.30 per pack
National Average	\$1.53 per pack
State of Maryland	\$2.00 per pack
Washington, D.C.	\$2.50 per pack
State Maximum: none for the City; \$0.30 for counties	

**Consumer Utility Tax: Residential**

The City levies a tax against consumers of utility services (electricity, natural gas, and water). The tax is levied and collected by the utility companies through the billing process and is remitted to the City. In FY 2014, the City tax for residential customers was increased to its maximum State allowed cap of \$3.00 per month for electricity and gas services. There is no City cap for water service.

In FY 2013, the City collected \$1.9 million in utility taxes from residential water customers. If the City increases the tax rate for water from 15 percent to 20 percent of the typical household bill for water consumers, as allowed by state law, it is projected that the City would collect an additional \$0.6 million in revenue. The average water customer would pay an additional \$2.68 per quarter or \$10.71 per year. The proposed budget recommends no change in these rates.

Table X: Residential Utility Tax Rates and Revenues: Water

FY 2013 Actual Revenues	Possible Rate Change	Potential Additional Revenue	Percentage Increase as Percent of FY 2013 Actual Revenues
\$1.9 million	15% of monthly bill to 20% of monthly bill for water	\$0.6 million	31.6%

Table XI: Current Residential Utility Tax Rate Comparison for Water

JURISDICTION	TAX RATE*
<b>City of Alexandria</b>	<b>15%</b>
Arlington County	None
Fairfax County	None
Loudoun County	None
Prince William County	None
State Maximum : 20 percent per month	

\*Other jurisdictions' water service is provided by public entities.

### Consumer Utility Tax: Commercial

In FY 2013, the City collected \$4.8 million in utility tax revenue collected from all commercial and industrial electricity customers and \$0.9 million from all commercial/industrial water customers. Based on FY 2013 collections, if the City increases the utility tax rates for electricity by 10 percent, the City could expect to collect an additional \$0.4 million in revenue. If the City increases the rate for water from 15 percent on the first \$150 to 20 percent on the first \$150, the City could expect to collect an additional \$0.3 million in revenue. While the Code of Virginia is not clear, it appears that the City is already at the maximum rate for commercial gas usage.

Table XII: Commercial Utility Tax Rates and Revenues: Electric

FY 2013 Actual Revenues	Possible Rate Changes	Potential Additional Revenue	Percentage Increase as Percent of FY 2013 Actual Revenues
\$4.8 million	Electricity for commercial consumers from \$1.07 + 0.005071 per Kilowatt Hours (kWh) to \$1.18 + 0.005578 per kWh; Electricity for industrial consumers from \$1.07 + .004131 per Kilowatt Hours (kWh) to \$1.18 + 0.004544 per kWh	\$0.4 million	8.3%

Table XIII: Current Commercial Utility Tax Rate Comparison for Electricity

JURISDICTION	TAX RATE
<b>City of Alexandria</b>	<b>\$1.07 + \$.005071 per kWh</b>
Arlington County	\$1.15 + \$.00649 per kWh
Fairfax County	\$.92 + \$.00594 per kWh
Loudoun County	\$.92 + \$.005393 per kWh
Prince William County	\$2.29 + \$.013487 per kWh
State Maximum: none	

Table XIV: Commercial Utility Tax Rates and Revenues: Water

FY 2013 Actual Revenues	Possible Rate Change	Potential Additional Revenue	Percentage Increase as Percent of FY 2013 Actual Revenues
\$0.9 million	15% of the first \$150 to 20% of the first \$150	\$0.3 million	33.3%

Table XV: Current Commercial Utility Tax Rate Comparison for Water

JURISDICTION	TAX RATE*
<b>City of Alexandria</b>	<b>15% on first \$150</b>
Arlington County	None
Fairfax County	None
Loudoun County	None
Prince William County	None
State Maximum : none	

\*Other jurisdictions' water service is provided by public entities.

