

# A Legislator's Guide to Taxation in Virginia

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Volume 2: Local Taxes  
Third Edition  
Revised 2006



DIVISION OF LEGISLATIVE SERVICES

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Third Edition  
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# **Contents**

<b>I</b>	<b>Introduction</b>
<b>7</b>	<b>Relationship of Tax Revenue to Total Revenue</b>
<b>15</b>	<b>City/County Taxing and Borrowing Authority</b>
<b>25</b>	<b>Real Property Tax</b>
<b>39</b>	<b>Tangible Personal Property Tax</b>
<b>53</b>	<b>Consumer Utility Tax</b>
<b>77</b>	<b>Business, Professional and Occupational License (BPOL) Tax and Merchants' Capital Tax</b>
<b>89</b>	<b>Food and Beverage (Meals) Tax</b>
<b>95</b>	<b>Local Motor Vehicle License Tax (Registration)</b>
<b>107</b>	<b>Transient Occupancy Tax</b>
<b>113</b>	<b>Cigarette Tax</b>
<b>117</b>	<b>Severance Taxes</b>
<b>125</b>	<b>Admissions Tax</b>
<b>131</b>	<b>Sales and Use Tax/Motor Fuel Tax</b>
<b>139</b>	<b>Individual and Corporate Income Taxes</b>
<b>147</b>	<b>Administration of Local Taxes</b>

# ***Introduction***

## **A Guide To This Volume**

### **Financing of Virginia's Counties and Cities**

### **Tax Burden**

### **Summary**

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## **A Guide To This Volume**

This volume is a continuation of *A Legislator's Guide to Taxation in Virginia*. Volume I of the series, on state taxes, was originally published by the Division of Legislative Services in 1990 and was most recently revised in 2001. This report, Volume II, examines the local taxes imposed by Virginia's counties and cities and is intended to provide legislators with an easy reference guide to local taxation. It supersedes the original version of Volume II published in 1991 and the revised edition of 1995. The revenue information utilized throughout this volume is from 2005, the most recent fiscal year for which complete information was available at the time of this update. It was compiled by the Auditor of Public Accounts in his publication, *Comparative Report of Local Government, Revenues and Expenditures, Year Ending June 30, 2005*. The local tax rate information that is provided in this volume was compiled by the Weldon Cooper Center for Public Service at the University of Virginia in their publication, *Tax Rates 2005*.

In the first two chapters of this volume, we discuss the relationship of tax revenue to total locally generated revenue and summarize county and city taxing and borrowing authority. In each of the following 12 chapters we examine a particular tax, or a closely related group of taxes, using the following structure: (i) a brief history of the tax; (ii) a description of the current structure of the tax and how it is administered; (iii) recent developments in the law; (iv) a discussion of the issues that have been raised in the past and are likely to be raised in the future regarding the tax; and (v) a brief summary. Individual variations necessarily exist from chapter to chapter, but all adhere basically to the above outline. The final chapter discusses the administration and collection of local taxes.

## Financing of Virginia's Counties and Cities

Virginia's counties and cities collected \$22,321,526,033 of total revenue from all sources in the fiscal year ending June 30, 2005. This amounted to \$2,950 per person.<sup>1</sup> The sources of this revenue were as follows:

Percentage	Amount	Source
33.3	\$ 7,427,309,692	The Commonwealth
7.5	\$ 1,683,658,253	The Federal Government
59.2	\$13,210,558,088	Locally Generated
<b>\$22,321,526,033 Total Local Revenue From All Sources</b>		

SOURCE: Auditor of Public Accounts, 2005 *Comparative Report of Local Government Revenues and Expenditures*, year ended June 30, 2005.

Table 1 shows that the vast majority of locally generated revenue comes from taxes (84.5 percent). This Legislator's Guide will focus on these sources of tax revenue, the largest of which are the real property and tangible personal property taxes.

As Table 1 indicates, localities rely heavily on property taxes, which comprise in excess of 60 percent of their total local-source revenue. For the fiscal year ended June 30, 2005, the real property tax, the single greatest source of tax revenue, provided localities with 48.5 percent of their total local-source revenue. Over the last decade, local reliance on the real property tax has increased by more than six percentage points (from 42.1 percent to 48.5 percent) while local reliance on the tangible personal property tax has decreased by approximately six percentage points due, in part, to the Personal Property Tax Relief Act of 1998. As a result of this act, the Commonwealth paid Virginia's counties, cities and towns \$907.2 million in payments during fiscal year 2004-05, which were credited to taxpayers for "car tax relief."

Many local taxes generate less than two percent each of total local revenue statewide; however, some localities do not impose all of these taxes, such as the transient occupancy tax and the tobacco tax. A number of local taxes generated less than one-half of one percent of local source revenue statewide. These taxes were tobacco, bank stock, severance, admissions, and merchants' capital.

The localities' heavy reliance on the real property tax has increased significantly over the last decade. Table 2, which provides a comparison of locally generated revenue sources for the fiscal years 1994-95 and 2004-05, shows that Virginia's counties and cities have increased their dependence on the real property tax. The table also shows that the reliance on almost all other

<sup>1</sup> Based on a U.S. Census Bureau estimated state population of 7,567,465 as of July 1, 2005.

**Table 1**  
**Composition of Total Local-Source Revenue for Virginia's**  
**Counties and Cities, Fiscal Year Ended June 30, 2005**

Type of Tax	Revenue	% of Total	Cumulative %
<b>Property Taxes:</b>			
Real Property	\$ 6,403,410,609	48.5%	48.5%
Tangible Personal Property	\$ 1,131,257,878	8.6%	57.1%
Public Service Corporations	\$ 261,892,514	2.0%	59.1%
Machinery & Tools	\$ 188,363,477	1.4%	60.5%
<b>Total Property Taxes</b>	<b>\$ 7,984,924,478</b>	<b>60.5%</b>	<b>60.5%</b>
<b>Other Local Taxes:</b>			
Local Sales & Use	\$ 924,182,143	7.0%	67.5%
BPOL	\$ 538,523,475	4.1%	71.6%
Consumer Utility	\$ 514,807,160	3.9%	75.5%
Meals	\$ 292,377,388	2.2%	77.7%
Recordation and Wills	\$ 166,230,184	1.3%	79.0%
Motor Vehicle License	\$ 141,522,923	1.1%	80.1%
Transient Occupancy	\$ 132,218,763	1.0%	81.1%
Emergency Telephone Service	\$ 102,223,274	0.8%	81.9%
Franchise License	\$ 61,401,289	0.5%	82.4%
Tobacco	\$ 58,274,183	0.4%	82.8%
Bank Stock	\$ 41,446,984	0.3%	83.1%
Severance	\$ 32,764,600	0.2%	83.3%
Admissions	\$ 14,419,072	0.1%	83.4%
Merchants' Capital	\$ 11,086,497	0.1%	83.5%
Penalties and Interest	\$ 84,112,020	0.6%	84.1%
All Other Taxes	\$ 53,671,525	0.4%	84.5%
<b>Total Other Local Taxes</b>	<b>\$ 3,169,261,480</b>	<b>24.0%</b>	
<b>Total Tax Revenue</b>	<b>\$11,154,185,958</b>	<b>84.5%</b>	<b>84.5%</b>
Charges for Services	\$ 1,267,920,623	9.5%	94.0%
Revenue from Use of Money & Property	\$ 214,767,497	1.6%	95.6%
Permits, Privilege Fees, & Regulatory Licenses	\$ 198,690,156	1.5%	97.1%
Fines & Forfeitures	\$ 88,361,852	0.7%	97.8%
Miscellaneous	\$ 286,632,002	2.2%	100.0%
<b>Total Other Revenue</b>	<b>\$ 2,056,372,130</b>	<b>15.5%</b>	
<b>Total Locally Generated Revenue</b>	<b>\$13,210,558,088</b>	<b>100.0%</b>	<b>100.0%</b>

SOURCE: Auditor of Public Accounts, *Comparative Report of Local Government Revenues and Expenditures*, year ended June 30, 2005.

local taxes has declined; only the meals tax has increased, and this is due to the increasing number of localities utilizing this option to generate needed local revenue.

## Tax Burden

It is difficult to accurately and fairly compare local taxes and local tax burdens among the 50 states, due to the diversity in the level of responsibilities among the local governments.

**Table 2**  
**Change in Composition of Total Local-Source Revenue,**  
**Fiscal Years 2004-05 and 1994-95**

Source	2004-05	% of Total	1994-95	% of Total	% Increase
Real Property	\$6,403,410,609	48.5	\$3,125,566,393	42.1	104.9
Tangible Personal Property	\$1,131,257,878	8.6	\$1,046,315,749	14.1	8.1
Public Service					
Corporation Property	\$ 261,892,514	2.0	\$ 204,633,478	2.8	28.0
Machinery & Tools	\$ 188,363,477	1.4	\$ 140,241,810	1.9	34.3
Local Sales & Use	\$ 924,182,143	7.0	\$ 550,627,441	7.4	67.8
BPOL	\$ 538,523,475	4.1	\$ 315,773,694	4.2	70.5
Consumer Utility	\$ 514,807,160	3.9	\$ 334,073,357	4.6	49.6
Meals	\$ 292,377,388	2.2	\$ 146,416,978	2.0	99.7
All Other Local Taxes	\$ 899,371,314	6.8	\$ 396,006,452	5.3	127.1
<b>Total Tax Revenue</b>	<b>\$11,154,185,958</b>	<b>85.4</b>	<b>\$6,269,655,352</b>	<b>84.3</b>	<b>77.9</b>
Charges for Services	\$1,267,920,623	9.5	\$ 692,929,827	9.3	83.0
Revenue from Use of Money & Property	\$ 214,767,497	1.6	\$ 189,960,364	2.6	13.1
Permits, Privilege Fees, & Regulatory Licenses	\$ 198,690,156	1.5	\$ 93,017,809	1.3	113.6
Fines & Forfeitures	\$ 88,361,852	0.7	\$ 45,592,813	0.6	93.8
Miscellaneous	\$ 288,632,002	2.2	\$ 141,818,731	1.9	103.5
<b>Total Other Revenue</b>	<b>\$2,056,372,130</b>	<b>15.5</b>	<b>\$1,163,319,544</b>	<b>15.7</b>	<b>76.8</b>
<b>Total Locally Generated Revenue</b>	<b>\$13,210,558,088</b>	<b>100.0</b>	<b>\$7,432,974,896</b>	<b>100.0</b>	<b>77.7</b>

SOURCE: Auditor of Public Accounts, *Comparative Report of Local Government Revenues and Expenditures*, year ended June 30, 2005, and year ended June 30, 1995.

However, to gain some perspective, Table 3 compares Virginia's state and local tax revenue with that of the other states based on two different measures: (i) per capita, where total state and local tax revenue is simply divided by the population of the state, and (ii) percentage of personal income, where state and local tax revenue is divided by the state's total personal income. Many people believe the latter measure more accurately reflects tax burden, since most taxes are ultimately paid out of personal income.

On a per-capita basis, Virginians paid an average of \$3,342 in state and local taxes for 2004, ranking Virginia 24th of the 50 states and the District of Columbia (see Table 3). In Table 4, a comparison of states in the region shows only the state of Maryland (ranked ninth) and the District of Columbia (ranked first) with a higher amount of state and local taxes per capita.

**Table 3**  
**State and Local Tax Collections Per Capita**  
**and as a Percentage of Personal Income, 2004**

State	Collections Per Capita	Rank	% of Personal Income	Rank
Alabama	\$2,328	51	8.9	51
Alaska	\$3,610	15	11.1	20
Arizona	\$2,871	37	10.9	24
Arkansas	\$2,536	49	10.5	35
California	\$3,736	12	11.3	15
Colorado	\$3,169	26	9.3	47
Connecticut	\$4,921	3	11.6	11
Delaware	\$3,608	17	10.8	25
District of Columbia	\$7,154	1	14.9	1
Florida	\$3,094	28	10.5	36
Georgia	\$2,877	36	10.2	40
Hawaii	\$3,813	9	12.6	5
Idaho	\$2,728	43	11.0	21
Illinois	\$3,555	18	10.6	31
Indiana	\$2,999	30	10.4	37
Iowa	\$3,054	29	10.7	27
Kansas	\$3,380	23	11.4	14
Kentucky	\$2,767	40	10.7	28
Louisiana	\$2,899	34	11.2	16
Maine	\$3,789	11	13.4	4
Maryland	\$4,016	7	10.8	26
Massachusetts	\$4,217	6	10.6	32
Michigan	\$3,313	25	10.5	34
Minnesota	\$3,811	10	11.2	17
Mississippi	\$2,844	50	10.6	33
Missouri	\$2,822	39	9.7	46
Montana	\$2,623	46	10.1	42
Nebraska	\$3,609	16	11.8	9
Nevada	\$3,417	22	11.1	19
New Hampshire	\$3,133	27	9.2	48
New Jersey	\$4,555	4	11.6	12
New Mexico	\$2,861	38	11.6	10
New York	\$5,260	2	14.7	2
North Carolina	\$2,929	32	10.7	29
North Dakota	\$2,989	31	10.4	38
Ohio	\$3,419	21	11.4	13
Oklahoma	\$2,677	44	10.1	41
Oregon	\$2,917	33	10.1	43
Pennsylvania	\$3,447	20	10.9	23
Rhode Island	\$3,891	8	12.0	8
South Carolina	\$2,662	45	10.4	39
South Dakota	\$2,615	47	9.1	49
Tennessee	\$2,536	48	9.0	50
Texas	\$2,881	35	9.9	45
Utah	\$2,735	42	11.0	22
Vermont	\$3,681	14	12.2	6
<b>VIRGINIA</b>	<b>\$3,342</b>	<b>24</b>	<b>10.0</b>	<b>44</b>
Washington	\$3,452	19	10.6	30
West Virginia	\$2,740	41	11.2	18
Wisconsin	\$3,714	13	12.2	7
Wyoming	\$4,437	5	13.9	3
<b>U.S.</b>	<b>\$3,440</b>		<b>11.0</b>	

SOURCE: *Government Finances: 2003-04*, U.S. Bureau of the Census.

If state and local tax revenue is measured by the level of personal income, however, state and local tax revenue in Virginia equaled 10.0 percent of state personal income. Using this measure, Virginia's tax burden ranked 44th among the 50 states and the District of Columbia. Of Virginia's neighboring states, only Tennessee (ranked 50th) had a lighter tax burden.

**Table 4**  
**State and Local Tax Burden:**  
**Virginia and Selected Southeastern States**

	State & Local Tax Revenue Per Capita	Rank	State & Local Tax Revenue As a % of Income	Rank
District of Columbia	\$7,154	1	14.9	1
Georgia	\$2,877	36	10.2	40
Kentucky	\$2,767	40	10.7	28
Maryland	\$4,016	7	10.8	26
North Carolina	\$2,929	32	10.7	29
South Carolina	\$2,662	45	10.4	39
Tennessee	\$2,536	48	9.0	50
<b>VIRGINIA</b>	<b>\$3,342</b>	<b>24</b>	<b>10.0</b>	<b>44</b>
West Virginia	\$2,740	41	11.2	18
<b>U.S. Average</b>	<b>\$3,440</b>		<b>11.0</b>	

## Summary

Local tax revenue increased substantially during the past decade, as did the localities' reliance on real property tax. Despite these increases, Virginia's taxpayers enjoy one of the lightest state and local tax burdens in the country when measured as a percentage of personal income.

# ***Relationship of Tax Revenue to Total Revenue***

## **Background**

- Cities and Counties**
- Local Tax Increases**

## **Local Tax and Revenue Data**

- Local Taxes**
- State Aid**

## **Issues**

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## **Background**

Local fiscal disparities and differences in localities' abilities to raise taxes to meet their service responsibilities are an integral part of the Virginia governmental system. In fact, the fiscal disparities have been an issue in Virginia since 1623,<sup>1</sup> when the counties first established a judiciary system of county courthouses and justices of the peace. To pay for the operation of the new local governments, each person was required to pay a tax of one bushel of corn. In 1634, the localities were required to use locally generated revenue to defend themselves against the Indians, so the tax was expanded to include a tax on the inspection of tobacco.<sup>2</sup>

However, some counties could not defend themselves as well as others against Indian attacks, because relatively little corn or tobacco was grown within their locality. Given the low tax base, the localities were forced either to increase corn and tobacco taxes or risk inadequate defense for their citizens. Such measures created inequity in the treatment of taxpayers. Citizens of some counties faced potential danger in the event of an attack because their tax bases were

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<sup>1</sup> Sydenstricker, Edgar. *A Brief History of Taxation in Virginia*. Richmond: The Legislative Reference Bureau of Virginia, 1915, pp. 3-11.

<sup>2</sup> *Id.*

inadequate to cover expenses. Also, growers of corn and tobacco statewide were responsible for supporting the entire local government system.

Such inequities were recognized in later years, when the tax base was expanded to include real and personal property, imports, licenses, immigrants, and lawsuits.<sup>3</sup> This broadening of the tax base spread the tax burden over a larger group of people and made the localities' ability to raise revenue more equitable. Thus, ever since the inception of local governments and their fiscal powers, Virginia has recognized and tried to address the disparity among localities' tax bases and their ability to generate necessary funds.

## **Cities and Counties**

The advent of municipalities brought with it the potential for more disparity in the ability to raise revenue. Pursuant to the Uniform Charter Powers Act, cities have the authority to impose taxes without limitation, provided the taxing power is not prohibited from use by localities. Counties, however, must obtain approval through special enabling legislation from the General Assembly before they can impose many of the taxes imposed by cities. In most cases, the authority is granted subject to limitations on the rate, with possible requirements for voter approval prior to adoption.

The original distinction between taxing powers of cities and counties was justified at a time when cities were urban areas and counties were rural, and the needs of the two types of jurisdictions were clearly different. The differences in characteristics of cities and counties have lessened with the passage of time, however, as some counties have become almost completely urban. As a result of their changing character in recent years, many counties have expressed the desire to have the same taxing authority as cities to enable counties to meet the changing demands on their revenues.

## **Local Tax Increases**

Differences in local fiscal capacities, although existing since the inception of government in Virginia, became a significant issue in the late 1970s. California's Proposition 13 in 1978, which severely limited local governments' ability to raise revenue via the property tax, caused a national tax revolt that still persists today. Taxpayers have become more reluctant to support tax increases of any kind at all levels of government, with more and more politicians signing a no-new-tax pledge, while still spending more dollars. Today in Washington there is an effort to reduce the federal deficit or shift the responsibility of providing more services to state or local governments. The implication for state and local governments is clear. In order to meet the needs of their citizens, localities must either (i) increase their local tax revenues, by increasing

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<sup>3</sup> *Id.*

**Table 1**  
**Local Tax Revenue Relationships, Virginia Cities, 2005 Collections**

City	Local Tax Revenue	Total Local Revenue	Total Revenue	Tax Revenue as % of Total Revenue
Alexandria	\$367,642,727	\$404,243,809	\$522,605,969	70.3
Bedford	6,092,155	8,391,850	14,667,054	41.5
Bristol	20,319,092	30,185,179	58,101,620	35.0
Buena Vista	5,640,964	8,334,962	19,351,849	29.1
Charlottesville	74,060,906	105,072,351	168,756,037	43.9
Chesapeake	340,633,322	375,748,984	684,473,557	49.8
Colonial Heights	31,463,708	37,049,431	58,182,947	54.1
Covington	10,010,965	11,961,083	21,311,952	47.0
Danville	42,385,356	54,324,736	132,164,039	32.1
Emporia	8,127,317	11,648,632	21,526,971	37.8
Fairfax	71,383,859	79,839,310	92,473,863	77.2
Falls Church	40,205,322	45,888,570	54,753,274	73.4
Franklin	9,881,961	15,912,352	32,562,645	30.3
Fredericksburg	52,103,136	61,013,453	86,319,394	60.4
Galax	8,129,633	11,673,411	23,171,357	35.1
Hampton	172,230,418	227,898,411	448,304,536	38.4
Harrisonburg	47,324,444	56,131,665	91,568,054	51.7
Hopewell	28,031,262	33,113,104	74,259,160	37.7
Lexington	5,822,673	9,532,633	15,783,014	36.9
Lynchburg	93,578,019	125,416,829	217,842,002	43.0
Manassas	70,232,661	80,454,003	125,230,162	56.1
Manassas Park	23,467,681	25,695,922	42,730,427	54.9
Martinsville	14,733,315	22,377,443	51,454,667	28.6
Newport News	235,635,861	308,016,681	606,092,926	38.9
Norfolk	347,050,860	419,148,252	790,353,305	43.9
Norton	5,186,374	6,761,969	14,424,706	36.0
Petersburg	36,048,103	42,778,185	109,111,220	33.0
Poquoson	15,216,818	17,916,851	34,038,623	44.7
Portsmouth	117,681,499	148,955,575	317,647,578	37.0
Radford	10,180,641	15,835,325	29,944,056	34.0
Richmond	361,172,698	442,233,917	775,940,523	46.5
Roanoke	146,166,669	175,598,713	348,199,336	42.0
Salem	42,018,973	50,910,641	78,410,757	53.6
Staunton	25,629,182	34,123,610	64,176,030	39.9
Suffolk	94,116,274	112,984,614	222,031,176	42.4
Virginia Beach	665,137,750	754,791,928	1,346,144,923	49.4
Waynesboro	24,665,394	30,487,099	56,373,199	43.8
Williamsburg	27,052,341	30,678,829	37,811,193	71.5
Winchester	47,779,560	53,191,469	84,060,128	56.8
■ Totals:	\$3,744,239,893	\$4,486,321,781	\$7,972,354,229	47.0

SOURCE: 2005 Comparative Report of Local Government Revenues and Expenditures, Auditor of Public Accounts.