**Business License Taxes for Business, Personal, and Repair Services**

Business, Personal, and Repair Services is one of the largest business, professional, and occupational license (BPOL) tax categories. The current tax rate is \$0.35 per \$100 of gross receipts. In FY 2013, the City collected \$12.9 million in taxes from businesses in this category. Based on FY 2013 collections, raising the tax rate by \$0.01 to the state maximum would generate \$0.4 million in additional tax revenue. The proposed budget recommends no change in these rates.

Table XVI: BPOL Tax Rates and Revenues for Business, Personal, and Repair Services

FY 2013 Actual Revenues	Possible Rate Change	Potential Additional Revenue	Percentage Increase as Percent of FY 2013 Actual Revenues
\$12.9 million	\$0.35/\$100 to \$0.36/\$100	\$0.4 million	3.1%

Table XVII: Current BPOL Tax Rate Comparison for Business, Personal, and Repair Services

JURISDICTION	TAX RATE
<b>City of Alexandria</b>	<b>\$0.35 per \$100 of gross receipts</b>
Arlington County	\$0.35 per \$100 of gross receipts
Fairfax County	\$0.19 per \$100 of gross receipts
Loudoun County	\$0.16/\$0.17 per \$100 of gross receipts
Prince William County	\$0.21 per \$100 of gross receipts
State Maximum: \$0.36 per \$100	

**Business License Taxes for Financial Services**

The current BPOL tax rate for financial services is \$0.35 per \$100 of gross receipts. In FY 2013, the City collected \$1.2 million in BPOL taxes from businesses in this category. Based on FY 2013 collections, raising the tax rate to \$0.40 per \$100 would generate \$0.17 million in additional revenue, raising it to \$0.45 per \$100 would generate \$0.35 million in additional

revenue, and raising it to the state maximum of \$0.58 per \$100 would generate an additional \$0.8 million in additional revenue. The proposed budget recommends no change in these rates.

Table XVIII: BPOL Tax Rates and Revenues for Financial Services

<b>FY 2013 Actual Revenues</b>	<b>Possible Rate Changes</b>	<b>Potential Additional Revenue</b>	<b>Percentage Increase as Percent of FY 2013 Actual Revenues</b>
\$1.2 million	\$0.35/\$100 to \$0.40/\$100, \$0.45/\$100, or \$0.58/\$100	\$0.17 million, \$0.35 million or \$0.8 million	14.2%, 29.2%, or 66.6%

Table XIX: Current BPOL Tax Rate Comparison for Financial Services

<b>JURISDICTION</b>	<b>TAX RATE</b>
<b>City of Alexandria</b>	<b>\$0.35 per \$100 of gross receipts</b>
Arlington County	\$0.36 per \$100 of gross receipts
Fairfax County	\$0.31 per \$100 of gross receipts
Loudoun County	\$0.33 per \$100 of gross receipts
Prince William County	\$0.33 per \$100 of gross receipts
State Maximum: \$0.58 per \$100	

**Business License for Professional Services and Retail Merchant**

The City is currently at the State maximum level for the BPOL categories of Professional Services and Retail Merchant. The maximum rate and the City’s current level are \$0.58/\$100 of gross receipts for Professional Services and \$0.2/\$100 of gross receipts for Retail Merchant.

**Business Task Reform Task Force Recommendation for BPOL**

The Business Task Reform Task Force is recommending decreases in certain rates to reflect a tax rate of at least one cent less than Arlington County’s BPOL rates. The recommendation impacts the four largest BPOL categories as shown in the chart on the following page.

TABLE XX: Recommendation of Business Tax Reform Task Force

<b>BPOL Category</b>	<b>FY 2013 Actual Revenues</b>	<b>Proposed Rate Changes</b>	<b>Potential Additional Revenue</b>	<b>Percentage Increase as Percent of FY 2013 Actual Revenues</b>
Professional Services	\$5.9 million	\$0.35/\$100	-\$2.4 million	-40.7%
Financial Services	\$1.2 million	\$0.35/\$100	0	0.00%
Business, Repair, & Personal Services	\$12.1 million	\$0.35/\$100	0	0.00%
Retail Merchant	\$5.5 million	\$0.19/\$100	-\$0.51 million	-4.5%

**Transient Lodging Tax (Base Tax Rate)**

The current transient lodging tax rate is 6.5 percent of the room charge and \$1 per room per night. In FY 2013, the City collected \$11.8 million in transient lodging taxes. Of this amount, \$10.4 million was derived from the base tax rate on room charges. For FY14, the general assembly imposed a 2% state transient occupancy tax (Regional Transient Occupancy Tax), a state tax administered by the localities. Based on FY 2013 collections, raising the base tax rate to 7.0 percent would generate \$0.8 million in additional revenue. The proposed budget recommends no change in this rate.