**Table 2**  
**Local Tax Revenue Relationships, Virginia Counties, 2005 Collections**

County	Local Tax Revenue	Total Local Revenue	Total Revenue	Tax Revenue as % of Total Revenue
Accomack	\$ 25,018,875	\$ 33,236,925	\$ 83,356,505	30.0
Albemarle	133,777,056	150,904,494	236,524,612	56.6
Alleghany	15,621,623	20,843,281	46,977,625	33.3
Amelia	6,539,148	10,952,119	25,245,104	25.9
Amherst	21,350,307	27,617,392	62,819,902	34.0
Appomattox	8,194,725	10,159,845	27,942,642	29.3
Arlington	569,937,041	635,462,655	808,158,817	70.5
Augusta	51,418,628	63,055,207	141,032,809	36.5
Bath	9,929,950	11,166,643	15,845,102	62.7
Bedford	49,369,613	61,384,206	130,071,311	38.0
Bland	3,892,327	6,524,482	14,774,476	26.3
Botetourt	28,660,876	33,829,439	65,792,355	43.6
Brunswick	8,440,971	13,824,552	36,958,917	22.8
Buchanan	29,964,613	34,903,116	70,837,681	42.3
Buckingham	8,129,365	10,442,855	30,135,664	27.0
Campbell	33,061,705	41,753,491	105,492,506	31.3
Caroline	21,126,282	26,571,210	56,043,212	37.7
Carroll	17,642,641	25,632,583	59,046,347	29.9
Charles City	6,158,773	10,231,902	18,476,109	33.3
Charlotte	6,375,017	9,700,213	32,490,077	19.6
Chesterfield	369,356,363	427,249,678	772,081,810	47.8
Clarke	13,972,038	16,702,087	30,124,776	46.4
Craig	2,966,473	4,337,783	10,849,668	27.3
Culpeper	43,456,405	54,597,612	101,051,353	43.0
Cumberland	7,179,115	9,115,532	23,154,125	31.0
Dickenson	14,119,798	16,611,670	41,467,094	34.0
Dinwiddie	21,627,960	25,213,860	62,171,588	34.8
Essex	9,667,582	11,343,988	24,052,613	40.2
Fairfax	2,408,417,531	2,746,242,985	3,637,234,308	66.2
Fauquier	93,006,688	116,471,310	179,032,591	51.9
Floyd	9,196,684	11,500,298	28,187,444	32.6
Fluvanna	17,166,944	21,133,539	46,290,541	37.1
Franklin	38,781,321	45,782,830	97,855,819	39.6
Frederick	77,391,868	97,134,047	174,622,837	44.3
Giles	11,081,772	14,047,578	34,008,320	32.6
Gloucester	35,627,423	41,692,630	84,077,030	42.4
Goochland	26,766,008	30,635,940	43,924,331	60.9
Grayson	7,656,306	12,402,780	32,195,560	23.8
Greene	13,796,694	19,789,221	41,396,910	33.3
Greensville	5,725,335	10,475,496	28,206,618	20.3
Halifax	21,351,463	27,839,043	87,277,996	24.5
Hanover	122,343,812	139,164,671	242,250,826	50.5
Henrico	410,178,806	464,495,425	788,359,941	52.0
Henry	33,338,703	40,069,716	105,030,061	31.7
Highland	2,551,569	3,141,582	6,572,732	38.8
Isle of Wight	34,938,841	42,090,034	80,406,162	43.5
James City	96,486,693	110,211,760	165,451,590	58.3
King & Queen	4,614,226	9,669,853	18,946,891	24.4
King George	18,289,902	28,552,052	51,217,139	35.7
King William	12,054,022	14,591,365	29,989,563	40.2

**Table 2, continued**

County	Local Tax Revenue	Total Local Revenue	Total Revenue	Tax Revenue as % of Total Revenue
Lancaster	\$11,885,989	\$13,554,161	\$23,505,014	50.6
Lee	8,963,051	11,225,134	52,663,932	17.0
Loudoun	609,565,652	695,744,341	899,837,331	67.7
Louisa	34,684,938	41,128,479	66,779,390	51.9
Lunenburg	5,236,477	8,465,711	24,570,002	21.3
Madison	11,194,349	14,045,393	27,663,659	40.5
Mathews	9,293,853	10,820,851	20,581,405	45.2
Mecklenburg	19,728,480	24,681,424	63,521,586	31.1
Middlesex	10,615,655	12,534,932	22,301,912	47.6
Montgomery	50,943,355	62,480,335	130,977,006	38.9
Nelson	15,610,990	18,848,055	35,387,100	44.1
New Kent	15,566,913	18,473,405	35,443,756	43.9
Northampton	13,226,068	16,353,849	37,194,487	35.6
Northumberland	12,219,007	15,248,159	26,179,945	46.7
Nottoway	6,195,503	9,686,375	31,460,150	19.7
Orange	27,274,149	33,770,531	64,579,537	42.2
Page	14,231,104	17,261,589	45,429,374	31.3
Patrick	8,996,584	12,586,610	34,390,876	26.2
Pittsylvania	29,527,014	35,405,756	115,037,187	25.7
Powhatan	24,054,011	28,425,317	54,734,026	43.9
Prince Edward	9,594,819	13,819,774	38,625,083	24.8
Prince George	24,280,924	28,995,356	76,257,172	31.8
Prince William	565,245,000	681,942,000	1,137,686,000	49.7
Pulaski	23,592,936	32,728,173	75,702,047	31.2
Rappahannock	8,722,174	10,247,399	17,434,297	50.0
*Richmond	5,504,436	8,275,771	17,585,075	31.3
Roanoke	109,272,831	123,285,723	220,748,824	49.5
Rockbridge	22,020,301	28,643,861	52,032,167	42.3
Rockingham	53,215,882	71,722,641	149,838,711	35.5
Russell	16,822,989	23,090,430	65,588,478	25.6
Scott	10,732,714	16,725,353	50,810,598	21.2
Shenandoah	30,597,632	37,234,290	78,834,538	38.8
*Smyth	14,138,084	22,733,102	61,252,257	23.1
Southampton	12,084,348	16,218,866	41,630,015	29.0
Spotsylvania	132,428,489	154,598,987	292,447,055	45.3
Stafford	145,330,982	178,098,752	330,710,472	43.9
Surry	15,236,048	16,548,733	23,829,521	63.9
Sussex	6,718,014	17,695,266	33,257,568	20.2
Tazewell	23,569,580	33,297,656	91,788,982	25.7
Warren	30,369,728	40,510,266	78,815,169	38.5
Washington	31,904,985	40,988,280	92,321,644	34.6
Wise	30,942,129	36,002,774	96,367,217	32.1
Wythe	18,626,108	28,165,016	62,928,118	29.6
York	81,040,112	95,121,105	180,184,984	45.0
■ Totals:	\$7,409,946,065	\$7,953,203,884	\$13,165,271,199	56.3

SOURCE: 2005 Comparative Report of Local Government Revenues and Expenditures, Auditor of Public Accounts.

\* Revenue data is for the FY ending June 30, 2004.

tax rates, broadening their tax bases, or generating additional revenue through user charges or some other means, or (ii) rely more heavily on more creative ways to finance spending, such as debt, long-term leases, sale of existing assets, and privatization.

## Local Tax and Revenue Data

### Local Taxes

Tables 1 and 2 list local tax collections for fiscal year 2005 and describe the relationship between local tax revenue, total local revenue, and total revenue. Of course, the vast majority of total local revenue is tax revenue. Cities generate 83.5 percent of total local revenue through taxes, and counties, 93.2 percent. Local fees, fines and interest income comprise the remaining portion of locally generated revenue. Intergovernmental grants from both the state and federal level are added to total local revenue to derive total revenue. Local tax revenue received as a percentage of total revenue was 47.0 percent for cities and 56.3 percent for counties.

Locally generated revenues as a percentage of total revenue over the past two decades have been moving in opposite directions for cities and counties. Tax revenues in cities as a percentage of total revenue have been declining while they have been increasing in counties. In 2005, cities generated approximately \$3.7 billion in tax revenue, or approximately 47.0 percent of their total revenue. However, in 1995, 51.6 percent of cities' revenue was generated from tax revenues, and in 1984 the percentage was 53.1. The opposite has occurred for Virginia's counties. Tax revenue in counties as a percentage of total revenue increased from 50.9 percent in 1984 to 54.8 percent in 1995 and 56.3 percent in 2005.

As Table 1 indicates, local tax revenue as a percentage of total revenue for the cities ranged from a low of 28.6 percent in Martinsville to a high of 77.2 percent in Fairfax City. In fact, three of the top four cities were from the Northern Virginia area. The cities with the highest and lowest percentages of tax revenue are as follows:

#### Highest Cities

Fairfax	77.2%
Falls Church	73.4%
Williamsburg	71.5%
Alexandria	70.3%
Fredericksburg	60.4%

#### Lowest Cities

Martinsville	28.6%
Buena Vista	29.1%
Franklin	30.3%
Danville	32.1%
Petersburg	33.0%

Local tax revenue as a percentage of total revenue for counties also varied greatly throughout Virginia. Local taxes comprised 70.5 percent of Arlington County's total revenue, which is a larger percentage than in any other county. Lee, on the other hand, generated just 17.0 percent of its total revenue through local taxes. The top three counties generating the largest portions of their budgets through local taxes were from Northern Virginia. The other two highest

were Surry and Bath Counties, where a large part of their property tax base consists of the generation facilities at the nuclear power plants in those two counties.

#### Highest Counties

Arlington	70.5%
Loudoun	67.7%
Fairfax	66.2%
Surry	63.9%
Bath	62.7%

#### Lowest Counties

Lee	17.0%
Charlotte	19.6%
Nottoway	19.7%
Sussex	20.2%
Greensville	20.3%

## State Aid

State aid to localities has remained a relatively stable portion of total local revenue throughout the past two decades for counties, while it has steadily risen for cities. For fiscal year 2005, state aid comprised 35.0 percent of total revenue in cities and 32.3 percent in counties. For cities this is an increase from 31.3 percent in 1995 and 30.2 percent in 1985. For counties the percentage has been roughly unchanged over the past two decades. State aid as a percentage of total revenue for counties in 2005 has increased from the 29.3 percent in 1995 but is little changed from the 32.8 percent figure in 1985.

The information in Tables 1 and 2 demonstrates the vast differences in sources of revenue for localities throughout the Commonwealth. State aid (which is included in the “Total Revenue” column) comprises a significantly larger portion of some localities’ budgets than of others. Differences in tax bases, tax rates, demands for government services, and decreases in federal aid account for the differences in reliance on intergovernmental revenue.

Decisions to allocate state funds to localities are based on financial need, ability to pay, program effectiveness, local property values, and a host of other factors. Formulas for distributing state funds have been criticized by many as being unfair. However, given the diversity of Virginia localities, it is unlikely there will be a single solution that will remedy every problem associated with funding formulas. Virtually any change that is made to the distribution process would benefit some localities at the expense of others.

## Issues

Increasing expenses in education, Medicaid, and transportation have outpaced other areas of expenditures throughout the past decade and will continue to burden localities well into the future.<sup>4</sup> The significant differences in ability to raise local revenue indicate that some localities are in better financial positions than others to meet the challenges that lie ahead.

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<sup>4</sup> Review of State Spending: December 2005 Update, Joint Legislative Audit and Review Commission (House Document No. 35, 2006)

State and local governments are expected to face substantial fiscal stress in the coming years caused by the increasing costs of needed services and the reductions in federal aid due to corresponding efforts to reduce the federal deficit. It is unlikely that localities can rely solely on increased state and federal aid to pull them through tough times. Thus, localities may seek alternate sources of funding. Broadening the tax base would help some localities generate much-needed local revenue, while at the same time allow them to avoid increasing the rate on one particular tax. Increasing the rate on one tax may cause undesirable distortions in the tax system and may place an excessive burden on one group of taxpayers. Others believe that increasing amounts of state aid should be distributed to localities either by increasing the amount distributed to localities under current funding formulas or by earmarking another source of revenue to localities.

Many localities would benefit from increased taxing authority to allow them more options with which to meet their demands for services. Many subcommittees in recent years have studied funding options to help localities cope with fiscal stress. Such proposals have included privatization of public facilities, regional cooperation on capital projects, and flexibility in meeting state mandates, in addition to the request for more taxing authority. These proposals will likely be addressed in the near future as localities search for answers to the question of how to meet the needs of their communities.

# ***City/County Taxing and Borrowing Authority***

**Introduction**

**History**

**Current Borrowing Authority**

Constitution

Public Finance Act

**Current Taxing Authority**

Constitution

Virginia Code

Uniform Charter Powers Act

**Issues**

**Summary**

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## **Introduction**

Local governments (counties, cities, and towns) are creations of the legislature. They are formed and empowered by the General Assembly, subject to the requirements and constraints of Virginia's Constitution. The constitutional requirements and limitations placed on the General Assembly in regard to local government debt and taxes shape the statutory law on these subjects.

## **History**

The history of debt limitation for Virginia's local governments is explained in Howard's *Commentaries on the Constitution of Virginia*:

Limits on local debt in Virginia first took the form of statute law; in 1875 a law was enacted forbidding cities and towns to create indebtedness in excess of 17 percent of the assessed value of real estate and 15 percent of personal property. In 1902 local debt limitations became a part of Virginia's fundamental law. The proposal for what became section 127 of the Constitution of 1902 was introduced and approved with little debate; it limited a city or town to bonded indebtedness not exceeding 18 percent [now 10 percent] of the assessed valuation of real estate in that municipality. Passage brought Virginia into line with the majority of the other states.

County borrowing was not the subject of constitutional mandate until the Byrd amendments of 1928. Before that time, counties often turned to the General Assembly to approve bond issues. Such "general acts of special application" were traditionally passed upon the mere request of the county's delegate; thus the ability to find willing buyers constituted the only practical restraint on county debt. To safeguard the credit and fiscal integrity of the counties, section 115-a, requiring voter approval of most county borrowing, was added to the Constitution in 1928. In response to the need for more schools, in 1958 a paragraph was added to section 115-a explicitly permitting county borrowing, without voter approval, from the state retirement fund to finance school construction.

The use of a debt ceiling for municipal borrowing and a requirement of local referendum for counties is unusual. Most states that impose such restrictions subject counties and municipalities to the same kind of limitations. Indeed, often the localities must face both a debt ceiling and a referendum requirement. Virginia's dichotomy may turn on the historical periods when the respective limits were first adopted. In 1875 debt ceiling devices were commonly used; a half century later, referendum had become a more popular method of controlling debt.<sup>1</sup>

## Current Borrowing Authority

### Constitution

The powers of local governments to borrow funds, or incur debt, are set out in Article VII, Section 10, of the Constitution. The section does not grant any powers to local governments; rather, it restricts the powers that the General Assembly may grant to local governments to incur debt.

Section 10 is divided into two subsections: subsection (a) pertains to borrowing by cities and towns and subsection (b) to borrowing by counties and regional governments.

Subsection (a) provides that no city or town shall have any debt that exceeds 10 percent of the assessed value of taxable real estate in the city or town. However, in computing the 10 percent limitation, the following four kinds of debt are not counted:

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<sup>1</sup> A.E. Dick Howard, *Commentaries on the Constitution of Virginia*, Vol. II (Charlottesville: University Press of Virginia, 1974), pp. 862-863.

1. Borrowing the current year's anticipated revenues of the city or town, which debt must be paid within one year.
2. Bonds backed by the full faith and credit of the city or town and approved by its voters for a revenue-producing project; provided that within a period not to exceed five years, if the project is not generating sufficient revenue to pay expenses and retire the bonds at maturity, then the bonds are included in the 10 percent limitation.
3. Bonds of the city or town for a revenue-producing project where the principal and interest are to be paid exclusively from project revenues or with contributions from other governmental units.
4. Contract obligations calling for payments over more than one year to a publicly owned regional project pursuant to an interstate compact or an exclusion authorized by general law or special act for the project.

Subsection (b) provides that no county or districts thereof or regional government or districts thereof shall incur any debt unless first approved by the voters. There is no limitation on the amount of such debt.

Voter approval is not required for:

1. Numbers 1 and 3 above;
2. Refunding bonds; and
3. Bonds for capital school projects sold to the Literary Fund, the Virginia Retirement System, or other state agencies designated by law.

The voters of any county may elect for the county to be treated as a city for purposes of borrowing money. If such an election is made, the debts of any town or district in the county are included in the 10 percent ceiling, unless the debts qualify for one of the four exclusions listed above. As of January 1, 2007, voters in only four counties have so elected: Isle of Wight, Prince George, Smyth, and Wythe.

## **Public Finance Act**

The 1991 Session of the General Assembly passed an updated version of the Public Finance Act. The update made few material changes; it primarily eliminated inconsistencies, clarified wording, and reorganized provisions in a more logical format. The purpose of the act, as was true of the old one, was to implement the constitutional article on local government debt and to flesh out its provisions. As a result of the 1997 recodification of Title 15.1 of the Code of Virginia, the Public Finance Act can now be found in Chapter 26 of Title 15.2 of the Code, consisting of §§ 15.2-2600 through 15.2-2663.

A significant provision is found in §§ 15.2-2601 (ii) and 15.2-2661 (last paragraph) of the Code. The Virginia Supreme Court has held that local governments have the option of borrowing either under the provisions of the Public Finance Act or under charter provisions.<sup>2</sup> The charters of some municipal corporations contain limitations on debt that are more restrictive than required by general law. These restrictions could be nullified by choosing to incur debt under the provisions of the Public Finance Act rather than the charter. The General Assembly believed this thwarted the will of the people and added a proviso in the two sections to the effect that after July 1, 1992, charter provisions regarding referendums and debt limitations shall prevail over general law.

## Current Taxing Authority

### Constitution

The authority of the General Assembly, and limitations on such authority concerning taxation by local and regional governments, is set out in Article X of the Constitution. Because the General Assembly inherently has the power to tax and to delegate such authority to local governments, the principal purpose of the article is to restrict the taxing powers the General Assembly may grant to local governments. The Constitution segregates certain sources of taxation exclusively for taxation by the state and others for taxation by the localities.<sup>3</sup> Section 4 of Article X provides that real estate, coal and other mineral lands, and tangible personal property, except rolling stock of public service corporations, are to be taxed by local governments only.

### Virginia Code

The taxing authority of local governments is essentially statutory and is set out primarily in Subtitle III, Chapters 30 through 39, of Title 58.1 of the Code of Virginia. Major sources of tax revenue include retail sales and use taxes; real and personal property taxes; retail communications and video services sales and use taxes; other consumer utility taxes; motor vehicle and trailer license taxes; business, professional, and occupational license taxes; transient occupancy taxes; meals taxes; recordation taxes; taxes on wills and grants of administration; bank franchise taxes; recreation taxes; and special and sanitary district taxes. In addition to these sources of tax revenue, additional revenues are raised from non-tax sources such as charges for services, license and permit fees, and fines and forfeitures assessed for violations of county ordinances. The appendix to this chapter summarizes the taxing powers granted to the localities and provides statutory references to the Code of Virginia.

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<sup>2</sup> *Id.*, p. 860, footnote 1.

## Uniform Charter Powers Act

Another major statutory grant of taxing authority for local governments is the Uniform Charter Powers Act (§ 15.2-1100 et seq.) of Title 15.2 of the Code of Virginia. Among other provisions, the Uniform Charter Powers Act includes a broad grant of taxing power that may be undertaken by municipal corporations.

For instance, § 15.2-1104 of the Code of Virginia refers to the taxing powers granted under the Uniform Charter Powers Act and states:

§ 15.2-1104. Taxes and assessments.—A municipal corporation may raise annually by taxes and assessments on property, persons and other subjects of taxation, which are not prohibited by law, such sums of money as in the judgment of the municipal corporation are necessary to pay the debts, defray the expenses, accomplish the purposes and perform the functions of the municipal corporation, in such manner as the municipal corporation deems necessary or expedient. A municipal corporation may also establish by ordinance a discount for the early payment of any such taxes or assessments.

Under this section, cities and towns are given general taxing authority. Such cities and towns may impose taxes as a result of this provision or through explicit authority to impose a tax granted in their charters, which may not be levied by counties. Cities and towns with such general taxing power are specifically authorized to impose excise taxes on cigarettes, admissions, transient room rentals, meals, and travel campgrounds.<sup>4</sup> The major difference resulting from this general grant of taxing authority is that cities and towns may levy taxes in addition to those imposed by counties and, unlike counties, they are not subject to the tax rate limitations or any referendum requirements set out in the Code of Virginia.

Section 15.2-204 of the Code provides that cities and towns shall have all the powers set forth in the Uniform Charter Powers Act regardless of whether such powers are set out or incorporated in the city or town charter. Counties, on the other hand, can have Uniform Charter Powers Act authority only if such powers are specifically conferred upon the county.

## Issues

Cities and counties have very similar responsibilities to the state and to their citizens. However, the Constitution requires different debt treatment for cities and counties, although counties, upon a favorable referendum vote, may be treated like cities for the purposes of debt. In addition, the General Assembly, for various reasons, has not equalized the taxing authority between cities and counties in certain taxing areas (e.g., meals, cigarettes, lodging, and admissions). These differences have been a cause of concern for many county representatives.

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<sup>3</sup> Virginia Constitution, Article X, Sections 1 through 4.

<sup>4</sup> Va. Code § 58.1-3840.

To equalize the borrowing authority of cities and counties, an amendment to the Constitution would be required. Such an amendment would take at least two years to take effect, due to the procedures required for amending to the Constitution. Equalization of taxing authority between cities and counties, however, can be achieved statutorily, and legislation to this end has been introduced in the past but has not been passed by the General Assembly. Some legislators believe counties should have the same taxing authority as cities only when counties have all of the same service responsibilities as cities.

## Summary

The borrowing and taxing authority of Virginia's counties, cities, and towns is defined and limited by the Constitution, the Public Finance Act, the Uniform Charter Powers Act, and other various statutory provisions set out in the Code of Virginia.

A key issue relating to the borrowing and taxing authority of Virginia's localities continues to be the disparate treatment between counties and cities, especially in the area of local taxation.

## Appendix

### Taxing Powers Granted to Virginia Counties, Cities and Towns

<b>Tax and Authority</b>	<b>Local Governments Empowered to Levy</b>	<b>County-Town Relationship</b>	<b>Remarks</b>
<b>Taxes on Property</b>			
Real Property (\$ 58.1-3200)	Counties Cities Towns Special Districts	Town tax is levied in addition to county tax. Towns may conduct own reassessment, but none currently do so; all rely on county assessment.	See Note 2 for discussion on special district taxes.
Tangible Personal Property (\$§ 58.1-3501; 58.1-3523 et seq.)	Counties Cities Towns	Town tax is levied in addition to county tax.	See Note 3 for discussion on state reimbursement of taxes levied.
Machinery and Tools (\$ 58.1-3507)	Counties Cities Towns	Town tax is levied in addition to county tax.	Rate may not be higher than that levied on tangible personal property.
Merchants' Capital (\$§ 58.1-3509; 58.1-3704)	Counties Cities Towns	Town tax is levied in addition to county tax.	Rate may not exceed the rate in effect on 1/1/78. May not be levied on any class on which BPOL tax is levied. Localities may exempt merchants' capital from taxation.
<b>Taxes on Individuals; Consumers</b>			
Sales and Use (\$§ 58.1-605; 58.1-606)	Counties Cities		Limited to 1% of the gross sales price of an item. Towns with separate school districts receive a proportion of the county's total sales tax revenue, based on school-age population. For all other towns, one-half of the county's revenue is divided among the county and towns, based on school-age population.
Motor Vehicle License (\$ 46.2-752)	Counties Cities Towns	Imposition of tax by town constitutes a credit for taxpayers on the county tax. The taxpayer is liable to the county for the difference between the town tax and the county tax.	Tax may not exceed motor vehicle license tax imposed by State.
Utility Consumers of Water, Heat, Light, and Power (\$ 58.1-3814)	Counties Cities Towns	If a town imposes the tax, the county tax does not apply within the town if it (i) operates its own school system or (ii) provides police or fire services and water or sewer services.	Rate not to exceed 20% and applicable only to first \$15 of bill for residential customers. (Beginning in 2001, rate on electricity or gas consumption to be based on number of kilowatt hours or cubic feet consumed. The effective cap of \$3 per month would remain the same, however).
Food and Beverage (\$§ 58.1-3833; 58.1-3840, 58.1-3841, 58.1-3842)	Counties Cities Towns	If town levies tax, county tax applicable in town only if council agrees.	Counties limited to maximum rate of 4% and may levy tax only after approval in referendum, except for Arlington, Frederick, Montgomery, Roanoke, and Rockbridge Counties which may impose tax if unanimously approved by board of supervisors. Rappahannock County may levy a combined food and beverage and transient occupancy tax at a maximum rate of 4% on bed and breakfast establishments. No limit on towns or cities and referendum not required.

<b>Tax and Authority</b>	<b>Local Governments Empowered to Levy</b>	<b>County-Town Relationship</b>	<b>Remarks</b>
<b>Taxes on Individuals; Consumers, continued</b>			
Income (§ 58.1-540 et seq.)	Cities of Norfolk, Virginia Beach, Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park, and Counties of Fairfax, Arlington, Loudoun, and Prince William		Limited to maximum of 1%; must be approved by referendum. Revenues must be used for transportation facilities. Tax can be levied for only 5 years from the effective date of the tax.
Cigarettes (§ 58.1-3830 et seq.)	Arlington County and Fairfax County Cities Towns	If town levies tax, county tax applicable in town only if council agrees.	Cities and towns may levy tax only if they had authority to do so prior to 1/1/77. Arlington and Fairfax limited to tax of \$.05 per pack, or amount levied by State law, whichever is greater.
Transient Occupancy (§§ 58.1-3819 - 58.1-3826, 58.1-3840)	Counties Cities Towns	If town levies tax, county tax applicable in town only if council agrees.	Counties limited to maximum rate of 2%. Arlington may levy tax up to 5%, under certain conditions, may impose additional 0.25% tax through 2009 to promote tourism, and may levy additional 2% for conference center. Roanoke County's charter authorizes levy of up to 5%. The following counties may impose an additional 3% to promote tourism: Albemarle, Augusta, Bedford, Botetourt, Caroline, Carroll, Craig, Cumberland, Dinwiddie, Franklin, Floyd, Gloucester, Halifax, James City, King George, Loudoun, Mecklenburg, Montgomery, Nelson, Page, Patrick, Prince Edward, Prince George, Prince William, Pulaski, Rockbridge, Spotsylvania, Stafford, Tazewell, Wise, Wythe, and York. Henrico, Chesterfield, and Hanover may collect another 7% for tourism promotion, convention center, and performing arts center. Also authorized to impose an additional levy are: 2% in Fairfax County for tourism promotion and visitors bureau; \$2 in James City and York Counties for tourism promotion; and 2% in Rockbridge County for Virginia Horse Center. No limit on cities or towns.
Admissions (§§ 58.1-3818; 58.1-3840)	Fairfax, Arlington, Brunswick, Culpeper, Dinwiddie, James City, Nelson, New Kent, Prince George, and Roanoke Counties; any county in which there is located a major league baseball stadium; Cities Towns	County tax is in addition to any town tax.	Counties authorized to levy tax are limited to maximum of 10% except Roanoke, which has general charter power. The tax in the county with the baseball stadium may be levied on admissions to the stadium only. The 10% tax may be supplemented by a 2% surcharge if the stadium has more than 40,000 seats. Nelson County may levy tax only for admissions to spectator events.
Recordation (§ 58.1-3800)	Counties Cities		Limited to one-third of State recordation tax.
Probate (§ 58.1-3805)	Counties Cities		Limited to one-third of State recordation tax.

Tax and Authority	Local Governments Empowered to Levy	County-Town Relationship	Remarks
<b>Taxes on Businesses</b>			
Business, Professional and Occupational License [BPOL] (§ 58.1-3700 et seq.)	Counties Cities Towns	Counties cannot levy BPOL taxes within a town that also levies BPOL taxes, unless the town agrees.	Commonly called "gross receipts tax"; a permissive tax that may be levied on almost any type of business or occupation. State law places variety of caps on rates that can be levied against particular types of businesses. Also, localities with populations over 50,000 may not levy tax against a business with gross receipts less than \$100,000. For those localities with a population of 25,000 to 50,000, the threshold is \$50,000. All localities may impose a license fee in those instances in which the tax is not levied. The fee may range from \$30 to \$50, depending on the size of the locality. Any locality imposing a fee or tax must adopt a uniform ordinance. No category can be required to pay both merchants' capital tax and BPOL tax to the same jurisdiction.
Daily Rental Property (§ 58.1-3510.1 et seq.)	Counties Cities Towns	Town tax is levied in addition to county tax.	Similar to sales tax; limited to 1% of amount charged for rental property.
Coal Severance (§ 58.1-3712)	Counties Cities		Limited to maximum of 1% of gross receipts from sale of coal mined.
Gas Severance (§§ 58.1-3712 and 58.1-3713.4)	Counties Cities		Limited to maximum of 2% of gross receipts from sale of gas produced; 25% of revenues in counties and city in Southwest Virginia paid to Virginia Coalfield Economic Development Fund.
Coal and Gas Road Improvement (§ 58.1-3713)	Counties Cities	20% of revenue in Wise County required to be distributed to towns and city situated in county. Of that portion, 25% distributed according to number of motor vehicles and remainder divided equally.	Limited to maximum of 1% of gross receipts of sale of coal or gas mined or produced. Locality retains 75% of revenue which goes into special road improvement fund. However, locality may elect to use 50% of the retained amount to fund construction of new water or sewer systems and lines. Remaining 25% of revenue paid to Virginia Coalfield Economic Development Fund. Authority expires in 2007.
Utility License (§ 58.1-3731)	Counties Cities Towns	If a town levies tax, county tax applicable in town only if council agrees	Form of BPOL tax. Limited to maximum of 0.5% of gross receipts of company accruing from business in locality. After December 31, 2000, localities may not impose tax on electric or gas companies, with the tax to be replaced by a consumption tax established by the State, collected by the utility company, and distributed to the locality.

<b>Tax and Authority</b>	<b>Local Governments Empowered to Levy</b>	<b>County-Town Relationship</b>	<b>Remarks</b>
<b>Taxes on Businesses; Continued</b>			
Alcohol License (§§ 4.1-205; 4.1-233)	Counties Cities Towns	If a town levies tax, county tax not applicable in town.	Localities authorized to collect license taxes from persons engaged in manufacturing, selling, or bottling alcoholic beverages and mixed beverages. Maximum taxes set by State law.
Bank Franchise (§§ 58.1-1208 - 58.1-1211)	Counties Cities Towns	Counties may tax only those banks outside town corporate limits.	Limited to maximum of 80% of the State rate.
Cable TV Franchise (§ 15.2-2108.1:1)	Counties Cities Towns		Federal Regulations limit franchise fee, in most circumstances, to 5% of gross revenue. (Local governments may also levy BPOL excise tax on cable systems.)

**NOTES:**

1. This table outlines taxing authority allowed local governments by statutory law. In addition to this authority, cities and towns which have incorporated the Uniform Charter Powers Act (§§ 15.2-1100 et seq.) into their charters have a general taxing authority (§ 15.2-1104). Consequently, some municipalities may levy taxes as a result of this provision, or through explicit authority granted in their charters, which are not on this chart.

2. Counties, cities, and towns, acting through special districts, can levy property taxes for a variety of purposes. (§§ 15.2-2400 - 15.2-2403). In addition, counties can create sanitary districts for a variety of services and fund them through a tax on property in the districts. Counties can also levy property taxes, either countywide or in one or more magisterial districts, to pay for contracted fire protection services (§ 27-3). The General Assembly has also authorized the creation of special transportation districts within counties or between counties. Special property taxes can be levied on business or commercial properties within those districts (§§ 15.2-4806 and 15.2-4607).

3. In 1998 the General Assembly passed legislation that eliminated over a five-year period a portion of the tangible personal property tax on motor vehicles used for personal use. The Personal Property Tax Relief Act of 1998 as originally enacted would have eliminated by 2002 the personal property tax on the first \$20,000 of value of passenger cars, pickup or panel trucks, and motorcycles that were not used in a business. The schedule for the elimination of the tax was twelve and one-half percent of the tax on the first \$20,000 by 1998; twenty-seven and one-half percent by 1999; forty-seven and one-half percent by 2000; seventy percent by 2001; and one hundred percent by 2002. However, the phased-in tax relief was made dependent upon certain negative economic conditions not occurring. The Act also provided that the Commonwealth would reimburse local governments for the loss in revenues associated with the tax relief.

The original Act and the scheduled tax relief have been modified several times. In 2004, the General Assembly capped the Commonwealth's reimbursement payments to local governments at \$950 million annually. This amount was slightly greater than the \$907 million incurred by the Commonwealth in fiscal year 2005 to eliminate seventy percent of the tax on the first \$20,000 of value. Under the legislation, beginning in 2006, each county, city, and town will receive a fixed share of the \$950 million. Each locality receiving a reimbursement payment is required to develop specific criteria and to allocate its reimbursement payment among personal use passenger vehicles, pickup or panel trucks, and motorcycles. Thus, in 2006, the percentage of tangible personal property tax relief varied greatly from locality to locality, and these differences may become more exaggerated in future years.

**SOURCE:** Commission on Local Government, "Taxing Powers Granted to Virginia Counties, Cities, and Towns," Staff Report, June 2006.

# ***Real Property Tax***

## **Introduction**

## **History**

## **Background**

## **Tax Structure**

### **Assessment-Valuation Process**

### **Appraisal-Valuation Method**

### **Who Performs Assessments**

### **Appeal of Assessments**

## **Exemptions and Other Special Taxpayer Treatment**

### **Tax Relief for the Elderly and the Handicapped**

### **Land Use Taxation**

### **Service Charge**

## **Amount of Revenue and Rates**

## **Summary**

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## **Introduction**

The real property tax (including that on public service corporation property) is the largest source of local government revenue and has comprised over 45 percent of all locally raised revenues for at least the last three decades. The real property tax on a taxpayer's home often stands out because of disparities in the value of the taxpayer's real estate versus the taxpayer's income (from which the tax bill is paid) and the fact that the tax bill often requires a large lump sum payment (as compared to the sales tax paid on a transaction-by-transaction basis or income tax withheld from the taxpayer's periodic salary payment). However, because of the limitations on local governments' taxing powers and the historical reliance on the real property tax, and absent any significant structural changes in the relationship of the Commonwealth and its

localities, there is no reason to believe that such reliance, or the public's sentiments, will markedly change.

## History

A land tax was first imposed in 1645 as a result of opposition to the poll tax among the poorer classes.<sup>1</sup> However because its purpose was purely political and because it failed to raise any substantial amount of revenue, the tax was repealed in 1648.<sup>2</sup> The House of Burgesses, the governing authority, populated by the landed class for the most part, sought to raise its revenue through the poll tax or through export duties on tobacco.<sup>3</sup> The poll tax, throughout its early history, was favored, among other reasons, because it was the only form of taxation that experienced any significant success in collection.<sup>4</sup> In colonial times, there was little need for revenue, particularly when the functions of colonial governments are compared to those now performed by state government.

However, as the needs of government grew, the Commonwealth returned to the real property tax and taxed two classes of real property. From the colonial period until the Constitution of 1851, real property was taxed either as "land" or "town lots."<sup>5</sup> Land (farm land) was taxed directly in relationship to value, while town lots (occupied or rented town property) was taxed according to its rental value.<sup>6</sup> Throughout this time, and until 1926, real property was taxed at the state level, while also being subject to tax by the localities.

The criticism directed at state taxation of real property during this early period of Virginia history was that inequality of assessments resulted in unequal tax burdens, which became disproportionately worse with the passage of time.<sup>7</sup> Tax "reform" at the state level, in terms of constitutional changes, finally occurred in the 1920s. In 1926, effective the following year, the General Assembly segregated real estate and tangible personal property for local taxation only.<sup>8</sup> Thereafter, the electorate approved and ratified this tax segregation scheme as amendments to the Constitution of 1902, Article XIII, §§ 168, 169, 171, and 172, on June 19, 1928.<sup>9</sup> Although property is segregated for local taxation, Article X, Section 1 of the Constitution of Virginia permits the General Assembly, through the power of classification, to

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<sup>1</sup> Sydenstricker, Edgar. *A Brief History of Taxation in Virginia*. Richmond: The Legislative Reference Bureau of Virginia, 1915, p. 7.

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

<sup>4</sup> *Id.*, p. 11.

<sup>5</sup> *Id.*, p. 58.

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*, pp. 62-63.

<sup>8</sup> Chapter 576, 1926 Acts of Assembly.

<sup>9</sup> Holt, "Constitutional Revision in Virginia, 1902 and 1928: Some Lessons in Roadblocks to Institutional Reform," 54 *Va. L.Rev.* 903 (1968).

permit application of a different tax rate on different categories of property. Classification has been used often in the area of personal property taxation but has not been applied to such a degree in real property taxation.<sup>10</sup>

The Constitution of Virginia provides (i) that all property shall be taxed, (ii) that all taxes shall be levied and collected under general laws and shall be uniform upon the same class of subjects within the territorial limits of the taxing jurisdiction, and (iii) that all assessments of property be at their fair market value. These constitutional requirements are the standards guiding the implementing statutes found in Title 58.1.

## Background

The real property tax was intended as a tax on wealth and therefore applies whether or not the wealth (real property) generates income. Taxing property implicitly assumes that the property owner has sufficient income to pay the tax. If income is not available from other sources, the property owner is faced with the decision of selling the property or borrowing against it. However, with the impact of inflation on Virginia real estate prices over the last 20 years, the disparity between the fair market value of residential real estate and the ability to pay has been magnified, particularly to the extent that the property owner has held on to his property, and particularly in certain areas of Virginia. For persons on relatively fixed incomes, this disparity often is heightened.

## Tax Structure

### Assessment-Valuation Process

The real property tax is assessed annually (referred to as “tax day”) against the fair market value of all taxable real estate. The first day of January has traditionally been tax day in Virginia, but the day has been modified by general statute and special laws in various localities. Fair market value is determined by an appraisal process that may occur as frequently as annually or as infrequently as once every six years. Cities are generally required to reassess at least every two years, while smaller cities (less than 30,000 in population) may elect to reassess every four years. Counties are required to reassess at least every four years, while counties with smaller populations (50,000 or less) may elect to reassess every five or six years. To the extent that a new appraisal of fair market value (also referred to as an “assessment”) has not been produced, annual taxes on the real estate are to be computed by reference to the last appraisal or valuation made. Adjustments to the last appraisal or valuation may be made when land is subdivided or rezoned, when new buildings are substantially completed or fit for use and occupancy, or when property is reduced in value through damage, destruction, or removal of timber.

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<sup>10</sup> Va. Code §§ 58.1-3503 and 58.1-3506.

Fixtures, or improvements to real estate, are taxed as real estate. Mobile homes, although under the law of fixtures may constitute real property, are classified as tangible personal property, but must be taxed at the same rate applicable to real property. Mineral lands and timber lands, although they are to be separately listed and assessed, are taxed as real estate.

Real property and tangible personal property owned by public service corporations are taxed locally under the tax segregation provisions of the Constitution of Virginia. However, in 1928 (the same year the tax segregation provisions were ratified), the Virginia Constitution was amended to provide that a “central State agency” (the State Corporation Commission) would assess all such property in the Commonwealth.<sup>11</sup> This provision ensures that public service corporation property throughout the Commonwealth is uniformly valued and that unfavorable or unequal tax treatment is not exported to the public service corporation’s ratepayers for the benefit of a locality’s taxpayers.

The goal of the assessment process (appraisal or valuation) is determination of “fair market value.” In theory, and by definition, “the fair market value of property ‘is the price which it will bring when it is offered for sale by one who desires, but is not obliged, to sell it, and is bought by one who is under no necessity of having it.’” However, as a practical matter, particularly for those jurisdictions that make annual or biennial assessments, it is physically impossible to appraise each and every piece of real estate in the jurisdiction.<sup>12</sup> Therefore, the Supreme Court of Virginia has specifically approved “[c]ertain tools of the appraisal-assessment trade, such as ‘continuous maintenance’ and ‘hotspotting’ . . . to facilitate the process of achieving uniformity.”<sup>13</sup> “Hotspotting” is the selective reappraisal of tax parcels within those areas of the jurisdiction at large where value changes seem to be disproportionate.

## Appraisal-Valuation Methods

Professional appraisers use three basic approaches in determining fair market value. First is the sales approach, which requires the comparison of sales prices of comparable or similar properties. This method is considered quite accurate for those types of properties that sell frequently, such as residential properties, although the issue of comparability often gives rise to disagreement. Next is the income approach, which is used for income-producing (rental) properties, especially those for which there are few comparable sales. “Economic rent” or fair market rent is capitalized to determine value. Economic rent is not necessarily the actual rent or rents being paid by the lessee for the subject property; here, too, market comparisons are necessary to determine what rents are being paid for comparable buildings. The third approach

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<sup>11</sup> Article X, § 2 Constitution of Virginia (1971).

<sup>12</sup> *Perkins v. Albemarle County*, 214 Va. 416, 418 (1973).

<sup>13</sup> *Perkins v. Albemarle County*, 214 Va. 416, 418 (1973).

is depreciated reproduction cost, which requires computing the actual cost to replace or rebuild the structure reduced by depreciation to reflect age and wear and tear on the structure.

The Supreme Court of Virginia has recognized “that assessment of property is not an exact science” and that “[t]he value of land, buildings, and tangible personal property is dependent upon many factors which cannot be prescribed by any general rule. . . .The courts, in trying to resolve this problem . . . have sought to enforce equality in the burden of taxation by insisting upon uniformity in the mode of assessment and in the rate of taxation.”<sup>14</sup>

The fair market value mandate of the Virginia Constitution is also reflected in §§ 58.1-3201 and 58.1-3259 of the Code of Virginia. Section 58.1-3259 requires the comptroller to withhold ABC profits from any county or city that fails to assess “at 100 percent fair market value”<sup>15</sup> upon notification from the Department of Taxation of such failure. Such withholding is to continue until the Department notifies the comptroller that compliance has been achieved, at which time the comptroller may release the withheld funds, less an eight percent annualized penalty.

## Who Performs Assessments

Under §§ 58.1-3251, 58.1-3252, 58.1-3270, and 58.1-3271, the appraisal may be performed by the local commissioner of the revenue, a professional real estate assessor certified by the Department of Taxation, or a board of assessors. Real estate assessors or boards of assessors (consisting of three members) are appointed by the governing bodies of the localities. Section 58.1-3276 requires that persons appointed to a board of assessors be citizens of the taxing jurisdiction and, at the discretion of the local governing body, be required to attend and participate in the Department of Taxation’s basic course of instruction. In addition, all personnel employed by the board of assessors are required to possess prescribed qualifications for the particular position held, including whatever combinations of education, training, and experience are deemed necessary by the Department for each such position.

## Appeal of Assessments

Taxpayers may apply to the commissioner of the revenue or other official who made the contested assessment for corrections of erroneous assessments. In addition, any person aggrieved by any real estate assessment may apply for relief to the board of assessors, or, if none, to the board of equalization, or he may apply directly to the appropriate circuit court, if such direct judicial appeal is not otherwise specifically prohibited.

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<sup>14</sup> *Southern Railway v. Commonwealth*, 211 Va. 210, 214 (1970).

<sup>15</sup> Compliance is determined by reference to the Department of Taxation’s annual official assessment sales ratio study, which compares assessments of properties in the localities with actual sales of the same properties. Noncompliance is the failure of a locality to maintain a sales assessment ratio greater than 70%.

Boards of equalization are generally appointed by the local circuit court and usually consist of three or five members. Boards of equalization may sit for either a one-year term or, in the case of “permanent” boards of equalization, staggered terms of one to three years. Members, or prospective members, in order to be eligible for appointment in the first instance, must attend and participate in the Department of Taxation’s basic course of instruction.

The board of equalization’s statutory duty is to equalize real estate assessments, make corrections where land is determined to have been valued at other than fair market value, and correct other errors in assessments such as the number of acres contained in a parcel of land. The board may act whether a specific complaint is made or not and may increase as well as decrease assessments. This duty requires the board to act of its own initiative if it should be made aware that action is necessary to ensure equality of taxation.<sup>16</sup> The board of equalization has the power to inspect real estate and to summon information it may deem necessary to review the assessments before it. Either the taxpayer or the taxing authority may apply to the board of equalization for relief. In all cases brought before the board it is presumed that the assessment is correct.

In the event the taxpayer does not resolve his dispute administratively, resort to the local circuit court is permitted under § 58.1-3984 (unless otherwise provided by special law). The burden is on the taxpayer to show that the property is valued at more than its fair market value, that the assessment is not uniform in its application, or that the assessment is otherwise invalid. “If the court is satisfied from the evidence that the assessment is erroneous and that the erroneous assessment was not caused by” the taxpayer’s willful failure to provide information, the court may order the assessment to be corrected and a refund if the tax has been paid.<sup>17</sup>

## Exemptions and Other Special Taxpayer Treatment

Article X, Section 1 of the Constitution of Virginia (1971) provides that “[a]ll property, except as hereinafter provided, shall be taxed.” The majority of property tax exemptions are found in Article X, Section 6 of the Constitution of Virginia. The list of such exempt property may be summarized as follows:

1. Property owned (directly or indirectly) by the Commonwealth or any of its political subdivisions;
2. Property owned and exclusively occupied or used by churches or religious bodies for religious worship or for the residences of their ministers;
3. Nonprofit cemeteries;
4. Property owned by nonprofit public libraries or nonprofit institutions of learning, as long as such property is primarily used for literacy, scientific or educational purposes, or purposes incidental thereto;

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<sup>16</sup> *Id.*

<sup>17</sup> Va. Code § 58.1-3987.

5. Intangible personal property (or any class or classes thereof) as may be provided for in general law;
6. Property used by its owner for religious, charitable, patriotic, historical, benevolent, cultural, or public park and playground purposes, as may be provided by ordinance of the applicable local governing body, subject to conditions as may be provided by the General Assembly;
7. Land subject to a perpetual easement permitting inundation by water as provided by general law;
8. As permitted by the General Assembly, at local option, property owned and occupied as their sole dwelling by persons 65 years of age or older or permanently and totally disabled, who are deemed by the General Assembly to be bearing an extraordinary tax burden on such property in relation to their income and financial worth;
9. As provided by general law, or as general law may permit localities, to exempt or partially exempt pollution control or solar energy equipment, facilities, or devices, including real property;
10. As provided by general law, or as general law may permit localities, to exempt or partially exempt household goods, personal effects, and tangible farm property and products;
11. As permitted by the General Assembly, at local option, partial exemption of real estate which has undergone substantial renovation, rehabilitation, or replacement;
12. As permitted by the General Assembly, at local option, to exempt or partially exempt generating equipment installed for the purpose of converting from oil or natural gas to coal or to wood or to any other alternate energy source for manufacturing; and
13. As provided by general law, at local option, to exempt or partially exempt any business license or merchants' capital.