Table XXI: Transient Lodging Tax Rates and Revenues

<b>FY 2015 Proposed Revenue</b>	<b>Possible Rate Changes</b>	<b>Potential Additional Revenue</b>	<b>Percentage Increase as Percent of FY 2015 Proposed Revenue</b>
\$11.3 million	6.5% to 7.0%	\$0.8 million	7.1%

Table XXII: Current Transient Lodging Tax Rate Comparison

<b>JURISDICTION</b>	<b>TAX RATE</b>
<b>City of Alexandria</b>	6.5% +\$1/night
Arlington County	5.0%
Fairfax County	4.0%
Loudoun County	7.0%
Prince William County	7.0%
State Maximum: none for cities; 2.0% for counties, with exceptions. Most local counties are allowed a higher rate.	

**Restaurant Meals Tax**

The City of Alexandria levies a 4.0 percent meal and beverage tax on the purchase of food and beverages. In FY 2013, the City collected \$17.3 million in revenue from this tax. Based on FY 2013 collections, staff estimates that a tax increase of one half percent would produce an additional \$2.1 million in tax revenue and a one percent increase in the tax rate would generate an additional \$4.3 million in tax revenue. The proposed budget recommends no change in this rate. The meal and beverage tax is assessed in addition to the 6.0 percent sales tax.

Table XXIII: Restaurant Meals Tax Rates and Revenues

<b>FY 2015 Proposed Revenue</b>	<b>Possible Rate Changes</b>	<b>Potential Additional Revenue</b>	<b>Percentage Increase as Percent of FY 2015 Proposed Revenue</b>
\$17.7 million	4% to 4.5% or 5%	\$2.1 million or \$4.3 million	11.9% or 24.2%

Table XXIV: Current Restaurant Meals Tax Rate Comparison

<b>JURISDICTION</b>	<b>TAX RATE</b>
<b>City of Alexandria</b>	4.0%
Arlington County	4.0%
Fairfax County	N/A
Loudoun County	N/A
Prince William County	N/A
State Maximum: none for cities; 4.0% for counties	

**Admissions Tax**

The City’s admissions tax rate is 10 percent of the admission charge, not to exceed \$0.50 for each admission sold. In FY 2013, the City collected \$1.1 million in admissions tax revenue. Based on FY 2013 collections, staff estimates that raising the tax rate to 10 percent of the admission charge, not to exceed \$1.00, would produce about \$1.0 million in additional revenue. A \$0.75 tax cap would raise \$0.5 million. The proposed budget recommends no change in this rate.

Table XXXI: Admissions Tax Rates and Revenues

<b>FY 2015 Proposed Revenue</b>	<b>Possible Rate Changes</b>	<b>Potential Additional Revenue</b>	<b>Percentage Increase as Percent of FY 2015 Proposed Revenue</b>
\$1.0 million	10%, not to exceed \$0.50 to 10%, not to exceed \$0.75 or not to exceed \$1.00	\$0.5 million or \$1.0 million	50% or 100%

Table XXXII: Current Admissions Tax Rate Comparison

<b>JURISDICTION</b>	<b>TAX RATE</b>
<b>City of Alexandria</b>	10% on the first \$5.00
Arlington County	N/A
Fairfax County	N/A
Loudoun County	N/A
Prince William County	N/A
State Maximum: none for cities; 10% for counties	

**ATTACHMENTS:** Attachment I: Rate Changes and Additional Revenues  
 Attachment II: Tax Rate Comparisons  
 Attachment III: Personal Property Tax Analysis