Some of the foregoing exemptions are considered self-executing (items 1, 2, 3, and 4); that is, they do not require statutes to implement them. Nonetheless, the General Assembly has enacted statutes providing for these exemptions, as well as the other exemptions.<sup>18</sup> For most of the exemptions, the General Assembly has the authority to define or condition (but not extend) them by general law. Most of the exemptions and their corresponding statutes are relatively straightforward. One exemption whose corresponding statute is more involved and has been amended numerous times is item 8, concerning property owned and occupied as the sole dwelling by persons 65 years of age or older or permanently and totally disabled, who are deemed by the General Assembly to be bearing an extraordinary tax burden on such property in relation to their income and financial worth.

## **Tax Relief for the Elderly and the Handicapped**

Section 6 of Article X of the Constitution of Virginia, broken into its component parts, permits tax relief for the elderly and handicapped provided that:

1. The General Assembly permits the relief by affirmatively enacting a general law.
2. Each local governing body is free to opt in or out of the tax relief.
3. Total or partial exemption, or tax deferral can be provided.

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<sup>18</sup> Va. Code Articles 2, 3, and 4 of Chapter 32 of Title 58.1; and Va. Code Chapter 36 of Title 58.1

4. The real estate is both owned and occupied as the sole dwelling by the elderly (65 years or older) or handicapped, whose income and financial worth are such that the General Assembly deems that they are "bearing an extraordinary tax burden."

The General Assembly has implemented Article X, § 6 (b) of the Constitution through Article 2 of Chapter 32 of Title 58.1. By local option, the local governing body may adopt either an exemption program or a deferral program or a combination of exemption and deferral. Such real estate must be owned by, and be occupied, as the sole dwelling of a person at least 65 years of age, or if provided in the ordinance, a person who is permanently and totally disabled. A dwelling jointly owned by husband and wife can qualify for tax relief if either spouse meets the age or disability standard.

In general, localities are permitted to choose one of three methods of determining income limitations (localities may elect any cap that does not exceed the general income limitation): (i) \$50,000 of income from all sources per year; (ii) the income limits based upon family size for the respective metropolitan statistical area, annually published by the Department of Housing and Urban Development for qualifying for federal housing assistance; or (iii) the locality's median adjusted gross income of its married residents. The combined net worth cap that localities are permitted to use is \$200,000, excluding the value of the dwelling and the land on which it is situated (not to exceed 10 acres). Furnishings may also be excluded from the net worth computation. The locality may elect to annually increase the net combined financial worth by indexing it to inflation.

The following localities are permitted to use a higher income limit (\$52,000) and a higher net worth limit (\$350,000): the Cities of Charlottesville, Chesapeake, Norfolk, Portsmouth, Richmond, Suffolk, and Virginia Beach and the Counties of Chesterfield, Goochland, and Henrico. The following localities are permitted to use an even higher income limit (\$72,000) and a higher net worth limit (\$540,000) and exclude from net worth the value of more acres of land on which the dwelling is situated (25 acres): the Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park and the Counties of Arlington, Clarke, Fairfax, Fauquier, Loudoun, Prince William, and Stafford.

## **Land Use Taxation**

Article X, Section 2 of the Constitution of Virginia provides that the "General Assembly may define and classify real estate devoted to agricultural, horticultural, forest, or open space uses" and authorize local jurisdictions to allow the deferral of or relief from portions of real estate taxes that would otherwise apply in the absence of special tax treatment. The General Assembly has exercised the power granted under this constitutional provision in Article 4 of Chapter 32 of Title 58.1. The article is entitled "Special Assessments for Land Preservation" and is popularly known as "land use taxation" or "use value taxation."

A comprehensive land use taxation statute was first adopted by the General Assembly in 1971, effective July 1, 1973. The stated purpose of the General Assembly was to preserve land dedicated to farming, forestal, and open space uses by reducing or deferring the increased taxes due to a potential “higher use,” by reducing the pressure the increasing taxes may play in the landowner’s decision to sell or convert such property to a more intensive use. The concept is based on the assumption that encroaching development and resulting higher property taxes may compel some farm owners to sell their farms.

Land use taxation is a local option program, and the local jurisdiction may elect to include any or all of the four classifications of property in its ordinance. The mechanics of the land use taxation program include the adoption of a jurisdiction-wide ordinance that permits appraisal or valuation of the real estate at its value for agricultural, horticultural, forestal, or open space use and application of the jurisdiction-wide tax rate to the special use valuation. In other words, the tax rate that is applied is the same as the general rate for real property, but the value to which the rate is applied is the lower agricultural, horticultural, forestal, or open space use value, instead of the ordinary fair market value which is the “highest and best use” value.

If the landowner changes the use of the land, liability for roll-back taxes attaches and is computed by adding the amount of deferred tax for the five most recent completed tax years, including simple interest at the rate applicable to delinquent taxes. In addition, taxes for the current tax year are recalculated. The amount of deferred tax for each year is the difference between the tax actually levied and paid and the tax that would have been paid if fair market value assessments had been utilized.

## **Service Charge**

Article X, § 6 (g) of the Constitution permits the General Assembly to authorize local governments to impose service charges on otherwise tax exempt property. Chapter 34 (§ 58.1-3400 et seq.) of Title 58.1 implements this constitutional language. Section 58.1-3400 authorizes localities to impose charges upon all real estate that is exempt from taxation subject to the following long list of exemptions:

1. Property owned directly or indirectly by the Commonwealth when the value of such property constitutes less than 3 percent of the total value of real estate in a locality; however, in no event may a service charge be placed on hospitals, educational institutions (except for faculty and staff housing), or public highways.
2. Property of the Virginia Port Authority and faculty and staff housing of educational institutions may be assessed service charges without regard to the 3 percent restriction.
3. Nonprofit private or public cemeteries;
4. Certain libraries;
5. Property belonging to charitable or benevolent organizations and used by them exclusively for lodge purposes or meeting rooms;
6. Certain property owned by Colonial Williamsburg, Incorporated;
7. Property owned by the Virginia Home;

8. Property owned by the Waterford Foundation, Incorporated;
9. Property of Historic Fredericksburg, Incorporated, and the Clarke County Historical Association;
10. Property of the Westmoreland Davis Foundation, Incorporated;
11. Property owned by the Women's Home, Incorporated, in Arlington County and used for the rehabilitation of alcoholic women, as long as it is operated on a nonprofit basis;
12. All property used for charitable purposes exempted from property taxation by the General Assembly under the authority of Article X, § 6 (a)(6) of the Constitution of Virginia prior to January 1, 2003, and all such property exempted by local ordinance on or after January 1, 2003;<sup>19</sup> and
13. Certain property of churches.

In general, the service charge is based on the amount the locality expended in the preceding year for providing services to the exempted property; the services to be considered include only police and fire protection and refuse collection. Any such service charge is capped at 20 percent of the real estate tax rate, or at 50 percent in the case of faculty and staff housing for educational institutions (non-state-owned), or 100 percent of the real estate tax for property of the Commonwealth.

## Amount of Revenue and Rates

Tables 1 through 3 reflect the diversity and tax burden of local real property tax rates as well as the magnitude of real estate tax collections for each Virginia city and county.

## Summary

The real property tax is local governments' lifeblood, providing, on average in 2005, more than 48.5 percent of localities' total revenues. It is a tax on wealth or wealth accumulation. The combination of localities' extreme reliance upon the real estate tax, and the burden of such tax on taxpayers, creates a tough issue that is constantly being debated in the General Assembly.

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<sup>19</sup> Prior to January 1, 2003, only the General Assembly could exempt such property pursuant to Article X, § 6 (a)(6) of the Constitution of Virginia. This Constitutional provision was amended effective January 1, 2003, to permit only local governments to exempt such property.

**Table 1****Local Real Property Taxes and Public Service Corporations' Tax Collections,  
Virginia Counties, 2005**

County	Real Property Tax Collection	Public Service Corporation Collections	County	Real Property Tax Collection	Public Service Corporation Collections
Accomack	\$ 11,988,590	\$ 1,399,572	King George	\$ 9,318,497	\$ 1,969,280
Albemarle	76,935,444	1,475,668	King William	7,092,598	265,179
Alleghany	4,907,460	566,246	Lancaster	8,138,827	168,136
Amelia	3,340,690	141,908	Lee	4,556,488	436,276
Amherst	8,722,488	485,684	Loudoun	422,518,209	10,092,622
Appomattox	4,443,801	298,462	Louisa	14,236,702	13,562,313
Arlington	355,952,313	5,578,210	Lunenburg	2,482,303	132,685
Augusta	25,505,184	965,037	Madison	6,297,468	232,103
Bath	2,411,444	6,089,965	Mathews	5,905,365	131,683
Bedford	28,301,441	1,360,472	Mecklenburg	8,635,324	889,640
Bland	1,750,551	154,769	Middlesex	5,927,937	164,750
Botetourt	14,886,331	997,811	Montgomery	30,537,992	835,618
Brunswick	3,923,453	233,315	Nelson	10,040,725	536,556
Buchanan	7,443,371	532,179	New Kent	9,812,220	540,699
Buckingham	3,957,242	348,266	Northampton	7,552,335	312,323
Campbell	12,445,065	1,090,137	Northumberland	7,626,300	148,292
Caroline	10,716,576	1,024,630	Nottoway	2,888,902	262,708
Carroll	9,667,664	565,396	Orange	16,841,050	576,540
Charles City	3,851,214	109,697	Page	7,460,719	346,983
Charlotte	3,638,313	286,522	Patrick	4,594,059	258,772
Chesterfield	218,288,289	11,381,857	Pittsylvania	14,017,134	1,450,898
Clarke	8,765,201	242,380	Powhatan	15,767,251	599,265
Craig	1,853,053	78,725	Prince Edward	4,145,765	256,188
Culpeper	24,838,882	897,280	Prince George	13,765,574	663,531
Cumberland	3,781,755	426,606	Prince William	376,259,000	14,227,000
Dickenson	4,697,894	343,486	Pulaski	11,005,269	769,468
Dinwiddie	11,275,874	730,340	Rappahannock	6,201,170	156,898
Essex	5,479,495	204,145	Richmond*	2,638,093	268,900
Fairfax	1,637,227,420	35,407,353	Roanoke	65,108,454	2,376,775
Fauquier	56,141,484	3,883,056	Rockbridge	10,873,814	596,149
Floyd	5,424,372	226,104	Rockingham	28,227,503	909,398
Fluvanna	9,242,949	1,987,451	Russell	5,570,536	1,337,725
Franklin	22,717,232	644,023	Scott	5,852,014	539,854
Frederick	32,925,998	1,019,023	Shenandoah	16,369,191	830,449
Giles	4,588,309	793,348	Smyth*	6,375,730	573,047
Gloucester	19,756,909	539,919	Southampton	5,964,708	624,381
Goochland	17,088,763	573,651	Spotsylvania	74,641,927	1,898,661
Grayson	4,458,085	146,158	Stafford	91,465,836	2,025,835
Greene	8,229,855	306,841	Surry	3,655,474	10,192,257
Greensville	2,400,485	174,768	Sussex	2,875,628	377,983
Halifax	7,122,128	2,880,735	Tazewell	9,849,135	577,790
Hanover	69,977,646	3,770,707	Warren	17,638,411	439,818
Henrico	223,264,709	8,056,827	Washington	15,189,019	1,111,761
Henry	10,730,684	650,344	Westmoreland	6,695,971	206,543
Highland	1,923,885	94,247	Wise	8,285,766	562,979
Isle of Wight	17,213,714	1,313,413	Wythe	7,571,120	712,494
James City	56,157,350	1,339,496	York	43,602,641	2,964,773
King & Queen	2,657,019	108,130	■ Total Counties:	\$4,545,094,228	\$181,038,337

\*Based on 2004 figures.

SOURCE: *Comparative Report of Local Government Revenues and Expenditures*, Year Ended June 30, 2005, Auditor of Public Accounts.

**Table 2**  
**Local Real Property Taxes and Public Service Corporations Tax Collections,**  
**Virginia Cities, 2005**

City	Real Property Tax Collection	Public Services Corporations Collections	City	Real Property Tax Collection	Public Services Corporations Collections
Alexandria	\$227,826,224	\$ 7,241,824	Manassas	\$ 41,010,293	\$ 873,934
Bedford	\$ 2,558,495	\$ 89,709	Manassas Park	\$ 14,541,141	\$ 296,585
Bristol	\$ 7,354,507	\$ 164,296	Martinsville	\$ 5,453,976	\$ 258,443
Buena Vista	\$ 2,462,871	\$ 94,087	Newport News	\$114,344,221	\$ 4,457,737
Charlottesville	\$ 35,902,208	\$ 1,644,018	Norfolk	\$145,781,000	\$ 8,329,811
Chesapeake	\$ 177,611,299	\$ 11,152,461	Norton	\$ 1,005,915	\$ 222,049
Colonial Heights	\$ 13,622,518	\$ 345,407	Petersburg	\$ 16,438,851	\$ 1,303,984
Covington	\$ 1,627,801	\$ 134,423	Poquoson	\$ 10,665,742	\$ 105,318
Danville	\$ 14,939,504	\$ 420,595	Portsmouth	\$ 55,120,314	\$ 3,591,528
Emporia	\$ 2,546,960	\$ 169,769	Radford	\$ 4,604,162	\$ 158,490
Fairfax	\$ 36,257,486	\$ 1,029,432	Richmond	\$180,637,143	\$ 12,835,053
Falls Church	\$ 25,757,307	\$ 330,580	Roanoke	\$ 60,089,549	\$ 3,838,326
Franklin	\$ 3,674,928	\$ 77,406	Salem	\$ 16,785,561	\$ 396,462
Fredericksburg	\$ 17,909,882	\$ 716,942	Staunton	\$ 11,826,329	\$ 622,306
Galax	\$ 2,420,264	\$ 101,169	Suffolk	\$ 54,317,177	\$ 1,693,701
Hampton	\$ 87,496,207	\$ 2,662,278	Virginia Beach	\$375,423,810	\$ 6,023,217
Harrisonburg	\$ 12,159,177	\$ 314,038	Waynesboro	\$ 8,618,791	\$ 635,093
Hopewell	\$ 10,768,794	\$ 4,337,756	Williamsburg	\$ 6,526,520	\$ 316,177
Lexington	\$ 2,524,369	\$ 104,200	Winchester	\$ 13,910,677	\$ 333,891
Lynchburg	\$ 35,794,408	\$ 2,441,682			
			■ Total Cities	\$1,858,316,381	\$80,854,177

■ **Virginia Total (Counties and Cities):      \$6,403,410,609      \$261,892,514**

SOURCE: *Comparative Report of Local Government Revenues and Expenditures*, Year Ended June 30, 2005, Auditor of Public Accounts.

**Table 3**  
**Local Real Property Tax Rates (per \$100 value), Counties and Cities, 2005**

County	Rate	County	Rate	City	Rate
Accomack	\$0.57	King & Queen	\$0.58	Alexandria	\$0.915
Albemarle	\$0.74	King William	\$0.87	Bedford	\$0.83
Alleghany	\$0.67	Lancaster	\$0.41	Bristol	\$0.98
Amelia	\$0.52	Lee	\$0.65	Buena Vista	\$0.90
Amherst	\$0.61	Loudoun	\$1.04	Charlottesville	\$1.00
Appomattox	\$0.72	Louisa	\$0.66	Chesapeake	\$1.21
Arlington	\$0.878	Lunenburg	\$0.42	Colonial Heights	\$1.20
Augusta	\$0.58	Madison	\$0.59	Covington	\$0.66
Bath	\$0.45	Mathews	\$0.51	Danville	\$0.77
Bedford	\$0.65	Mecklenburg	\$0.39	Emporia	\$0.83
Bland	\$0.69	Middlesex	\$0.48	Fairfax	\$0.87
Botetourt	\$0.70	Montgomery	\$0.67	Falls Church	\$1.03
Brunswick	\$0.60	Nelson	\$0.72	Franklin	\$0.95
Buchanan	\$0.49	New Kent	\$0.81	Fredericksburg	\$0.89
Buckingham	\$0.58	Northampton	\$0.70	Galax	\$0.70
Campbell	\$0.52	Northumberland	\$0.61	Hampton	\$1.20
Caroline	\$0.79	Nottoway	\$0.56	Harrisonburg	\$0.62
Carroll	\$0.59	Orange	\$0.84	Hopewell	\$1.20
Charles City	\$0.70	Page	\$0.67	Lexington	\$0.64
Charlotte	\$0.62	Patrick	\$0.50	Lynchburg	\$1.11
Chesterfield	\$1.07	Pittsylvania	\$0.57	Manassas	\$1.00
Clarke	\$0.81	Powhatan	\$0.94	Manassas Park	\$1.29
Craig	\$0.68	Prince Edward	\$0.50	Martinsville	\$0.94
Culpeper	\$0.74	Prince George	\$0.90	Newport News	\$1.24
Cumberland	\$0.76	Prince William	\$0.91	Norfolk	\$1.35
Dickenson	\$0.60	Pulaski	\$0.62	Norton	\$0.70
Dinwiddie	\$0.87	Rappahannock	\$0.80	Petersburg	\$1.38
Essex	\$0.68	Richmond	\$0.63	Poquoson	\$1.06
Fairfax	\$1.00	Roanoke	\$1.12	Portsmouth	\$1.45
Fauquier	\$0.99	Rockbridge	\$0.73	Radford	\$0.73
Floyd	\$0.52	Rockingham	\$0.71	Richmond	\$1.33
Fluvanna	\$0.50	Russell	\$0.60	Roanoke	\$1.21
Franklin	\$0.53	Scott	\$0.69	Salem	\$1.18
Frederick	\$0.525	Shenandoah	\$0.68	Staunton	\$0.96
Giles	\$0.59	Smyth	\$0.63	Suffolk	\$1.06
Gloucester	\$0.95	Southampton	\$0.74	Virginia Beach	\$1.0239
Goochland	\$0.59	Spotsylvania	\$0.89	Waynesboro	\$0.78
Grayson	\$0.55	Stafford	\$0.97	Williamsburg	\$0.54
Greene	\$0.84	Surry	\$0.77	Winchester	\$0.63
Greensville	\$0.59	Sussex	\$0.65		
Halifax	\$0.41	Tazewell	\$0.60		
Hanover	\$0.86	Warren	\$0.79		
Henrico	\$0.92	Washington	\$0.57		
Henry	\$0.54	Westmoreland	\$0.66		
Highland	\$0.73	Wise	\$0.57		
Isle of Wight	\$0.68	Wythe	\$0.54		
James City	\$0.825	York	\$0.8175		
King George	\$0.77				

SOURCE: *Local Tax Rates, Tax Year 2005*, Virginia Department of Taxation.

# ***Tangible Personal Property Tax***

## **Introduction**

## **History**

## **Administering the Tax**

### **Classification**

### **Revenues**

### **Situs for Taxation**

### **Proration**

### **Assessed Value and Tax Rates**

## **Recent Developments**

### **Personal Property Tax Relief Act of 1998**

### **Granting of Property Tax Exemptions**

## **Issues**

### **Difficulty of Accurate Assessment**

### **Proliferation of Classes**

## **Summary**

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## **Introduction**

The Virginia tangible personal property tax has been administered at the local level since 1926, when the state government abandoned the tax as a source of state revenue. Since that time, it has grown to become the second largest source of revenue for counties and cities, exceeded only by the tax on real property.<sup>1</sup> For the fiscal year ended June 30, 2005, the tangible personal

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<sup>1</sup> This ranking may change depending upon how much of the tangible personal property tax on passenger cars, pickup or panel trucks, and motorcycles is reimbursed to local governments by the Commonwealth. Under the Personal Property Tax Relief Act of 1998 (§ 58.1-3523 et seq. of the Code of Virginia), the Commonwealth

property tax generated approximately \$1.3 billion of revenue for counties and cities. Although the tax on tangible personal property, including machinery and tools, comprised 10 percent of fiscal year 2005 total revenue for cities and counties statewide, the portion of local revenue derived from the tax varies greatly among Virginia's cities and counties.<sup>2</sup>

Each locality throughout Virginia imposes the tangible personal property tax within the statutory framework prescribed by the Code of Virginia.<sup>3</sup> Also, several Constitutional provisions were established to ensure equitable application of the tax: Article X, Section 1 provides in part that all property shall be taxed, and Article X, Section 2 provides in part that all assessments of real estate and tangible personal property shall be at their fair market value.

## History

The Virginia tangible personal property tax dates back to 1654, when it was imposed as a result of widespread opposition to the poll tax. The property tax was not enforced until the outbreak of the French and Indian wars several years later, however, because the House of Burgesses consisted mainly of plantation owners. The wars caused a substantial increase in the need for revenue and forced the government to rely heavily upon personal property taxes to meet the demands brought about by the conflicts. During this time cattle and sheep were the only items subject to the personal property tax.<sup>4</sup>

The limited scope of the property tax remained virtually unchanged until the Constitution of 1789 added horses, mules, coaches, and stages to the list of taxable personal property. No further extension of the property tax occurred until 1842, when the General Assembly imposed the tax on several other articles. The property tax was extended a final time, when all personal property became taxable under the Constitution of 1851.<sup>5</sup>

## Administering the Tax

### Classification

In 1926, real estate and tangible personal property were segregated for local taxation, and intangible personal property for state taxation.<sup>6</sup> Personal property, as distinguished for tax

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reimburses localities for providing tangible personal property tax relief on such vehicles used for nonbusiness purposes. Thus, if local tax rates remain relatively constant, there is an inverse relationship between the revenues generated from the tangible personal property tax on such vehicles and the amount of reimbursement provided by the Commonwealth for tangible personal property tax relief.

<sup>2</sup> Virginia's towns also impose the tangible personal property tax. The contents of this chapter primarily cover the tangible personal property tax imposed by counties and cities.

<sup>3</sup> Va. Code §§ 58.1-3500 through 3535.

<sup>4</sup> Sydenstricker, Edgar. *A Brief History of Taxation in Virginia*. Richmond: The Legislative Reference Bureau of Virginia, 1915, pp. 7-12.

<sup>5</sup> *Id.*, pp. 65-66.

<sup>6</sup> Chapter 576, 1926 Acts of Assembly. Intangible personal property segregated for state taxation currently includes some items of property that are tangible in nature. See § 58.1-1100 et seq. of the Code of Virginia.

purposes, is property that, by its location and character, shows that the owner intends it to be movable. Also in 1926, counties, cities, and towns were authorized to make a separate classification of machinery and tools used in any trade or business. This separate classification of machinery and tools was made mandatory by the General Assembly in 1964.

Household goods and personal effects were classified separately in 1958 to allow local governments to exempt them pursuant to Article X, Section 6 of the Constitution. Forty-five other states exempt household goods and personal effects from property taxes. Table 1 lists the major exemptions from tangible personal property taxes in other states.

Manufactured homes were classified separately in 1960. The tangible personal property tax rate on manufactured homes subject to federal regulation must equal the locality's real estate tax rate.

In 1976, the General Assembly granted local governing bodies the authority to exempt farm machinery and livestock. As an alternative to exemption, in 1979 the General Assembly authorized local governments to establish a lower tangible personal property tax rate for such property.

In 1979 there existed eight separate classes of property for tax rate purposes. By January 1, 2007, there existed just under 40 separate classes of property for tax rate purposes. The classification system of tangible personal property in the Code of Virginia gives local governments the flexibility to exempt property from taxation in accordance with Article X, Section 6 of the Constitution or to tax a class of property at a rate that is lower than the tax rate that generally applies to tangible personal property or machinery and tools. In general, local governments are not required to exempt a class of property that has been established by the General Assembly or to impose a lower tax rate on the class of property, but are merely given the option to do so.

## **Revenues**

In the fiscal year ending June 30, 2005, the tangible personal property tax, excluding the machinery and tools tax, generated approximately \$1.131 billion for cities and counties. This represented 8.6 percent of total local-source revenue. Cities generated approximately \$321 million, or about 28.4 percent of all tangible personal property tax revenue. Revenue collections in the cities ranged from a high of \$51.7 million in Virginia Beach to a low of \$177,593 in Norton. Counties generated \$810 million, or 71.6 percent of the tangible personal property tax revenue. Collections in counties ranged from a high of \$245.9 million in Fairfax County to a low

**Table 1**  
**Major Exemptions From Tangible Property Taxes, 2005**

State	All Personal Property	All Personal Property Except Business Property	Registered Motor Vehicles	Business Inventories	Personal Effects, Apparel, Household Items
Alabama				■	■
Alaska				(1)	■
Arizona				■	■
Arkansas					■
California			■	■	■
Colorado				■	■
Connecticut				■	■
Delaware	■		■	■	■
Florida			■	■	■
Georgia				(1)	■
Hawaii	■		■	■	■
Idaho			■	■	
Illinois	■		■	■	■
Indiana			■		■
Iowa	■		■	■	■
Kansas			■	■	■
Kentucky					■
Louisiana			■	(1)	■
Maine			■	■	■
Maryland			■	(1)	■
Massachusetts				■	■
Michigan			■	■	■
Minnesota			■	■	
Mississippi				(1)	■
Missouri				■	■
Montana				■	■
Nebraska				■	■
Nevada				■	■
New Hampshire			■	■	
New Jersey			■	■	■
New Mexico				■	■
New York	■		■	■	■
North Carolina				■	■
North Dakota	■		■	■	■
Ohio		■	■	(2)	■
Oklahoma			■	(3)	■
Oregon			■	■	■
Pennsylvania	■		■	■	■
Rhode Island			■	■	■
South Carolina				■	■
South Dakota	■		■	■	■
Tennessee		■	■	■	■
Texas		■	■		■
Utah			■	■	■
Vermont			■	(1)	■
Virginia				■	(1)
Washington			■	■	■
West Virginia					■
Wisconsin				■	■
Wyoming			■	■	

(1) Local option to exempt business inventories.

(2) In Ohio, inventory taxes are being phased out over a five-year period. Tax rates are 23% for 2005; 18.75% for 2006; 12.5% for 2007; 6.25% for 2008; and 0% for 2009 and after.

(3) An assessment ratio of up to 15% of fair cash value is used.

SOURCE: Compiled by the Virginia Division of Legislative Services from *RIA Checkpoint*.

of \$70,438 in Bath. Tables 2 and 3 list tangible personal property tax collections in cities and counties.<sup>7</sup>

Tables 2 and 3 also list machinery and tools tax collections. Revenue generated for cities and counties from this separate category of personal property was approximately \$188 million in fiscal year 2005, which represented 1.4 percent of total local-source revenue. Cities collected \$79 million from the machinery and tools tax, with Richmond collecting the most, at \$14.6 million. Three cities (Falls Church, Lexington, and Poquoson) did not collect any machinery and tools tax. Counties generated \$110 million from the machinery and tools tax, ranging from a high of \$6.7 million in Rockingham to a low of \$0 in Rappahannock and Surry Counties.

## Proration

Currently, all localities are authorized to prorate the tangible personal property tax based on the portion of the tax year in which the property has situs in that jurisdiction. In 1979, only Alexandria prorated the personal property tax. By 1986, 12 localities were authorized to prorate, and by 1991, 34 localities had been granted permission, through special enabling legislation, to prorate the tangible personal property tax. In 1993, the General Assembly authorized all local governments to provide by ordinance for the proration of personal property tax on motor vehicles, trailers, and boats. Also in 1993, the City of Winchester was authorized to provide that the payment of prorated personal property tax shall be due on the last day of the 12th month after the property acquired situs in the city. As of January 1, 2007, 75 counties, cities, and towns had in place some form of proration of the tangible personal property tax.<sup>8</sup>

## Assessed Value and Tax Rates

As previously noted, localities are required to assess property at fair market value; however, localities are authorized to value each class of tangible personal property according to a different method. Commissioners of the revenue may have different methods of valuing property among the separate classes, so long as each method used is uniform within each class. Commissioners are required to value automobiles according to a recognized pricing guide. However, if an automobile is not listed in the guide, it can be valued according to a percentage of original cost.

Local governing bodies are authorized to establish tax rates for tangible personal property. Consequently, tax rates vary significantly among Virginia's localities for automobiles

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<sup>7</sup> Reimbursement payments by the Commonwealth to local governments under the Personal Property Tax Relief Act of 1998 (§ 58.1-3523 et seq. of the Code of Virginia) are not treated as locally generated revenue from the tangible personal property tax. Such payments are accounted for as a distribution from the state government, the purpose of which is to reimburse local governments for providing tangible personal property tax relief.

<sup>8</sup> Knapp, John L., Ph.D., Shobe, William M., Ph.D., and Culp, Stephen C. *Tax Rates 2005; Virginia's Cities, Counties and Selected Towns*, Weldon Cooper Center for Public Service, pp. 74-79.

**Table 2**  
**Tangible Personal Property (TPP) and Machinery and Tools (M&T) Tax**  
**Collections, Virginia Counties, 2005**

County	TPP Collections	M & T Collections	County	TPP Collections	M & T Collections
Accomack	\$ 3,952,525	\$ 632,483	King George	\$ 1,946,930	\$ 75,459
Albemarle	\$ 14,482,441	\$ 383,945	King William	\$ 1,280,281	\$ 1,273,159
Alleghany	\$ 1,586,898	\$ 5,900,612	Lancaster	\$ 1,529,846	\$ 4,385
Amelia	\$ 1,124,666	\$ 33,589	Lee	\$ 947,641	\$ 486,664
Amherst	\$ 3,535,349	\$ 1,512,750	Loudoun	\$ 62,198,326	\$ 1,155,636
Appomattox	\$ 1,020,352	\$ 213,951	Louisa	\$ 2,502,589	\$ 257,597
Arlington	\$ 42,339,954	\$ 142,895	Lunenburg	\$ 1,348,787	\$ 104,350
Augusta	\$ 5,058,288	\$ 2,513,917	Madison	\$ 1,520,761	\$ 62,044
Bath	\$ 70,438	\$ 157	Mathews	\$ 1,389,996	\$ 225,320
Bedford	\$ 7,432,090	\$ 1,991,465	Mecklenburg	\$ 4,393,877	\$ 465,711
Bland	\$ 855,022	\$ 141,890	Middlesex	\$ 2,241,918	\$ 6,767
Botetourt	\$ 3,425,229	\$ 2,619,637	Montgomery	\$ 5,816,928	\$ 2,194,605
Brunswick	\$ 1,800,734	\$ 357,207	Nelson	\$ 1,591,118	\$ 9,631
Buchanan	\$ 1,716,936	\$ 3,179,898	New Kent	\$ 2,129,052	\$ 950
Buckingham	\$ 1,565,391	\$ 142,442	Northampton	\$ 1,756,711	\$ 109,729
Campbell	\$ 5,554,942	\$ 4,561,477	Northumberland	\$ 2,050,435	\$ 89,036
Caroline	\$ 3,147,939	\$ 228,342	Nottoway	\$ 961,859	\$ 181,268
Carroll	\$ 1,705,538	\$ 1,344,017	Orange	\$ 2,829,599	\$ 996,132
Charles City	\$ 826,559	\$ 215,118	Page	\$ 2,655,138	\$ 506,638
Charlotte	\$ 809,442	\$ 254,854	Patrick	\$ 1,234,929	\$ 526,407
Chesterfield	\$ 42,759,428	\$ 4,399,948	Pittsylvania	\$ 4,342,009	\$ 1,545,271
Clarke	\$ 2,218,949	\$ 305,504	Powhatan	\$ 2,964,337	\$ 234,392
Craig	\$ 425,062	\$ 25,423	Prince Edward	\$ 1,361,383	\$ 134,659
Culpeper	\$ 5,613,337	\$ 1,178,564	Prince George	\$ 3,839,232	\$ 274,589
Cumberland	\$ 1,377,419	\$ 77,604	Prince William	\$ 47,748,000	\$ 335,000
Dickenson	\$ 840,657	\$ 367,461	Pulaski	\$ 3,133,432	\$ 2,596,939
Dinwiddie	\$ 3,564,088	\$ 541,906	Rappahannock	\$ 788,531	---
Essex	\$ 1,322,171	\$ 106,358	Richmond	\$ 906,499	\$ 19,559
Fairfax	\$ 245,869,685	\$ 3,707,965	Roanoke	\$ 12,396,198	\$ 973,823
Fauquier	\$ 14,798,195	\$ 556,920	Rockbridge	\$ 2,705,885	\$ 190,481
Floyd	\$ 1,311,328	\$ 170,413	Rockingham	\$ 7,124,536	\$ 6,732,204
Fluvanna	\$ 2,440,650	\$ 48,387	Russell	\$ 1,915,180	\$ 1,657,074
Franklin	\$ 4,058,253	\$ 276,012	Scott	\$ 781,499	\$ 196,940
Frederick	\$ 13,753,455	\$ 4,932,729	Shenandoah	\$ 4,413,348	\$ 2,097,915
Giles	\$ 1,376,601	\$ 2,177,082	Smyth	\$ 2,248,611	\$ 979,145
Gloucester	\$ 4,648,489	\$ 110,795	Southampton	\$ 2,020,687	\$ 529,263
Goochland	\$ 3,654,515	\$ 246,596	Spotsylvania	\$ 16,239,371	\$ 1,008,012
Grayson	\$ 1,077,013	\$ 177,100	Stafford	\$ 15,880,287	\$ 93,624
Greene	\$ 1,884,084	\$ 31,824	Surry	\$ 603,555	---
Greensville	\$ 876,510	\$ 786,590	Sussex	\$ 1,404,875	\$ 853,765
Halifax	\$ 3,754,172	\$ 1,347,643	Tazewell	\$ 3,842,333	\$ 953,045
Hanover	\$ 17,292,787	\$ 1,597,069	Warren	\$ 4,711,362	\$ 454,195
Henrico	\$ 50,444,516	\$ 4,402,000	Washington	\$ 3,295,938	\$ 3,061,279
Henry	\$ 2,658,761	\$ 5,087,989	Westmoreland	\$ 1,634,077	\$ 140,662
Highland	\$ 191,549	\$ 855	Wise	\$ 3,277,072	\$ 2,754,717
Isle of Wight	\$ 5,076,789	\$ 6,109,000	Wythe	\$ 2,374,855	\$ 1,510,119
James City	\$ 10,771,626	\$ 4,906,446	York	\$ 8,978,470	\$ 1,395,057
King & Queen	\$ 834,954	\$ 181,158			

■ Total Counties:    \$ 810,164,059    \$109,717,204

SOURCE: Auditor of Public Accounts, *Comparative Report of Local Government Revenues and Expenditures for Fiscal Year 2005*.

**Table 3**  
**Tangible Personal Property (TPP) and Machinery and Tools (M&T) Tax**  
**Collections, Virginia Cities, 2005**

City	TPP Collections	M & T Collections	City	TPP Collections	M & T Collections
Alexandria	\$ 30,539,104	\$ 683,990	Manassas Park	\$ 2,436,487	\$ 20,548
Bedford	\$ 484,710	\$ 392,530	Martinsville	\$ 1,293,090	\$ 226,941
Bristol	\$ 1,262,679	\$ 1,057,251	Newport News	\$ 21,852,629	\$ 11,462,803
Buena Vista	\$ 1,005,092	\$ 408,141	Norfolk	\$ 31,427,253	\$ 8,375,117
Charlottesville	\$ 4,535,824	\$ 168,365	Norton	\$ 177,593	\$ 61,961
Chesapeake	\$ 34,932,953	\$ 2,699,724	Petersburg	\$ 3,073,667	\$ 2,315,341
Clifton Forge	\$ 1,979,722	\$ 91,859	Poquoson	\$ 1,682,523	---
Colonial Heights	\$ 494,342	\$ 4,149,002	Portsmouth	\$ 14,519,589	\$ 2,396,405
Danville	\$ 3,961,337	\$ 1,254,621	Radford	\$ 769,989	\$ 650,097
Emporia	\$ 926,971	\$ 165,502	Richmond	\$ 27,525,344	\$ 14,618,256
Fairfax	\$ 4,398,889	\$ 41,023	Roanoke	\$ 13,615,791	\$ 2,741,692
Falls Church	\$ 2,483,363	---	Salem	\$ 5,317,377	\$ 2,600,496
Franklin	\$ 993,445	\$ 15,138	Staunton	\$ 1,600,828	\$ 124,461
Fredericksburg	\$ 3,774,251	\$ 102,961	Suffolk	\$ 8,348,414	\$ 1,448,514
Galax	\$ 411,772	\$ 862,162	Virginia Beach	\$ 51,699,196	\$ 814,921
Hampton	\$ 15,430,214	\$ 1,730,915	Waynesboro	\$ 1,927,664	\$ 2,758,137
Harrisonburg	\$ 3,673,128	\$ 1,730,900	Williamsburg	\$ 391,616	\$ 1,232,064
Hopewell	\$ 2,255,350	\$ 3,047,620	Winchester	\$ 4,606,590	\$ 1,441,376
Lexington	\$ 475,035	---			
Lynchburg	\$ 9,191,562	\$ 3,145,600			
Manassas	\$ 5,618,436	\$ 3,609,839			
			■ Total Cities:	\$ 321,093,819	\$ 78,646,273

■ **Counties and Cities Total: \$1,131,257,878 (TPP) \$188,363,477 (M&T)**

■ **Total TPP and M&T: \$1,319,621,355**

SOURCE: Auditor of Public Accounts, *Comparative Report of Local Government Revenues and Expenditures for Fiscal Year 2005*.

and other classes of tangible personal property. In 2005, nominal tax rates per \$100 of assessed value on motor vehicles ranged from a high of \$8.50 in Bedford County to a low of \$.20 in Bath County. These nominal rates are adjusted by the locality's assessment ratio to determine the effective tax rate imposed by the locality. An assessment ratio simply sets the percentage of the fair market value of the motor vehicle that is subject to the locality's tangible personal property tax and is considered part of the tax rate equation. In 2005, effective tax rates on motor vehicles also differed substantially among localities, ranging from a high of \$5.75 in Buena Vista to a low of \$.20 in Bath. The nominal and effective tax rates and assessment ratios for motor vehicles are listed in Tables 4 and 5. Assessment ratios vary from a high of 100 percent used in 118 counties and cities to a low of 20 percent in Bedford County.

The commissioners of the revenue use one of two very similar recognized pricing guides to value automobiles: (i) The National Automobile Dealers Association Pricing Guide (NADA) or (ii) The Automobile Red Book, Primedia Price Digests. The commissioner must value automobiles using all applicable adjustments in the pricing guide or, in the alternative, on one of

**Table 4****Tangible Personal Property Tax Rates on Motor Vehicles, Virginia Counties, 2005**

County	Nominal Tax Rate (per \$100)	Assessment Ratio (percent)	Effective Tax Rate (per \$100)	% of Retail Value	Adjusted Effective Tax Rate (per \$100)
Accomack	1 district @ \$3.13	100	\$3.13	77	\$2.41
	2 districts @ 3.22	100	3.22	77	2.48
	1 district @ 3.24	100	3.24	77	2.49
	1 district @ 3.26	100	3.26	77	2.51
Albemarle	4.28	100	4.28	77	3.30
Alleghany	5.95	50	2.98	77	2.29
Amelia	3.50	100	3.50	77	2.70
Amherst	3.25	100	3.25	77	2.50
Appomattox	3.50	50	1.75	100	1.75
Arlington	4.40	100	4.40	77	3.39
Augusta	1.90	100	1.90	77	1.46
Bath	0.20	100	0.20	86	0.17
Bedford	8.50	20	1.70	100	1.70
Bland	2.29	100	2.29	77	1.76
Botetourt	2.55	100	2.55	77	1.96
Brunswick	3.40	100	3.40	77	2.62
Buchanan	1.95	100	1.95	77	1.50
Buckingham	4.05	100	4.05	77	3.12
Campbell	3.85	50	1.93	100	1.93
Caroline	6.25	40	2.50	100	2.50
Carroll	1.30	100	1.30	77	1.00
Charles City	3.40	85	2.89	77	2.23
Charlotte	3.00	100	3.00	86	2.58
Chesterfield	3.60	100	3.60	77	2.77
Clarke	4.00	100	4.00	86	3.44
Craig	3.00	100	3.00	77	2.31
Culpeper	3.50	100	3.50	86	3.01
Cumberland	4.50	100	4.50	86	3.87
Dickenson	1.69	100	1.69	77	1.22
Dinwiddie	4.90	100	4.90	77	3.77
Essex	3.50	100	3.50	77	2.70
Fairfax	4.57	100	4.57	86	3.93
Fauquier	4.65	100	4.65	77	3.58
Floyd	2.70	100	2.70	77	2.08
Fluvanna	3.70	100	3.70	86	3.18
Franklin	1.67	100	1.67	77	1.29
Frederick	4.20	100	4.20	86	3.61
Giles	1.85	100	1.85	100	1.85
Gloucester	2.20	100	2.20	100	2.20
Goochland	4.00	100	4.00	77	3.08
Grayson	1.50	100	1.50	77	1.16
Greene	5.00	100	5.00	77	3.85
Greensville	4.50	100	4.50	86	3.87
Halifax	2.50	100	2.50	100	2.50
Hanover	3.64	100	3.64	77	2.80
Henrico	3.50	100	3.50	77	2.70
Henry	1.48	100	1.48	77	1.14
Highland	1.50	100	1.50	100	1.50
Isle of Wight	4.40	100	4.40	77	3.39
James City	4.00	100	4.00	77	3.08
King & Queen	4.00	100	4.00	77	3.08

TABLE 4, continued

County	Nominal Tax Rate (per \$100)	Assessment Ratio (percent)	Effective Tax Rate (per \$100)	% of Retail Value	Adjusted Effective Tax Rate (per \$100)
King George	3.10	100	3.10	86	2.67
King William	3.65	100	3.65	77	2.81
Lancaster	1.52	100	1.52	100	1.52
Lee	1.41	100	1.41	86	1.21
Loudoun	4.20	100	4.20	77	3.23
Louisa	1.90	100	1.90	86	1.63
Lunenburg	3.50	100	3.50	86	3.01
Madison	2.14	100	2.14	100	2.14
Mathews	3.60	100	3.60	100	3.60
Mecklenburg	3.26	100	3.26	77	2.51
Middlesex	3.50	35	1.23	100	1.23
Montgomery	2.45	100	2.45	77	1.89
Nelson	2.95	100	2.95	86	2.51
New Kent	3.75	100	3.75	77	2.89
Northampton	4.10	100	4.10	77	3.16
Northumberland	3.60	40	1.44	100	1.44
Nottoway	3.35	100	3.35	77	2.58
Orange	2.20	100	2.20	100	2.20
Page	3.00	100	3.00	77	2.31
Patrick	1.46	100	1.46	86	1.26
Pittsylvania	7.25	30	2.18	86	1.87
Powhatan	3.60	100	3.60	77	2.77
Prince Edward	4.20	100	4.20	77	3.23
Prince George	4.00	100	4.00	77	3.08
Prince William	3.70	100	3.70	86	3.18
Pulaski	2.00	100	2.00	86	1.72
Rappahannock	4.20	100	4.20	77	3.23
Richmond	3.50	100	3.50	77	2.70
Roanoke	3.50	100	3.50	77	2.70
Rockbridge	3.75	100	3.75	77	2.89
Rockingham	2.80	100	2.80	77	2.16
Russell	1.65	100	1.65	77	1.27
Scott	1.40	100	1.40	77	1.08
Shenandoah	2.86	100	2.86	86	2.46
Smyth	2.25	100	2.25	77	1.73
Southampton	4.00	100	4.00	77	3.08
Spotsylvania	5.00	50	2.50	100	2.50
Stafford	5.49	40	2.20	100	2.20
Surry	3.50	100	3.50	77	2.70
Sussex	4.85	100	4.85	77	3.73
Tazewell	2.00	100	2.00	77	1.54
Warren	3.15	100	3.15	86	2.71
Washington	1.55	100	1.55	77	1.19
Westmoreland	2.50	100	2.50	77	1.93
Wise	1.49	100	1.49	77	1.15
Wythe	2.08	100	2.08	77	1.60
York	4.00	100	4.00	77	3.08

SOURCE: Knapp, John L., Ph.D., Shobe, William M., Ph.D., and Culp, Stephen C. *Tax Rates 2005; Virginia's Cities, Counties and Selected Towns*, Weldon Cooper Center for Public Service, pp. 68-73.

**Table 5****Tangible Personal Property Tax Rates on Motor Vehicles, Virginia Cities, 2005**

City	Nominal Tax Rate (per \$100)	Assessment Ratio (percent)	Effective Tax Rate (per \$100)	% of Retail Value	Adjusted Effective Tax Rate (per \$100)
Alexandria (1)	\$4.75	100	\$4.75	86	\$4.09
Bedford	1.80	100	1.80	86	1.55
Bristol	6.00	30	1.80	77	1.39
Buena Vista	5.75	100	5.75	86	4.95
Charlottesville	4.20	100	4.20	77	3.23
Chesapeake (2)	4.08	100	4.08	77	3.14
Colonial Heights	3.50	100	3.50	77	2.70
Covington	5.60	45	2.52	100	2.52
Danville	3.00	100	3.00	86	2.58
Emporia	5.00	100	5.00	77	3.85
Fairfax	3.79	100	3.79	86	3.26
Falls Church	4.71	100	4.71	86	4.05
Franklin	4.50	100	4.50	86	3.87
Fredericksburg	2.99	90	2.69	100	2.69
Galax	1.42	100	1.42	100	1.42
Hampton	4.25	100	4.25	77	3.27
Harrisonburg	2.00	100	2.00	86	1.72
Hopewell	3.05	100	3.05	77	2.35
Lexington	3.95	100	3.95	86	3.40
Lynchburg	3.80	100	3.80	86	3.27
Manassas	3.05	100	3.05	86	2.62
Manassas Park	3.50	100	3.50	86	3.01
Martinsville	2.30	80	1.42	77	1.42
Newport News	4.25	100	4.25	77	3.27
Norfolk	4.00	100	4.00	77	3.08
Norton	1.85	100	1.85	86	1.59
Petersburg	4.30	100	4.30	77	3.31
Poquoson	3.85	100	3.85	77	2.96
Portsmouth	5.00	100	5.00	77	3.85
Radford	2.84	100	2.84	86	2.10
Richmond	3.70	100	3.70	86	3.18
Roanoke	3.45	100	3.45	77	2.66
Salem	3.20	100	3.20	77	2.46
Staunton	2.00	100	2.00	100	2.00
Suffolk	4.25	100	4.25	77	3.27
Virginia Beach	3.70	100	3.70	77	2.85
Waynesboro	5.00	50	2.50	100	2.50
Williamsburg	3.50	100	3.50	77	2.70
Winchester	4.50	100	4.50	86	3.87

(1). Alexandria uses the manufacturer's suggested retail price as an alternative valuation method.