## Additional Revenues

### Real Estate Taxes

<b>FY 2015 Proposed Revenue</b>	<b>Rate Change</b>	<b>Potential Additional Revenue</b>	<b>Percentage Increase as Percent of FY 2015 Proposed Revenue</b>
\$369.0 million	+\$0.5 cents to \$1.043 per \$100	\$1.8 million	0.5%

### Cigarette Tax

<b>FY 2015 Projected Revenue</b>	<b>Tax Rate</b>	<b>Potential Additional Revenue</b>	<b>Percentage Increase as Percent of FY 2015 Projected Revenue</b>
\$2.85 million	\$1.00 per pack to \$1.10 per pack	\$0.14 million	5.0%

### Residential Utility Taxes: Water

<b>FY 2013 Actual Revenues</b>	<b>Possible Rate Change</b>	<b>Potential Additional Revenue</b>	<b>Percentage Increase as Percent of FY 2013 Actual Revenues</b>
\$1.9 million	15% of monthly bill to 20% of monthly bill for water	\$0.6 million	31.6%

### Commercial Utility Taxes: Electric

<b>FY 2013 Actual Revenues</b>	<b>Possible Rate Changes</b>	<b>Potential Additional Revenue</b>	<b>Percentage Increase as Percent of FY 2013 Actual Revenues</b>
\$4.8 million	Electricity for commercial consumers from \$1.07 + 0.005071 per Kilowatt Hours (kWh) to \$1.18 + 0.005578 per kWh; Electricity for industrial consumers from \$1.07 + .004131 per Kilowatt Hours (kWh) to \$1.18 + 0.004544 per kWh	\$0.4 million	8.3%

### Commercial Utility Taxes: Water

<b>FY 2013 Actual Revenues</b>	<b>Possible Rate Change</b>	<b>Potential Additional Revenue</b>	<b>Percentage Increase as Percent of FY 2013 Actual Revenues</b>
\$0.9 million	15% of the first \$150 to 20% of the first \$150	\$0.3 million	33.3%

BPOL Taxes for Business, Personal, and Repair Services

<b>FY 2013 Actual Revenues</b>	<b>Possible Rate Change</b>	<b>Potential Additional Revenue</b>	<b>Percentage Increase as Percent of FY 2013 Actual Revenues</b>
\$12.9 million	\$0.35/\$100 to \$0.36/\$100	\$0.4 million	3.1%

BPOL Taxes for Financial Services

<b>FY 2013 Actual Revenues</b>	<b>Possible Rate Changes</b>	<b>Potential Additional Revenue</b>	<b>Percentage Increase as Percent of FY 2013 Actual Revenues</b>
\$1.2 million	\$0.35/\$100 to \$0.40/\$100, \$0.45/\$100, or \$0.58/\$100	\$0.17 million, \$0.35 million or \$0.8 million	14.2%, 29.2%, or 66.6%

Transient Lodging Taxes

<b>FY 2015 Proposed Revenue</b>	<b>Possible Rate Changes</b>	<b>Potential Additional Revenue</b>	<b>Percentage Increase as Percent of FY 2015 Proposed Revenue</b>
\$11.3 million	6.5% to 7.0%	\$0.8 million	7.1%

Restaurant Meals Taxes

<b>FY 2015 Proposed Revenue</b>	<b>Possible Rate Changes</b>	<b>Potential Additional Revenue</b>	<b>Percentage Increase as Percent of FY 2015 Proposed Revenue</b>
\$17.7 million	4% to 4.5% or 5%	\$2.1 million or \$4.3 million	11.9% or 24.2%

Admissions Taxes

<b>FY 2015 Proposed Revenue</b>	<b>Possible Rate Changes</b>	<b>Potential Additional Revenue</b>	<b>Percentage Increase as Percent of FY 2015 Proposed Revenue</b>
\$1.0 million	10%, not to exceed \$0.50 to 10%, not to exceed \$0.75 or not to exceed \$1.00	\$0.5 million or \$1.0 million	50% or 100%