(2). Chesapeake adds 8¢ per \$100 for mosquito control.

SOURCE: Knapp, John L., Ph.D., Shobe, William M., Ph.D., and Culp, Stephen C. *Tax Rates 2005; Virginia's Cities, Counties and Selected Towns*, Weldon Cooper Center for Public Service, pp. 68-73.

the following possible value bases: (i) loan value (finance value); (ii) trade-in value (wholesale value); or (iii) retail value.

Most counties and cities (73) used the loan value as the base for levying the tax, which is the lowest value listed in the NADA guide. Retail value is the highest value in the guide and is used by 18 counties and cities. Trade-in value is used by 37 localities. Comparing the effective tax rates on motor vehicles among localities can be misleading due to the differences in the sources of assessment. The Weldon Cooper Center for Public Service has attempted to standardize the effective tax rates by using a specific make and model of automobile and calculating an adjusted effective tax rate, using the retail value of the automobile under the NADA Book as 100 percent. Tables 4 and 5 include a column setting forth the percentage of retail value used by localities for purposes of valuation. Use of the trade-in value produced 86 percent, and the loan value 77 percent, of the retail value for the same automobile. Multiplying the percentage of retail value by the effective tax rate produces the adjusted effective tax rate (right-hand column of Tables 4 and 5), which ranges from a high of \$4.95 per \$100 of value in Buena Vista to a low of \$.17 per \$100 of value in Bath County.

When determining the value of boats, commissioners of the revenue must first determine whether a boat weighs more or less than five tons. The commissioners are required to value boats weighing less than five tons and boat trailers according to a recognized pricing guide by means of a percentage of the original cost. Boats weighing over five tons must be valued by means of a percentage of original cost.

In valuing tangible personal property, commissioners of the revenue must, upon request of the taxpayer, take into consideration and, as appropriate, adjust for the condition of the property. These conditions include technological obsolescence where technological obsolescence is an appropriate factor for valuing the property.

Tangible personal property taxes must be paid by December 5, unless the locality adopts a different date for filing the annual returns. Any county, city, or town may provide by ordinance that payment of the tangible personal property tax be in a single installment or two equal installments; may offer options to allow the taxpayer to pay the tax monthly, bimonthly, quarterly, semiannually, or in a lump sum; and may establish due dates for the payment of local taxes.

## **Recent Developments**

### **Personal Property Tax Relief Act of 1998**

In 1998 the General Assembly passed legislation that eliminated, over a five-year period, a portion of the tangible personal property tax on motor vehicles used for personal use. The

Personal Property Tax Relief Act of 1998 as originally enacted would have eliminated by 2002 the personal property tax on the first \$20,000 of value of passenger cars, pickup or panel trucks, and motorcycles that were not used in a business. The schedule for the elimination of the tax was 12.5 percent of the tax on the first \$20,000 by 1998; 27.5 percent by 1999; 47.5 percent by 2000; 70 percent by 2001; and 100 percent by 2002. However, the phased-in tax relief was made dependent upon certain negative economic conditions not occurring. The Act also provided that the Commonwealth would reimburse local governments for the loss in revenues associated with the tax relief.

The original Act and the scheduled tax relief have been modified several times primarily because of the actual costs to the Commonwealth of reimbursement payments to local governments. When the Act first passed, it was estimated that it would cost the Commonwealth approximately \$747 million on an annual basis once fully phased-in.<sup>9</sup> Actual reimbursement payments have proved to be much higher. For the fiscal year ending June 30, 2005, actual reimbursement payments to eliminate 70 percent of the tax on the first \$20,000 of value of personal use vehicles totaled \$907 million. Further, in 2003 the Department of Taxation estimated that the annual cost of reimbursement payments in 2005 would be approximately \$1.220 billion if 100 percent of the statutory tax relief was in effect.

Because of the rising costs of the program, in 2004 the General Assembly capped the Commonwealth's reimbursement payments to local governments at \$950 million annually. This amount was slightly greater than the \$907 million incurred by the Commonwealth in fiscal year 2005 to eliminate 70 percent of the tax on the first \$20,000 of value.<sup>10</sup> Under the legislation, beginning in 2006, each county, city, and town would receive a fixed share of the \$950 million. Each locality receiving a reimbursement payment was required to develop specific criteria and to allocate its reimbursement payment among personal use passenger vehicles, pickup or panel trucks, and motorcycles. Thus, in 2006, the percentage of tangible personal property tax relief varied greatly from locality to locality, and these differences may become more exaggerated in future years.

Because of the appeal, complexity, and cost of the tangible personal property tax relief program, it would not be surprising if it is the subject of future action by the General Assembly.

## **Granting of Property Tax Exemptions**

Prior to January 1, 2003, it was the General Assembly that granted exemptions from property taxes to nonprofit organizations. The amendment to Article X, Section 6 of the

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<sup>9</sup> Fiscal Impact Statement prepared by the Department of Taxation for House Bill No. 1062 and Senate Bill No. 439, 1998 Session of the General Assembly.

<sup>10</sup> Auditor of Public Accounts, *Comparative Report of Local Government Revenues and Expenditures for Fiscal Year 2005*.

Constitution of Virginia ratified by the voters of Virginia on November 5, 2002, gave local governments the sole authority to grant exemptions from property taxes to these organizations on and after January 1, 2003. The constitutional amendment took the power to exempt these organizations away from the General Assembly and gave it to local governing bodies. The constitutional change gave more control over property taxes, including the tangible personal property tax, to local governments, which rely on property taxes for 60 percent of total local-source revenue.

## **Issues**

### **Difficulty of Accurate Assessment**

Article X, Section 2 of the Constitution of Virginia requires that all assessments of tangible personal property be at fair market value. Several issues arise from this constitutional requirement. First, determining the fair market value of tangible personal property is a challenging problem for most assessors. Sales records by themselves are insufficient in determining fair market values of many classes of property. Also, the depreciation rates of personal property make it difficult to determine fair market value, with some classes of property depreciating faster than others.

### **Proliferation of Classes**

The numerous classifications of tangible personal property, many of which are taxed at a lower tax rate than the rate imposed on the general class of personal property, are a significant issue. The number of property classifications has increased from eight in 1979 to close to 40 as of January 1, 2007. In addition to adding complexity to the taxation of tangible personal property, the many different classifications constitute a tax preference in those cases in which the local governing body taxes property included in the classification at a lower tax rate than the rate imposed on the general class of personal property. The objective of many of the classification statutes is to reduce the tax burden on a relatively small group of taxpayers.

## **Summary**

The tangible personal property tax is the second largest source of revenue for cities and counties, comprising 10 percent of total local revenue. The tangible personal property tax, including the tax on machinery and tools, generated approximately \$1.3 billion of revenue for cities and counties in the fiscal year ending June 30, 2005. In the future, revenues from the tax could change dramatically depending upon the level of tangible personal property tax relief on personal use automobiles that is funded by reimbursement payments from the Commonwealth under the Personal Property Tax Relief Act of 1998.

Localities are authorized to set their own tangible personal property tax rates, and consequently the rates vary dramatically throughout the Commonwealth. Assessment ratios and valuation methods of tangible personal property also differ among localities.

The tangible personal property tax is difficult and time-consuming to administer. Local officials who administer the tax must contend with locating the property, determining its fair market value, prorating the tax, and establishing rates, assessment ratios, and valuation methods of each of the numerous classes of tangible personal property. Given the difficulty in administering it, the tax is not imposed in a uniform manner throughout the Commonwealth. Aspects of the tax that make it difficult to administer, such as the difficulty of assessing property accurately and the proliferation of classifications, have become significant issues in recent years.

# ***Consumer Utility Tax***

**Introduction**

**History**

**Administering the Tax**

**Recent Developments**

**Issues**

**Regressivity**

**Effect on Virginia's Economic Development Climate**

**Summary**

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## **Introduction**

The consumer utility tax is a local option tax, which localities are authorized to impose on consumers of water, heat, light, or power. The tax on all consumers may not exceed 20 percent of the monthly gross charge. Residential consumers may only be taxed on the first \$15 of their bill. This specific residential limit was imposed in 1972; however, localities imposing higher rates as of July 1, 1972, were grandfathered in at the higher rates. There is no limitation on the tax base for nonresidential consumers.

Beginning January 1, 2007, the local consumer utility tax (LCUT) on communications services including telephone (landline and mobile) and cable television will no longer be imposed. Instead, a five percent communications sales and use tax will be imposed on those services as well as satellite TV and radio and voice-over-internet protocol. The tax will be collected at the state level and returned to localities based on a formula.

## History

The taxation of public service corporations at both a state and local level has been linked to gross receipts since the turn of the 20th century, when the General Assembly, in 1902, levied a gross receipts tax on railroads and telephone companies. Public service corporations have historically been taxed on gross receipts for the privilege of being granted monopoly status in a given area. It is only recently that this monopoly characteristic of public service corporations has changed. The cessation of public utility monopolies is particularly evident in telecommunications.

The cessation of public utility monopolies was one of the reasons that led the General Assembly in 2006 to pass legislation removing the services such monopolies provided from the LCUT base and replacing it with a sales and use tax.

The first local consumer utility tax in Virginia was imposed by the City of Richmond in 1947, when it enacted a tax, under general city charter taxing powers, on all consumers of utility services at a rate of five percent. In 1948, a number of other cities imposed the tax, and it then spread rapidly. Because there were no guidelines by state statute on the tax, wide variation in local tax rates, base, and amount of tax resulted. This lack of standardization, combined with the growth in the number of localities imposing the tax, led the Commission on State and Local Revenues and Expenditures and Related Matters in its 1964 Report to the Governor and the General Assembly<sup>1</sup> to recommend that all localities be authorized to impose the tax at a maximum rate of 10 percent on all consumers, both residential and nonresidential. Moreover, the commission recommended a tax base limit of \$10 per month for residential telephone and electric customers, \$5 per month for gas customers, and \$100 per month for commercial and industrial customers. The commission argued that a limitation on the maximum rate, as well as on the maximum base amount, was necessary to avoid imposing too high a burden on consumers.

No action was taken on this specific recommendation by the 1964 General Assembly. In 1966, the General Assembly passed legislation that gave counties the same authority as cities and towns to impose a local consumer utility tax. In 1972, as a result of the high utility tax rates on consumers, the General Assembly took a number of steps recommended by the 1964 commission and limited the utility tax rate and the base amount for residential consumers. Localities that had tax rates above the ceilings were grandfathered in at the higher rates but were prohibited from increasing their residential rates further. There were no limits imposed on nonresidential customers.

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<sup>1</sup> Senate Document No. 10 (1964).

The consumer utility tax has been studied a number of times since 1972, starting with the special Governor's Committee to Study State Franchise and License Taxes Applicable to Public Service Corporations in Virginia, otherwise known as the Mathews Commission. This study group, which reported in 1976, was established, at least in part, due to the rapid increase in electric rates resulting from the actions of the OPEC oil cartel during the early 1970s.<sup>2</sup> The commission recommended, and the General Assembly adopted, a phased-in reduction of the state gross receipts tax rates on public service corporations. The commission also determined (i) that the local utility tax was regressive and should be repealed, (ii) that the tax should be replaced with an additional one-half percent sales tax, to be returned to localities by point of collection, and (iii) that the sales tax should be expanded to selected services, including utilities. The General Assembly took no action on these recommendations.

Other studies seem always to conclude that the tax is unfair, imposes a heavy burden on lower income taxpayers, and should be either drastically altered or repealed. However, because it is such a significant revenue source for a large number of Virginia localities (both large cities and rural counties), the tax remained virtually unchanged since the 1972 legislation that imposed the limitations on consumer rates, until 2006 following a two-year study by a General Assembly joint subcommittee and two more years of meetings among communications industry representatives, local government representatives, and legislative staff.<sup>3</sup> The joint subcommittee, which began its work in 2002, focused on how all communications services were taxed in the Commonwealth and determined that Virginia had the highest average combined (state and local) tax rate in the nation and that the playing field among the providers of such services was not level. Finally in 2006, after different options and numerous legislative drafts were discussed at length, the General Assembly approved legislation that removed communications services from LCUT rolls and imposed a five percent communications sales and use tax, effective January 1, 2007.

## Administering the Tax

In 2005, every city in Virginia except Bedford, 90 of the 95 counties, and 104 of the towns imposed a local consumer utility tax. The appendix at the end of this chapter lists utility tax rates for cities, counties, and towns as of 2005. It is difficult to compare local tax rates because they vary by type of utility service and type of customer. Moreover, some localities have graduated rate structures similar to that of an income tax. Although the statute authorizing the utility tax provides maximum rates and bases for residential rates, many localities that collect large amounts of revenue from this tax source were grandfathered in at higher rates.

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<sup>2</sup> House Document No. 23 (1976).

<sup>3</sup> House Joint Resolution 209 (2002); House Joint Resolution 651 (2003); Chapter 634, 2004 Acts of Assembly; Chapter 126, 2005 Acts of Assembly.

In the fiscal year ending June 30, 2005, the local consumer utility tax in Virginia's counties and cities generated approximately \$514.8 million, or 3.9 percent of their total local-source revenue. It is the fourth largest source of revenue for Virginia's counties and cities, behind the real property, tangible personal property, and sales and use taxes. Cities collected \$251.9 million, or approximately 49 percent of the total; counties collected \$262.8 million, or 51 percent. Towns reporting to the Auditor of Public Accounts collected \$16.5 million, or 5.9 percent of total town revenue, from the consumer utility tax.

Table 1 provides local consumer utility tax collections in Virginia's counties and cities. Fairfax County collected the largest amount, followed by Virginia Beach, Norfolk, Richmond, Prince William, Alexandria, and Chesapeake. These seven localities collected \$267.6 million, or approximately 52 percent of the total amount collected from this source throughout the Commonwealth.

The utility tax is an extremely important part of local revenue for a number of localities, generating an amount equal to 70 percent of city-generated and 46 percent of county-generated local sales and use tax. For six cities and 17 counties, utility tax collections were higher than local sales and use tax collections. The Cities of Norfolk, Richmond, and Portsmouth, as a group, collected almost 35 percent more revenue from the local utility tax than they did from the sales tax.

The local utility tax is collected by the public service corporations as part of the monthly bill with virtually no administrative costs to the locality. The Code of Virginia allows localities to pay a commission of up to five percent to the public service corporations for collecting the tax if the tax is remitted in a timely fashion. The tax on telephone service does not apply to long-distance charges.

## Recent Developments

In order to create uniformity and a level playing field in the taxation of communication services and to lower the combined tax rate, the 2006 Session of the General Assembly amended the law to remove communication services from the local consumer utility tax base.<sup>4</sup> Beginning January 1, 2007, the LCUT may be levied only on consumers using water, heat, light, and power in the county, city, or town imposing the tax, while the five percent communications sales and use tax will be levied on consumers of telephones, cable television, satellite TV and radio, and voice-over-internet protocol.

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<sup>4</sup> Chapter 560, 1994 Acts of Assembly.

**Table 1****Local Consumer Utility Tax Collections, Virginia Counties and Cities, 2005**

County	Collections	County	Collection	City	Collections
Accomack	\$1,347,447	King & Queen	\$243,084	Alexandria	\$17,850,544
Albemarle	\$6,993,297	King George	\$334,509	Bedford	-
Alleghany	\$441,889	King William	\$367,020	Bristol	\$386,628
Amelia	\$437,423	Lancaster	-	Buena Vista	\$478,170
Amherst	\$1,585,741	Lee	\$478,297	Charlottesville	\$6,863,039
Appomattox	\$637,039	Loudoun	\$12,591,407	Chesapeake	\$16,941,953
Arlington	\$7,802,051	Louisa	\$510,188	Colonial Heights	\$1,355,071
Augusta	\$2,688,223	Lunenburg	\$300,506	Covington	\$650,168
Bath	-	Madison	\$684,033	Danville	\$1,997,490
Bedford	\$1,942,338	Mathews	\$361,724	Emporia	\$570,569
Bland	\$152,224	Mecklenburg	\$537,753	Fairfax	\$2,886,027
Botetourt	\$948,046	Middlesex	\$420,463	Falls Church	\$1,645,515
Brunswick	\$464,283	Montgomery	\$1,575,545	Franklin	\$808,304
Buchanan	\$727,503	Nelson	\$456,986	Fredericksburg	\$2,882,555
Buckingham	\$523,742	New Kent	\$349,053	Galax	\$324,950
Campbell	\$1,921,890	Northampton	\$685,523	Hampton	\$10,956,917
Caroline	\$1,048,517	Northumberland	\$484,372	Harrisonburg	\$1,849,330
Carroll	\$872,194	Nottoway	\$400,563	Hopewell	\$1,138,794
Charles City	\$221,571	Orange	\$824,666	Lexington	\$519,509
Charlotte	\$189,857	Patrick	-	Lynchburg	\$7,087,224
Chesterfield	\$15,510,660	Pittsylvania	\$2,266,537	Manassas	\$1,852,781
Clarke	\$528,769	Powhatan	\$881,337	Manassas Park	\$1,244,478
Craig	\$186,122	Prince Edward	\$474,912	Martinsville	\$1,367,947
Culpeper	\$1,771,697	Prince George	\$1,462,710	Newport News	\$12,364,272
Cumberland	\$452,472	Prince William	\$25,452,710	Norfolk	\$39,371,385
Dickenson	\$524,291	Pulaski	\$1,253,242	Norton	\$263,918
Dinwiddie	\$1,088,753	Rappahannock	\$395,747	Petersburg	\$3,239,247
Essex	\$361,663	*Richmond	\$268,398	Poquoson	\$447,622
Fairfax	\$96,189,365	Roanoke	\$4,695,721	Portsmouth	\$12,999,195
Fauquier	\$2,891,289	Rockbridge	\$963,485	Radford	\$1,022,020
Floyd	\$681,309	Rockingham	\$1,552,430	Richmond	\$31,124,965
Fluvanna	\$1,033,668	Russell	\$1,095,284	Roanoke	\$13,349,039
Franklin	\$2,231,212	Scott	\$731,796	Salem	\$1,339,238
Frederick	\$3,213,017	Shenandoah	\$1,393,268	Staunton	\$1,776,769
Giles	\$232,946	*Smyth	\$944,398	Suffolk	\$6,160,225
Gloucester	\$1,790,229	Southampton	\$923,270	Virginia Beach	\$40,702,879
Goochland	\$1,175,825	Spotsylvania	\$3,953,925	Waynesboro	\$1,933,004
Grayson	\$576,936	Stafford	\$6,321,760	Williamsburg	\$798,829
Greene	\$545,629	Surry	-	Winchester	\$3,394,446
Greensville	\$410,637	Sussex	\$151,017		
Halifax	\$1,473,096	Tazewell	\$918,846		
Hanover	\$418,593	Warren	\$1,034,003		
Henrico	\$4,804,569	Washington	\$1,830,895		
Henry	\$4,444,974	Westmoreland	\$726,763		
Highland	\$110,945	Wise	\$1,225,468		
Isle of Wight	\$790,142	Wythe	\$1,019,632		
James City	-	York	\$246,775		

■ **Total Counties: \$262,862,144**■ **Total Cities: \$251,945,016**■ **Virginia Total: \$514,807,160**SOURCE: *Comparative Report of Local Government Revenues and Expenditures* (June 30, 2005), Auditor of Public Accounts, Richmond, VA.

\* Revenue data are for the fiscal year ending June 30, 2004.

The service provider must remit monthly to the Department of Taxation the amount of tax billed during the preceding month to consumers with a service address in that county, city, or town. After the Department of Taxation has collected the monthly payments, it will distribute the revenue to the localities in accordance with a formula created by local government representatives.

## Issues

### Regressivity

A regressive tax is generally defined as one in which the tax decreases as a percentage of income as income increases. The local consumer utility tax, as it applies to residential customers, is regressive. Although a few localities impose the tax at a flat rate on the entire monthly bill, most use a percentage of the first \$20. The maximum rate in the Code is 15 percent of the first \$20, or \$3 per month. Because very few people have a monthly electric bill of less than \$20, the same amount of tax applies to low-, middle-, and upper-income taxpayers.

Although numerous study groups have noted the regressivity of the utility tax, there have been few efforts to modify the tax because of its importance as a local revenue source. With utility bills comprising such a significant percentage of household income, it is difficult to overhaul the utility tax structure without significantly increasing the tax on some taxpayers.

### Effect on Virginia's Economic Development Climate

Virginia has experienced strong economic growth over the past few decades. The Commonwealth has prided itself on having an excellent business environment, including its state and local tax structure. The elimination of the LCUT on communications services is intended to level the playing field among the providers of such services, simplify its administration for those providers, and lower the overall rate. All of these are characteristics that business appreciates.

## Summary

The local consumer utility tax is imposed on the consumer of utility service (water, heat, light, and power) by every city except Bedford and by most counties. Localities are authorized to impose the tax on all such utility services, with limitations on residential customers. The tax generated \$514.8 million, or 3.9 percent of local-source revenue, the fourth largest source of local revenue, in 2005. A number of localities collect more in utility tax revenue than they do from the local sales and use tax.

The tax has been essentially unchanged since 1972, when the residential ceilings were imposed and those localities that were above the maximums were grandfathered in at the higher

rates. However, in 2006, legislation was enacted that removed telecommunications from the LCUT and replaced it with a statewide sales and use tax, effective January 1, 2007.

It is difficult to compare utility taxes among localities because of variations in rates and in utility services taxed. Some localities impose a graduated rate structure similar to the individual income tax. Moreover, residential and commercial/industrial consumers are treated differently.

A major issue is the regressivity of the tax, especially for residential customers, most of whom pay the same tax regardless of income. But because of its importance as a revenue source for localities and until some other replacement can be found, it seems the LCUT is here to stay.

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## ***Appendix Tables***

The following tables, numbered 13.1 through 13.4, show (i) the monthly tax on electricity for residential, commercial, and industrial users (ii) the monthly tax on telephones for residential, commercial, industrial, and cellular users; (iii) consumers' monthly tax on gas; and (iv) consumers' monthly tax on water.

The tables are from *2005 Tax Rates in Virginia's Cities, Counties and Selected Towns*, Weldon Cooper Center for Public Service, University of Virginia, and are reprinted by permission.