## Tax Rate Comparisons

### Real Estate Tax

Jurisdiction	Tax Rate
<b>City of Alexandria</b>	<b>\$1.038 per \$100 of assessed value</b>
Arlington County	\$1.006 per \$100 of assessed value
Fairfax County	\$1.085 per \$100 of assessed value
Loudoun County	\$1.235 per \$100 of assessed value
Prince William County	\$1.181 per \$100 of assessed value
State Maximum: None	

### Commercial and Industrial Real Estate Tax

Jurisdiction	Tax Rate
<b>City of Alexandria</b>	<b>N/A</b>
Arlington County	\$0.125 per \$100 of assessed value
Fairfax County	\$0.125 per \$100 of assessed value
Loudoun County	N/A
Prince William County	N/A
State Maximum: \$0.125 per \$100 of assessed value	

### Cigarette Tax

Jurisdiction	Tax Rate
<b>City of Alexandria</b>	<b>\$1.00</b>
Arlington County	\$0.30
Fairfax County	\$0.30
Loudoun County	N/A
Prince William County	N/A
State Maximum: none for the City; \$0.30 for counties	

### Residential Utility Taxes: Water

JURISDICTION	TAX RATE*
<b>City of Alexandria</b>	<b>15%</b>
Arlington County	None
Fairfax County	None
Loudoun County	None
Prince William County	None
State Maximum : \$3.00 per month	

Commercial Utility Taxes: Electricity

JURISDICTION	TAX RATE
<b>City of Alexandria</b>	<b>\$1.07 + \$.005071 per kWh</b>
Arlington County	\$1.15 + \$.00649 per kWh
Fairfax County	\$.92 + \$.00594 per kWh
Loudoun County	\$.92 + \$.005393 per kWh
Prince William County	\$2.29 + \$.013487 per kWh
State Maximum: none	

Commercial Utility Taxes: Water

JURISDICTION	TAX RATE*
<b>City of Alexandria</b>	<b>15% on first \$150</b>
Arlington County	None
Fairfax County	None
Loudoun County	None
Prince William County	None
State Maximum : none	

\*Other jurisdictions' water service is provided by public entities.

BPOL Taxes for Business, Personal, and Repair Services

JURISDICTION	TAX RATE
<b>City of Alexandria</b>	<b>\$0.35 per \$100 of gross receipts</b>
Arlington County	\$0.35 per \$100 of gross receipts
Fairfax County	\$0.19 per \$100 of gross receipts
Loudoun County	\$0.16/\$0.17 per \$100 of gross receipts
Prince William County	\$0.21 per \$100 of gross receipts
State Maximum: \$0.36 per \$100	

BPOL Taxes for Financial Services

JURISDICTION	TAX RATE
<b>City of Alexandria</b>	<b>\$0.35 per \$100 of gross receipts</b>
Arlington County	\$0.36 per \$100 of gross receipts
Fairfax County	\$0.31 per \$100 of gross receipts
Loudoun County	\$0.33 per \$100 of gross receipts
Prince William County	\$0.33 per \$100 of gross receipts
State Maximum: \$0.58 per \$100	

Transient Lodging Taxes

JURISDICTION	TAX RATE
<b>City of Alexandria</b>	<b>6.5% +\$1/night</b>
Arlington County	5%
Fairfax County	4.0%
Loudoun County	7.0%
Prince William County	7.0%
State Maximum: none for cities; 2.0% for counties, with exceptions. Most local counties are allowed a higher rate.	

Restaurant Meals Taxes

JURISDICTION	TAX RATE
<b>City of Alexandria</b>	<b>4.0%</b>
Arlington County	4.0%
Fairfax County	N/A
Loudoun County	N/A
Prince William County	N/A
State Maximum: none for cities; 4.0% for counties	

Admissions Taxes

JURISDICTION	TAX RATE
<b>City of Alexandria</b>	10% on the first \$5.00
Arlington County	N/A
Fairfax County	N/A
Loudoun County	N/A
Prince William County	N/A
State Maximum: none for cities; 10% for counties	

## Personal Property Tax Analysis (for FY 2016 consideration)

Personal Property Tax Rates were advertised for FY 2015 at a rate not to exceed the current rate and therefore may not be increased in the approved budget. An analysis of the different categories of personal property taxes is provided in this attachment to the Tax Alternatives budget memo for reference.