**Table 13.1**  
**Utility Consumers' Monthly Tax on Electricity, 2005**

Locality	Residential	Commercial	Industrial
<b>Cities</b> (Note: All cities responded to this survey. Those that answered "not applicable" to all items in this table are excluded.)			
Alexandria	\$1.12 + \$.012075/kwh; group meter not to exceed \$2.40 times the number of dwelling units	\$0.97 + \$.004610/kwh	\$0.97 + \$.003755/kwh
Buena Vista	20% on first \$15	20% on first \$150	20% on first \$150
Charlottesville	\$0.007349/kwh first 40,726 kwh; \$0.002940/kwh thereafter; \$0.70 times number of bills	\$0.006069/kwh first 49,242 kwh; \$0.002446/kwh thereafter; \$0.70 times number of bills	\$0.008172/kwh first 36,570 kwh; \$0.001497/kwh thereafter \$1.15 times number bills
Chesapeake	\$1.75/dwelling unit + \$0.0185/kwh; \$3.75 max./mo.	\$2.87/meter + \$0.0171/kwh \$112.50 max./mo.	\$2.87/meter + \$.0251/kwh \$112.50 max./mo.
Colonial Heights	20% on first \$15	20% on first \$300	20% on first \$300
Covington	6% min./mo. + \$.004743/kwh; \$6 max./mo.	10% min./mo. + \$.006602/kwh; \$8,000 max./year	10% min./mo. + \$.006602/kwh; \$8,000 max./year
Danville	\$0.027 + \$.0035/kwh; \$0.90 max./mo.	\$0.49 + \$.0037/kwh on first 1,500 kwh	\$39 + \$.0019/kwh; \$60 max./mo.
Emporia	\$1.40 + \$.015086/kwh; \$3 max./mo.	\$2.29 + \$.014085/kwh; \$36 max./mo.	\$2.29 + \$.014085/kwh; \$36 max./mo.
Fairfax	\$1.05 + \$.01136/kwh; \$2.25 max./mo.	\$1.72 + \$.010112/kwh; \$75 max./mo.	\$1.72 + \$.010112/kwh; \$75 max./mo.
Falls Church	\$0.70 + \$.007535/kwh; \$5 max./mo.	\$0.092 + \$.004807/kwh	\$0.092 + \$.004807/kwh
Franklin	\$1.15 + \$.015/kwh; \$3 max./mo.	\$2 + \$.015/kwh on first 3,700 kwh; \$0.0055/kwh thereafter; \$165 max./mo.	\$2 + \$.015/kwh on first 3,700 kwh; \$0.0055/kwh thereafter; \$165 max./mo.
Fredericksburg	20% on first \$10	10% on first \$2,000	10% on first \$2,000
Galax	20% on first \$10	20% on first \$100	20% on first \$150
Hampton	\$1.40 + \$.014953/kwh; \$3 max./mo.	\$2.29 + \$.013953/kwh on first 2,703 kwh; \$0.003321/kwh thereafter; \$80 max./mo.	\$2.29 + \$.015498/kwh on first 2,433 kwh; \$0.004835/kwh thereafter; \$80 max./mo.
Harrisonburg	\$0.50 + \$.0012/kwh; \$1 max./mo.	\$0.50 + \$.0083/kwh; \$15 max./mo.	\$0.50 + \$.0083/kwh; \$15 max./mo.
Hopewell	20% on first \$10	20% on first \$25	20% on first \$2,500
Lexington	\$3	\$100	\$100
Lynchburg	\$0.00460/kwh on first 1,000 kwh; \$0.00260/kwh thereafter	\$0.00480/kwh on first 1,000 kwh; \$0.00292/kwh thereafter	\$0.00375/kwh on first 1,000 kwh; \$0.00260/kwh thereafter
Manassas Park	20% times min./mo. + 0.01641/kwh; \$3 max./mo.	20% times min./mo. + 0.021683/kwh on first 1500 kwh; \$0.0174/kwh thereafter	20% times min./mo. + 0.021683/kwh on first 1500 kwh; \$0.0174/kwh thereafter
Martinsville	\$2.00 + \$.00328/kwh; \$3 max./mo.	\$0.00528/kwh; \$400 max./mo.	\$0.00528/kwh; \$400 max./mo.
Newport News	\$1.54 + \$.016398/kwh; \$3.08 max./mo.	\$2.29 + \$.013859/kwh on first 2,771 kwh; \$0.003265/kwh thereafter; \$80 max./mo.	\$2.29 + \$.015455/kwh on first 2,440 kwh; \$0.003482/kwh thereafter; \$80 max./mo.
Norfolk	\$1.75 + \$.016891/kwh; \$3.75 max./mo.	\$2.87 + \$.017933/kwh on first 537 kwh; \$0.006330/kwh thereafter	\$1.38 + \$.004965/kwh on first 3,625,100 kwh; \$0.004014/kwh thereafter
Norton	20% on first \$37.50	20% on first \$37.50	20% on first \$37.50
Petersburg	\$1.40 + \$.015063/kwh; \$3 max./mo.	\$1.72 + \$.010533/kwh; \$75 max./mo.	\$1.72 + \$.010533/kwh; \$75 max./mo.
Poquoson	\$1.40 + \$.014716/kwh; \$3 max./mo.	\$1.15 + \$.007286/kwh; \$10 max./mo.	\$1.15 + \$.007286/kwh; \$10 max./mo.
Portsmouth	\$1.40 + \$.015038/kwh; \$3.40 max./mo.	\$2.29 + \$.013143/kwh; \$400 max./mo.	\$2.29 + \$.015915/kwh; \$400 max./mo.
Radford	\$0.01505/kwh; \$3 max./mo.	\$0.03500/kwh; \$40 max./mo.	\$0.03000/kwh; \$40 max./mo.
Richmond	\$1.40 + \$.015116/kwh; \$4 max./mo.	\$2.75 + \$.016462/kwh on first 8,945 kwh; \$0.002160/kwh thereafter	\$2.75 + \$.011952/kwh on first 1,232 kwh; \$0.001837 thereafter
Roanoke	\$0.00780/kwh on first 1,000 kwh; > of \$0.00450/kwh or 12% times min./mo. thereafter	\$0.00800/kwh on first 1,000 kwh; > of \$0.00540/kwh or 12% times min./mo. thereafter	\$0.00680/kwh on first 1,000 kwh; > of \$0.00395/kwh or 12% times min./mo. thereafter
Salem	6% on first \$15	6% on first \$5,000	6% on first \$5,000

**Table 13.1** Utility Consumers' Monthly Tax on Electricity, 2005 (continued)

Locality	Residential	Commercial	Industrial
<b>Cities (continued)</b>			
Staunton	\$1.40 + \$0.015/kwh; \$2 max./mo.	\$2.29 + \$0.014489/kwh; \$20 max./mo.	N/A
Suffolk	20% on first \$15	13% on first \$10,000	13% on first \$10,000
Virginia Beach	\$1.40 + \$0.014771/kwh; \$3.00 max./mo.	\$1.72 + \$0.010057/kwh on first 9,151 kwh; \$0.002831/kwh thereafter; \$162.50 max./mo.	\$1.72 + \$0.009253/kwh first 9,946 kwh; \$0.001190/kwh thereafter; \$162.50 max/month
Waynesboro	\$0.70 + \$0.007589/kwh; \$5 max./mo.	\$1.15 + \$0.007144/kwh; \$15 max./mo.	\$1.15 + \$0.007409/kwh; \$15 max./mo.
Williamsburg	\$0.70 + \$0.007468/kwh; \$1 max./mo.	\$1.15 + \$0.006947/kwh; \$20 max./mo.	\$1.15 + \$0.006947/kwh; \$20 max./mo.
Winchester	\$0.012/kwh; \$3 max./mo.	\$0.011/kwh; 10,700 kwh/mo. max	\$0.011/kwh; 10,700 kwh/mo. max
<b>Counties</b> (Note: All counties responded to the survey. Those that answered "not applicable" for all items in this table are excluded.)			
Accomack	\$0.00321/kwh	\$0.00342/kwh	\$0.00132/kwh
Albemarle	\$0.0312831/kwh on first 128 kwh; \$4 max./mo.	\$0.006161/kwh on first 48,693; \$0.0016361/kwh thereafter	\$0.005265/kwh on first 56,980; \$0.000934/kwh thereafter
Alleghany	15% on first \$15	10% on first \$500	10% on first \$500
Amelia	20% on first \$12.50	20% on first \$25	20% on first \$25
Amherst	20% times min./mo. + \$0.015508/kwh; \$3 max./mo.	20% times min./mo. + \$0.014214/kwh; \$20 max./mo.	20% times min./mo. + \$0.014214/kwh; \$20 max./mo.
Appomattox	20% times min./mo. + \$0.14768/kwh; \$3 max./mo.	20% times min./mo. + \$0.015279/kwh; \$20 max./mo.	20% times min./mo. + \$0.015279/kwh; \$20 max./mo.
Arlington	N/A	\$1.15 + \$0.004989/kwh	\$1.15 + \$0.008022/kwh
Augusta	\$1.40 + \$0.015094/kwh; \$3 max./mo.	\$2.29 + \$0.014169/kwh; \$30 max./mo.	\$2.29 + \$0.014169/kwh; \$30 max./mo.
Bedford	\$0.0075/kwh; \$1.50 max./mo.	\$0.00605/kwh; \$25 max./mo.	\$0.00735/kwh; \$25 max./mo.
Bland	\$1.50 + \$0.01515/kwh; \$3 max./mo.	\$1.50 + \$0.00945/kwh; \$30 max./mo.	\$1.50 + \$0.00945/kwh on first 3,175 kwh; \$0.00012/kwh on next 66,667 kwh.
Botetourt	20% on first \$15	20% on first \$15	20% on first \$15
Brunswick	20% on first \$10	20% on first \$100	20% on first \$100
Buchanan	\$1.50 + \$0.01515/kwh; \$3 max./mo.	\$0.75 + \$0.1125/kwh; \$3 max./mo.	\$0.75 + \$0.0109/kwh; \$3 max./mo.
Buckingham	10% on first \$15	10% on first \$100	10% on first \$100
Campbell	Greater of \$0.01505/kwh or min. tax of \$1.50; \$3 max./mo.	Greater of \$0.03500/kwh or min. tax of \$2.29; \$3 max./mo.	Greater of \$0.03000/kwh or \$2.29 min. tax; \$3 max./mo.
Caroline	20% of min. monthly charge + \$0.01672/kwh; \$3 max./mo.	20% of min. monthly charge + \$0.01865/kwh; \$10 max./mo.	20% of min. monthly charge + \$0.01865/kwh; \$10 max./mo.
Carroll	\$0.01140/kwh; \$3 max./mo.	\$0.0290/kwh; \$20 max./mo.	\$0.01155/kwh; \$50 max./mo.
Charles City	20% on first \$10	20% on first \$10	20% on first \$10
Charlotte	\$1.40 + \$0.014432/kwh; \$2.50 max./mo.	\$0.015398/kwh on first 176 kwh; \$0.001326/kwh thereafter	\$0.006583/kwh on first 412 kwh; \$0.001568/kwh thereafter
Chesterfield	\$1.40 + \$0.015062/kwh; \$2 max./mo.	\$1.15 + \$0.007023/kwh on first 2,684 kwh; \$0.000508/kwh on 2,685-195,597 kwh; \$0.000367/kwh thereafter	\$1.15 + \$0.010995/kwh on first 1,714 kwh; \$0.000758/kwh on 1,715-131,002 kwh; \$0.000167/kwh thereafter
Clarke	\$1.40 + \$0.015/kwh; \$3 max./mo.	\$2.29 + \$0.0140167/kwh on first 5,300 kwh; \$0.00283/kwh thereafter	\$2.29 + \$0.0140167/kwh on first 5,300 kwh; \$0.00283/kwh thereafter
Craig	\$0.01515/kwh; \$1.50 min./mo. \$3 max./mo.	\$0.01700/kwh; \$1.50 min./mo. \$9 max./mo.	\$0.01525/kwh; \$1.50 min./mo. \$9 max./mo.
Culpeper	\$0.14953/kwh; \$3 max./mo. \$1.40 min./mo.	\$0.14658/kwh; \$10 max./mo. \$2.29 min./mo.	\$0.14658/kwh; \$10 max./mo. \$2.29 min./mo.
Cumberland	20% on first \$15	20% on first \$15	20% on first \$15
Dickenson	20% of charge over \$3	20% of charge over \$37.50	20% of charge over \$75

N/A Not applicable.

Table 13.1 Utility Consumers' Monthly Tax on Electricity, 2005 (continued)

Locality	Residential	Commercial	Industrial
<b>Counties (continued)</b>			
Essex	\$1.40 + 0.015094/kwh; \$3 max./mo.	\$1.15 + \$0.007261/kwh; \$10 max./mo.	\$1.15 + \$0.007261/kwh; \$10 max./mo.
Fairfax	8% on first \$50 + \$0.00605/kwh; \$4 max./mo.	10% on first \$10,000 + \$0.00594/kwh; \$1,000 max./mo.	10% on first \$10,000 + \$0.00707/kwh; \$1,000 max./mo.
Fauquier	20% times min./mo. + \$0.016070/kwh; \$3 max./mo.	10% times min./mo. + \$0.007887/kwh on first 1500 kwh; \$0.007184/kwh thereafter; \$100 max./mo.	10% times min./mo. + \$0.007887/kwh on first 1500 kwh; \$0.007184/kwh thereafter; \$100 max./mo.
Floyd	\$3	\$3	\$3
Fluvanna	\$1.40 + \$0.017138; \$3 max./mo.	\$1.40 + \$0.017138; \$3 max./mo.	\$1.40 + \$0.017138; \$3 max./mo.
Franklin	\$0.01525/kwh; \$1.50 min./mo. \$3 max./mo.	\$0.0400/kwh; \$1.50 min./mo. \$3 max./mo.	\$0.01600/kwh; \$1.50 min./mo. \$40 max./mo.
Frederick	\$0.22 + \$0.003/kwh; \$3 max./mo.	\$0.30 + \$0.0024/kwh on first 700 kwh; \$0.0015928/kwh thereafter	\$0.30 + \$0.0024/kwh on first 700 kwh; \$0.0015928/kwh thereafter
Gloucester	20% on first \$15	10% on first \$75	10% on first \$75
Goochland	20% times min./mo. + \$0.015164/kwh	20% times min./mo. + \$0.014866/kwh; \$6 max./mo.	20% times min./mo. + \$0.014866/kwh; \$6 max./mo.
Grayson	\$0.0155/kwh, \$1.50 min./mo. \$3 max./mo.	\$0.0155/kwh, \$1.50 min./mo. \$20 max./mo.	\$0.0155/kwh, \$1.50 min./mo. \$40 max./mo.
Greene	20% on first \$15	20% on first \$42.50	20% on first \$42.50
Greensville	20% on first \$15	20% on first \$150	20% on first \$150
Halifax	20% times min./mo. + \$0.014973/kwh; \$3 max./mo.	20% times min./mo. + \$0.016375/kwh on first 1,082 kwh; \$0.001070/kwh thereafter	20% times min./mo. + \$0.016375/kwh on first 1,082 kwh; \$0.001070/kwh thereafter
Hanover	\$3	\$3	\$3
Henrico	\$0.70 + \$0.007537/kwh; \$1 max./mo.	\$1.15 + \$0.007130/kwh; \$10 max./mo.	\$1.15 + \$0.007603/kwh; \$10 max./mo.
Henry	20% of min. charge + \$0.010374 per kwh; not to exceed \$3	20% of min. charge + \$0.009794 per kwh until tax reaches \$3; thereafter \$0.003183/kwh	20% of min. charge + \$0.009794 per kwh until tax reaches \$3; thereafter \$0.003183/kwh
Highland	\$0.015/kwh; \$1.00 min./mo. \$3 max./mo.	\$0.015/kwh; \$1.00 min./mo. \$3 max./mo.	\$0.015/kwh; \$1.00 min./mo. \$3 max./mo.
Isle of Wight	\$0.007813/kwh; \$1.50 max./mo.	\$0.007383/kwh; \$100 max./mo.	\$0.007383/kwh; \$100 max./mo.
King & Queen	\$0.000380/kwh on first 2,500 kwh; \$0.000240/kwh thereafter	\$0.000380/kwh on first 2,500 kwh; \$0.000240/kwh 2,501-50,000 kwh; \$0.000180/kwh thereafter	\$0.000380/kwh on first 2,500 kwh; \$0.000240/kwh 2,501-50,000 kwh; \$0.000180/kwh thereafter
King George	Maximum tax: \$1.50	Maximum tax: \$10.00	Maximum tax: \$10.00
King William	20% on first \$15	10% on first \$100	10% on first \$100
Lee	15% on first \$15	15% on first \$15	15% on first \$15
Loudoun	\$0.006804/kwh	\$0.005393/kwh	\$0.005393/kwh
Louisa	15% on first \$100	15% on first \$100	5% on first \$100
Lunenburg	20% on first \$15	20% on first \$30	20% on first \$30
Madison	20% of minimum charge + \$0.014473/kwh; \$3 max./mo.	20% of minimum charge + \$0.013966/kwh; \$20 max./mo.	20% of minimum charge + \$0.013966/kwh; \$20 max./mo.
Mathews	20% on first \$10	20% on first \$10	20% on first \$10
Mecklenburg	\$3	\$3	\$3
Middlesex	20% on first \$10	5% on first \$50	5% on first \$50
Montgomery	20% on first \$15	20% on first \$100	20% on first \$100
Nelson	20% on first \$10	20% on first \$10	20% on first \$10
New Kent	\$0.70 + \$0.07436/kwh; not to exceed \$1.50	\$1.15 + \$0.00764/kwh not to exceed \$10	\$1.15 + \$0.007040/kwh not to exceed \$10
Northampton	20% on first \$15	20% on first \$100	20% on first \$100
Northumberland	\$3 maximum	\$3 maximum	\$3 maximum
Orange	20% on first \$15	20% on first \$75	20% on first \$75
Patrick	20% on first \$15	20% on first \$15	20% on first \$15
Pittsylvania	15% on first \$15	15% on first \$100	15% on first \$100
Powhatan	20% of minimum charge + \$0.16231/kwh; \$3 max./mo.	20% of minimum charge + \$0.015071/kwh; \$20 max./mo.	20% of minimum charge + \$0.015071/kwh; \$20 max./mo.
Prince Edward	\$2.50 maximum	\$40.00 maximum	\$40.00 maximum
Prince George	20% on first \$15	20% on first \$200	20% on first \$200

N/A Not applicable.

**Table 13.1** Utility Consumers' Monthly Tax on Electricity, 2005 (continued)

Locality	Residential	Commercial	Industrial
<b>Counties</b> (continued)			
Prince William	\$1.40 + \$0.01509/kwh; \$3 max./mo.	\$2.29 + \$0.013487/kwh; \$100 max./mo.	\$2.29 + \$0.013487/kwh; \$100 max./mo.
Pulaski	\$0.01525/kwh	\$0.01415/kwh	\$0.01515/kwh
Rappahannock	20% on first \$15	20% on first \$15	N/A
Richmond	\$0.015/kwh; \$3 max./mo.	\$0.015/kwh; \$3 max./mo.	\$0.015/kwh; \$3 max./mo.
Roanoke	\$0.09/kwh; \$0.90 min./mo. \$1.80 max./mo.	\$0.0610/kwh; \$0.90 min./mo. \$600 max./mo.	\$0.0640/kwh; \$0.90 min./mo. \$600 max./mo.
Rockbridge	20% on first \$15	20% on first \$50	20% on first \$50
Rockingham	20% on first \$10	20% on first \$100	20% on first \$100
Russell	20% on first \$15	10% on first \$200	20% on first \$1,000; 2% thereafter
Scott	20% on first \$15	20% on first \$37.50	20% on first \$75
Shenandoah	20% on first \$5	10% on first \$100	10% on first \$100
Smyth	20% of minimum charge + \$0.01525/kwh; \$3 max./mo.	20% of minimum charge + \$0.0146/kwh; \$20 max./mo.	20% of minimum charge + \$0.0126/kwh; \$200 max./mo.
Southampton	\$1.40 + \$0.014543/kwh; \$3 max./mo.	\$2.29 + \$0.015199/kwh on first 3,219 kwh; \$0.000365/kwh thereafter; \$1,500 max./mo.	\$2.29 + \$0.015199/kwh on first 3,219 kwh; \$0.000365/kwh thereafter; \$1,500 max./mo.
Spotsylvania	\$2	10% on first \$300; 1% thereafter	10% on first \$300; 1% thereafter
Stafford	\$0.014955/kwh; \$3 max./mo.	\$0.006434/kwh; \$2 max./mo.	\$0.006434/kwh; \$2 max./mo.
Sussex	10% on first \$15	10% on first \$150	10% on first \$150
Warren	\$1.40 + \$0.015 per kwh; \$3 max./mo.	\$2.29 + \$0.0047223/kwh on first 5,300kwh; \$0.000943/kwh thereafter	\$2.29 + \$0.0047223/kwh on first 5,300kwh; +\$0.000943/kwh thereafter
Washington	\$1.50 + \$0.01520/kwh; \$3 max./mo.	\$1.50 + \$0.01500/kwh on first 667 kwh; \$0.00105/kwh thereafter; \$100 max./mo.	\$1.50 + \$0.01500 on first 667 kwh; \$0.00105/kwh thereafter; \$100 max./mo.
Westmoreland	\$3.00	N/A	N/A
Wise	\$0.015625/kwh; \$1.50 min./mo. \$3.00 max./mo.	\$0.01900/kwh; \$1.50 min./mo. \$7.50 max./mo.	\$0.01800/kwh; \$1.50 min./mo. \$15.00 max./mo.
Wythe	20% on first \$15	20% on first \$200	20% on first \$1,000; 1% thereafter
<b>Towns</b> (Note: Towns that answered "not applicable" for all items in this table are excluded. For a listing of town respondents and non-respondents, see Appendix B.)			
Abingdon	\$0.00750/kwh; \$10 max./mo.	\$0.00750/kwh; \$25 max./mo.	\$0.00550/kwh; \$100 max./mo.
Alberta	\$1.40 + \$0.015243/kwh; \$3 max./mo.	\$2.29 + \$0.014663/kwh; \$20.00 max./mo.	\$2.29 + \$0.014663/kwh; \$20.00 max./mo.
Altavista	\$1.40 minimum; \$3.00 max./mo.	\$2.29 minimum; 3.00 max./mo.	\$2.29 minimum; \$3.00 max./mo.
Amherst	min./mo. + \$0.0065/kwh; \$1.20 max./mo.	min./mo. + \$0.005/kwh; \$8 max./mo.	20% on first \$100
Ashland	\$0.70 + \$0.007525/kwh; \$1 max./mo.	\$1.15 + \$0.007342/kwh; \$10 max./mo.	\$1.15 + \$0.007342/kwh; \$10 max./mo.
Berryville	\$0.0034/kwh; \$3 max./mo.	\$0.00195/kwh; \$10 max./mo.	\$0.000065/kwh; \$10 max./mo.
Big Stone Gap	\$0.80 + \$0.009644/kwh; \$3 max./mo.	\$1.50 + \$0.0123367/kwh; \$10 max./mo.	\$7 + \$0.0057034/kwh; \$10 max./mo.
Blacksburg	\$0.01135/kwh; \$2.25 max.	\$0.01115/kwh; \$7.50 max.	\$0.012000/kwh; \$7.50 max.
Bluefield	0.75%	0.75%	N/A
Boones Mill	20% on first \$15	20% on first \$15	20% on first \$200
Bowling Green	\$1.40 + \$0.015094/kwh; \$3 max./mo.	\$2.29 + \$0.014597/kwh; \$10 max./mo.	\$2.29 + \$0.014597/kwh; \$10 max./mo.
Boydton	15% on first \$10	15% on first \$50	15% on first \$50
Bridgewater	\$0.0142/kwh; \$1.50 max./mo.	\$0.0125/kwh on first 6,300 kwh; \$0.0024/kwh thereafter	\$0.0125/kwh on first 6,300 kwh; \$0.0024/kwh thereafter
Broadway	15% on first \$10	15% on first \$100	15% on first \$100
Brodnax	20% on first \$15	20% on first \$100	20% on first \$100
Buchanan	20% on first \$15	20% on first \$15	20% on first \$15
Cape Charles	10% on first \$15	10% on first \$100	10% on first \$100
Cedar Bluff	20% on first \$15	20% on first \$50	20% on first \$50
Charlotte Court House	20% on first \$12.50	20% on first \$25; then 2% excess	20% on first \$25; then 2% excess
Chase City	20% on first \$10	20% on first \$100	20% on first \$100

N/A Not applicable.