### Vehicle Personal Property Tax

The vehicle personal property tax is assessed on vehicles that are normally parked, stored, or garaged in the City for more than 30 days or that are registered to a City address with Virginia DMV. The vehicle personal property tax rate increased to \$5.00 per \$100 of assessed value in FY 2014, from \$4.75. Based on FY 2013 collections, increasing the tax rate to \$5.25 per \$100 would generate an additional \$1.2 million in revenue.

Table III: Personal Property Tax Rates and Revenues

<b>FY 2015 Proposed Revenue*</b>	<b>Proposed Rate Change</b>	<b>Potential Additional Revenue</b>	<b>Percentage Increase as Percent of FY 2015 Proposed Revenue</b>
\$25.8 million	\$5.00 per \$100 to \$5.25 per \$100	\$1.2 million	4.7%

\*Excludes decal fees.

Table IV: Current Personal Property Tax Rate Comparison

<b>Jurisdiction</b>	<b>Tax Rate</b>
<b>City of Alexandria</b>	<b>\$5.00 per \$100 of assessed value</b>
Arlington County	\$5.00 per \$100 of assessed value
Fairfax County	\$4.57 per \$100 of assessed value
Loudoun County	\$4.20 per \$100 of assessed value
Prince William County	\$3.70 per \$100 of assessed value
State Maximum: None	

### Business Personal Property Tax

The business personal property tax (BPP) is an annual tax levied against businesses that own or lease business equipment, furniture and fixtures that are located in the City on January 1 of each year. The base BPP tax rate of \$4.75 per \$100 of assessed value has been the same since 1989. BPP also includes machinery and tools used in the manufacturing process, which are taxed at \$4.50 per \$100 of assessed value.

Based on the total tax assessed in FY 2013, less machinery and tools, raising the base tax rate for BPP from \$4.75 to \$5.00 per \$100 of assessed value could generate an additional \$0.8 million in tax revenue. The BPP tax rate can be equal to or lower than the vehicle personal property tax, but it cannot be higher. The proposed budget recommends no change in this rate.

Table V: BPP Tax Rates and Revenues

<b>FY 2015 Proposed Revenue</b>	<b>Possible Rate Change</b>	<b>Potential Additional Revenue</b>	<b>Percentage Increase as Percent of FY 2015 Proposed Revenue</b>
\$15.4 million	\$4.75 to \$5.00	\$0.8 million	5.1%

Table VI: Current BPP Rate Comparison

<b>JURISDICTION</b>	<b>TAX RATE</b>
<b>City of Alexandria</b>	<b>\$4.75 per \$100 of assessed value</b>
Arlington County	\$5.00 per \$100 of assessed value
Fairfax County	\$4.57 per \$100 of assessed value
Loudoun County	\$4.20 per \$100 of assessed value
Prince William County	\$3.70 per \$100 of assessed value
State Maximum: none	

### Personal Property Tax for Boats

The current tax rate for recreational boats and watercraft is \$0.01 per \$100 of assessed value. Using the calendar year 2013 assessed value for boats, staff estimates that raising the tax rate on recreational boats and watercraft to \$5.00 per \$100 of assessed value could result in \$45,970 in additional revenue. The proposed budget recommends no change in this rate.

Table VII: Personal Property Tax Rates and Revenues for Boats

<b>FY 2015 Proposed Revenue</b>	<b>Possible Rate Change</b>	<b>Potential Additional Revenue</b>	<b>Percentage Increase as Percent of FY 2015 Proposed Revenue</b>
\$92	\$0.01/\$100 to \$5.00/\$100	\$45,970	50,000%

Table VIII: Current Personal Property Tax for Boats Rate Comparison

<b>JURISDICTION</b>	<b>TAX RATE</b>
<b>City of Alexandria</b>	<b>\$0.01</b>
Arlington County	\$5.00 for all boats
Fairfax County	\$0.01/\$4.57 for large boats
Loudoun County	\$4.20 all boats
Prince William County	\$0.00001 for all boats
State Maximum: none	