**Table 13.1** Utility Consumers' Monthly Tax on Electricity, 2005 (continued)

Locality	Residential	Commercial	Industrial
<b>Towns (continued)</b>			
Chatham	20% on first \$15	7% on first \$100	7% on first \$100
Chilhowie	\$0.01500/kwh or 20% times min./mo.; \$1 max./mo.	\$0.01165/kwh or 20% times min./mo.; \$40 max./mo.	\$0.01265/kwh or 20% times min./mo.; \$200 max./mo.
Chincoteague	\$1.50 on first 5 kwh; \$0.0015/kwh thereafter	\$3.50 on first 5 kwh; \$0.0015/kwh thereafter	\$3.50 on first 5 kwh; \$0.0015/kwh thereafter
Christiansburg	\$0.0149/kwh; \$2 max./mo.	\$0.0125/kwh; \$20 max./mo.	\$0.0125/kwh; \$20 max./mo.
Clarksville	\$1.40 + \$0.014839/kwh; \$3 max./mo.	\$2.29 + \$0.014191/kwh; \$20 max./mo.	\$2.29 + \$0.014191/kwh; \$20 max./mo.
Clifton Forge	\$1.40 + \$0.015094/kwh; \$3.00 max./mo.	\$2.29 + 0.014401/kwh; \$25.00 max./mo.	\$2.29 + \$0.014401/kwh; \$25.00 max./mo.
Clintwood	\$0.01510/kwh; \$3 max./mo.	\$0.01500/kwh; \$10 max./mo.	\$0.03200/kwh; \$10 max./mo.
Coeburn	Greater of \$0.01/kwh or 20% x min./mo.; \$3 max./mo.	Greater of \$0.01/kwh or 20% x min./mo.; \$3 max./mo.	Greater of \$0.01/kwh or 20% x min./mo.; \$3 max./mo.
Craigsville	15% on first \$10	15% on first \$100	N/A
Crewe	\$3.00	\$20.00	N/A
Damascus	20% on first \$15	20% on first \$100	20% on first \$100
Dayton	\$0.0373/kwh; \$1.50 max./mo.	\$0.00251/kwh on first 625 kwh; \$0.0027/kwh thereafter	\$0.00251/kwh on first 625 kwh; \$0.0027/kwh thereafter
Dillwyn	0-2,500 kwh: 0.00038/kwh	0-2,500 kwh: 0.00038/kwh; 2,501-50,000 kwh: 0.00024/kwh	N/A
Drakes Branch	\$1.40 + \$0.014418/kwh; \$2.50 max.	\$2.29 + \$0.015319/kwh on first 177 kwh; \$0.000723/kwh thereafter	\$2.29 + \$0.015319/kwh on first 177 kwh; \$0.000723/kwh thereafter
Dublin	10% on first \$13.00	10% on first \$100.00	10% on first \$100.00
Edinburg	\$1.00	\$5.00	N/A
Elkton	15% on first \$10.00	15% on first \$100.00	15% on first \$100.00
Exmore	10% on first \$15.00	20% on first \$300.00	10% on first \$300.00
Farmville	20% on first \$15.00	20% on first \$300	20% on first \$300
Fincastle	20% on first \$15 + \$0.015417/kwh; \$3 max./mo.	20% on first \$15 + \$0.017694/kwh; \$3 max./mo.	20% on first \$15 + \$0.0146/kwh; \$40 max./mo.
Fries	\$0.01135/kwh; \$2.25 max./mo.	\$0.00650/kwh; \$10 max./mo.	\$0.00570/kwh; \$20 max./mo.
Front Royal	\$0.03/kwh; \$3 max./mo.	N/A	N/A
Glade Spring	20% on first \$6.25	15% on first \$83.33	15% on first \$83.33
Glasgow	20% on first \$15	20% on first \$15	20% on first \$15
Glen Lyn	9% on first \$15	9% on first \$15	9% on first \$15
Gordonsville	20% on first \$15	20% on first \$15	20% on first \$15
Goshen	\$1.40 + \$0.015094/kwh; \$3.00 max./mo.	\$2.29 + \$0.014524/kwh; \$10.00 max./mo.	\$2.29 + \$0.14524/kwh; \$10.00 max./mo.
Grundy	10% on first \$15	10% on first \$15	10% on first \$15
Halifax	20% on first \$15.00	20% on first \$50.00; 1% on excess	20% on first \$150.00; 1% on excess
Herndon	\$1.40 + \$0.015082/kwh; \$3 max./mo.	\$2.29 + \$0.014536/kwh; \$30 max./mo.	\$2.29 + \$0.014536/kwh; \$30 max./mo.
Hillsville	\$0.0151/kwh; \$3.00 max./mo.	\$0.0125/kwh; \$20 max./mo.	\$0.0185/kwh; \$40 max./mo.
Honaker	20% on first \$15	20% on first \$15	20% on first \$15
Hurt	\$1.80 + \$0.015084/kwh; \$3 max./mo.	\$2.29 + \$0.017726/kwh; \$3 max./mo.	\$2.29 + \$0.017726/kwh; \$3 max./mo.
Independence	\$0.01525/kwh; \$3.00 max./mo.	\$0.00580/kwh; \$20.00 max./mo.	\$0.01300/kwh; \$40.00 max./mo.
Iron Gate	\$1.05 + \$0.011419/kwh	\$1.72 + \$0.010015/kwh	\$1.72 + \$0.010015/kwh
Kenbridge	\$1.40 + \$0.015094/kwh; \$3 max./mo.	\$2.29 + \$0.014394/kwh; \$15 max./mo.	\$2.29 + \$0.013969/kwh; \$15 max./mo.
Kilmarnock	\$1.40 + \$0.014932/kwh; \$3 max./mo.	\$2.29 + \$0.015588/kwh; \$6 max./mo.	\$2.29 + \$0.015588/kwh; \$6 max./mo.
La Crosse	15% on first \$15	15% on first \$100	15% on first \$100
Lawrenceville	\$0.015132/kwh; \$3 max./mo.	\$0.010628/kwh; \$30 max./mo.	\$0.010628/kwh; \$30 max./mo.
Lebanon	\$3	\$3	\$3

N/A Not applicable.

**Table 13.1** Utility Consumers' Monthly Tax on Electricity, 2005 (continued)

Locality	Residential	Commercial	Industrial
<b>Towns (continued)</b>			
Leesburg	\$1.12 + \$0.012047/kwh; \$2.40 max./mo.	\$1.84 + \$0.010707/kwh; \$48 max./mo.	\$1.84 + \$0.010707/kwh; \$48 max./mo.
Lovettsville	7% on first \$15	7% on first \$100	7% on first \$100
Luray	\$0.0007095/kwh; \$1.50 min./mo. \$3 max./mo.	\$0.0008462/kwh; \$1.50 min./mo. \$3 max./mo.	\$0.00005309/kwh; \$1.50 min./mo. \$3 max./mo.
Marion	20% on first \$5	20% on first \$50	20% on first \$250
McKenney	20% of minimum charge + \$0.016225/kwh; \$1.60 max./mo.	20% of minimum charge + \$0.014863/kwh; \$16 max./mo.	20% of minimum charge + \$0.014863/kwh; \$16 max./mo.
Middleburg	\$1.26 + \$0.013424/kwh; \$2.70 max./mo.	\$1.26 + \$0.007421/kwh; \$33.00 max./mo.	\$1.26 + \$0.007421/kwh; \$33.00 max./mo.
Middletown	\$0.50 + \$0.003/kwh; \$3 max./mo.	\$0.50 + \$0.003/kwh; \$3 max./mo.	\$0.50 + \$0.003/kwh; \$3 max./mo.
Montross	\$0.031283/kwh; \$3 max./mo.	\$0.006161/kwh on first 48,693kwh; \$0.001636/kwh thereafter; \$10 max./mo.	\$0.006161/kwh on first 48,693kwh; \$0.001636/kwh thereafter; \$10 max./mo.
Narrows	18% on first \$15	18% on first \$15	18% on first \$15
New Market	10% on first \$15	10% on first \$100	10% on first \$100
Onancock	\$0.70 + \$0.0033/kwh	\$0.50 + \$0.0035/kwh	\$0.50 + \$0.0014/kwh
Pearisburg	\$2	\$6	\$6
Pennington Gap	\$0.80 + \$0.009644/kwh; \$3 max/month	\$0.80 + \$0.009644/kwh; \$3 max/month	\$0.80 + \$0.009644/kwh; \$3 max/month
Pound	20% on first \$15	20% on first \$15	20% on first \$15
Pulaski	15% on first \$15	15% on first \$250	15% on first \$250
Remington	\$0.70 + \$0.007458/kwh; \$1.50 max./mo.	\$1.15 + \$0.00702/kwh; \$15 max./mo.	\$1.15 + \$0.00702/kwh; \$15 max./mo.
Rocky Mount	10% on first \$20	10% on first \$50	10% on first \$150
Round Hill	\$1.26 + \$0.013424/kwh; \$2.70 max./mo.	\$1.26 + \$0.007421/kwh; \$33 max./mo.	\$1.26 + \$0.007421/kwh; \$33 max./mo.
Rural Retreat	\$0.0151/kwh; \$3 max./mo.	\$0.0150/kwh; \$15 max./mo.	\$0.0150/kwh; \$15 max./mo.
Saint Paul	\$0.015/kwh on first 200 kwh; \$3 max./mo.	\$0.015/kwh on first 500 kwh; \$7.50 max./mo.	\$0.015/kwh on first 1,000 kwh; \$15 max./mo.
Scottsville	\$0.03/kwh on first 100 kwh	\$0.006161/kwh on first 48,693 kwh; \$0.001636/kwh thereafter	\$0.00525/kwh on first 56,980 kwh; \$0.000934/kwh thereafter
Shenandoah	\$1.50 + \$0.00144/kwh; \$3 max./mo.	\$1.50 or \$0.00039/kwh whichever is greater	\$1.50 or \$0.00003/kwh whichever is greater
Smithfield	10% on first \$10	10% on first \$700	10% on first \$700
South Boston	\$0.70 + \$0.007157/kwh; \$2 max./mo.	\$1.15 + \$0.006469/kwh; \$200 max./mo.	\$1.15 + \$0.006469/kwh; \$200 max./mo.
South Hill	\$1.05 + \$0.011429/kwh; \$2.25 max./mo.	\$1.72 + \$0.010708/kwh; \$15 max./mo.	\$1.72 + \$0.010708/kwh; \$15 max./mo.
Stanley	\$0.0025/kwh; \$.75 max./mo.	\$0.0025/kwh; \$.75 max./mo.	\$0.0025/kwh; \$.75 max./mo.
Stephens City	4%	4%	4%
Strasburg	\$0.70 + \$0.007498/kwh; \$1 max./mo.	10% on first \$100	10% on first \$100
Surry	10% on first \$10	10% on first \$100	10% on first \$100
Tappahannock	\$1.40 + \$0.015097/kwh; \$2 max./mo.	\$2.29 + \$0.016504/kwh; \$5 max./mo.	\$2.29 + \$0.016504/kwh; \$5 max./mo.
Timberville	\$2.00 max./mo.	\$20.00 max./mo.	\$20.00 max./mo.
Victoria	15% on first \$15	15% on first \$200	15% on first \$200
Vienna	\$1.40 + \$0.015111/kwh; \$3 max./mo.	\$1.72 + \$0.010200/kwh; \$45 max./mo.	\$1.72 + \$0.010200/kwh; \$45 max./mo.
Vinton	\$0.00900/kwh	\$0.00610/kwh	\$0.00640/kwh
Wakefield	\$0.00038/kwh on first 2,500 kwh; \$0.00024/kwh on 2,501-50,000 kwh; \$0.00018/kwh thereafter	\$0.00038/kwh on first 2,500 kwh; \$0.00024/kwh on 2,501-50,000 kwh; \$0.00018/kwh thereafter	\$0.00038/kwh on first 2,500 kwh; \$0.00024/kwh on 2,501-50,000 kwh; \$0.00018/kwh thereafter

**Table 13.1** Utility Consumers' Monthly Tax on Electricity, 2005 (continued)

Locality	Residential	Commercial	Industrial
<b>Towns (continued)</b>			
Warrenton	\$0.0158865/kwh; \$3 max./mo.	\$0.015009/kwh; \$20 max./mo.	\$0.015009/kwh; \$20 max./mo.
Warsaw	\$0.015/kwh; \$1 max./mo.	\$0.015/kwh; \$1 max./mo.	\$0.015/kwh; \$1 max./mo.
Waverly	\$1.05 + \$0.011250/kwh; \$1.50 max./mo.	\$1.72 + \$0.011334/kwh; \$7.50 max./mo.	\$1.72 + \$0.011334/kwh; \$7.50 max./mo.
Weber City	20% on first \$15	20% on first \$37.50	20% on first \$75
West Point	\$1.40 + \$0.015094/kwh; \$3.00 max./mo.	\$1.15 + \$0.007319/kwh; \$10.00 max./mo.	\$1.15 + \$0.007319/kwh; \$10.00 max./mo.
Windsor	\$0.70 + \$0.006831/kwh; \$1.50 max./mo.	\$1.15 + \$0.006928/kwh; \$70 max./mo.	\$1.15 + \$0.006928/kwh; \$70 max./mo.
Wise	\$0.80 + \$0.009644/kwh; \$3 max./mo.	\$1.50 + \$0.0123367/kwh; \$10 max./mo.	\$7.50 + \$0.0047528/kwh; \$10 max./mo.
Woodstock	\$1.00 + \$0.007585/kwh; \$1.25 max./mo.	\$1.25 + \$0.007520/kwh; \$5 max./mo.	\$1.25 + \$0.007520/kwh; \$10 max./mo.
Wytheville	\$0.01135/kwh; \$2.25 max./mo.	\$0.01/kwh; \$11.25 max./mo.	\$0.0112/kwh; \$11.25 max./mo.

**Table 13.2**  
**Utility Consumers' Monthly Tax on Telephone, 2005**

Locality	Residential	Commercial	Industrial	Mobile (Cellular)
<b>Cities</b> (Note: All cities responded to the survey. Those that answered "not applicable" for all items in this table are excluded.)				
Alexandria	25% of local service	25% on first \$150 of local service	25% on first \$150 of local service	10% on first \$30
Bristol	5%	5%	5%	5% on first \$30
Buena Vista	20% on first \$15	20% on first \$150	20% on first \$150	10% on first \$30
Charlottesville	10% on first \$3,000; 4% thereafter	10% on first \$3,000; 4% thereafter	10% on first \$3,000; 4% thereafter	10% on first \$30
Chesapeake	25% on first \$50	25% on first \$50	25% on first \$50	N/A
Colonial Heights	20% on first \$15	20% on first \$300	20% on first \$300	N/A
Covington	6% on first \$100	10% on first \$5,000; \$8,000 max./year	10% on first \$5,000; \$8,000 max./year	10%
Danville	20% on first \$15	20% on first \$200	20% on first \$200	10% on first \$30
Emporia	20% on first \$15	20% on first \$180	20% on first \$180	N/A
Fairfax	15% on first \$15	15% on first \$500	15% on first \$500	10% on first \$30
Falls Church	10% on first \$50	20% on first \$50	20% on first \$50	
Franklin	20% on first \$15	16.5% on first \$1,000	16.5% on first \$1,000	10% not to exceed \$30
Fredericksburg	20% on first \$10	20% on first \$500	20% on first \$500	Residential: 10% on first \$300 Commercial/Industrial: 20% on first \$2,500
Galax	20% on first \$10	20% on first \$50	20% on first \$75	N/A
Hampton	20% on first \$15	20% on first \$300	20% on first \$300	10% on first \$30
Harrisonburg	10% on first \$10	10% on first \$150	10% on first \$150	10% on first \$30
Hopewell	20% on first \$10	20% on first \$25	20% on first \$2,500	\$3
Lexington	20% on first \$15	10% on first \$1,000	10% on first \$1,000	10% on first \$30
Lynchburg	7%	7%; \$130,000 max.	7%; \$130,000 max.	10% on first \$30
Manassas	20% on first \$15	20% on first \$500	20% on first \$500	\$3
Manassas Park	20% on first \$15; \$3 max.	20% on first \$500; \$150 max.	20% on first \$500; \$150 max.	10% on first \$30
Martinsville	20% on first \$15	20% on first \$15; 5% thereafter	20% on first \$15; 5% thereafter	10% on first \$30
Newport News	22% on first \$13.20	20% on first \$300	20% on first \$300	10% on first \$30
Norfolk	25%	25% on service to building; instrument/switchboard exempt	25% on service to building; instrument/switchboard exempt	10% on first \$30
Norton	20% on first \$15	20% on first \$37.50	20% on first \$37.50	\$3
Petersburg	20% on first \$15	15%	15%	N/A
Poquoson	20% on first \$15	10% on first \$100	10% on first \$100	N/A
Portsmouth	20% on first \$2,000	20% on first \$2,000	20% on first \$2,000	10%
Radford	20% on first \$15	20% on first \$200	20% on first \$200	20% on first \$15
Richmond	25% on first \$20	25% on first \$625; 5% thereafter	25% on first \$625; 5% thereafter	10% on first \$30
Roanoke	12%	12% on first \$20,000	12% on first \$20,000	10% on first \$30
Salem	6% on first \$15	6% on first \$5,000	6% on first \$5,000	\$0.90/line; \$300 max.
Staunton	20% on first \$10; \$2 max./mo.	20% on first \$100; \$20 max./mo.	20% on first \$100; \$20 max./mo.	10% on first \$30
Suffolk	20% on first \$15	13% on first \$10,000	13% on first \$10,000	10% on first \$30
Virginia Beach	20% on first \$15	20% on first \$500 on base charge	20% on first \$500 on base charge	10% on first \$30
Waynesboro	10% on first \$50	10% on first \$150	10% on first \$150	\$2.50
Williamsburg	5%	5%	5%	10% on first \$30
Winchester	15% on first \$15	15% on first \$750	15% on first \$750	10% on first \$30

N/A Not applicable.

**Table 13.2** Utility Consumers' Monthly Tax on Telephone, 2005 (continued)

Locality	Residential	Commercial	Industrial	Mobile (Cellular)
<b>Counties</b> (Note: All counties responded to the survey. Those that answered "not applicable" for all items in this table are excluded.)				
Accomack	10% on first \$15; 2% thereafter	10% on first \$100; 2% thereafter	10% on first \$100; 2% thereafter	10% after first \$30
Albemarle	20% on first \$20	10% on first \$3,000; 2% thereafter	10% on first \$3,000; 2% thereafter	10% on first \$30
Alleghany	15% on first \$15	10% on first \$500	10% on first \$500	N/A
Amelia	20% on first \$12.50	20% on first \$25	20% on first \$25	N/A
Amherst	20% on first \$15	20% on first \$100	N/A	10% on first \$30
Appomattox	20% on first \$15	20% on first \$100	20% on first \$100	N/A
Augusta	20% on first \$15	20% on first \$150	20% on first \$150	10% on first \$30
Bedford	10% on first \$10	10% on first \$25	10% on first \$25	10% on first \$10
Botetourt	10% on first \$10	10% on first \$150	10% on first \$150	10% on first \$10
Brunswick	20% on first \$10	20% on first \$100	20% on first \$100	N/A
Buchanan	20% on first \$15	N/A	N/A	0.5%
Buckingham	10% on first \$15	10% on first \$100	10% on first \$100	N/A
Campbell	9.3% on first \$15	9.3% on first \$15	9.3% on first \$15	10% on first \$30
Caroline	20% on first \$15	20% on first \$50	20% on first \$50	\$3.00
Carroll	20% on first \$15	20% on first \$25	20% on first \$25	10% on first \$30
Charles City	10% on first \$10	10% on first \$10	10% on first \$10	N/A
Chesterfield	20% on first \$10	10% on first \$200; 1% on \$201-\$10,000; 0.5% thereafter	10% on first \$200; 1% on \$201-\$10,000; 0.5% thereafter	10% on first \$30
Clarke	20% on first \$15	20% on first \$75; 4% thereafter	20% on first \$75; 4% thereafter	N/A
Craig	1.5% per month	1.5% per month	1.5% per month	N/A
Culpeper	20% on first \$15	20% on first \$50	20% on first \$50	10% on first \$30
Cumberland	20% on first \$15	20% on first \$15	20% on first \$15	10% on first \$30
Dickenson	20% after first \$3	20% after first \$37.50	20% after first \$75	\$3.00
Dinwiddie	16% on first \$15	20% on first \$150	20% on first \$150	N/A
Essex	20% on first \$15	10% on first \$100	10% on first \$100	20% on first \$15
Fairfax	22.2% on first \$50	22.2% on first \$1,600	22.2% on first \$1,600	10% on first \$30
Fauquier	20% on first \$15	10% on first \$1,000	10% on first \$1,000	10% on first \$30
Floyd	20% on first \$15	20% on first \$50	20% on first \$100	20% on first \$15
Fluvanna	20% on first \$15	20% on first \$15	20% on first \$15	10% on first \$15
Franklin	20% on first \$15	20% on first \$15	20% on first \$15	10% on first \$30
Frederick	4%	4%	4%	N/A
Gloucester	20% on first \$15	10% on first \$75	10% on first \$75	10% on first \$30
Goochland	20% on first \$15	20% on first \$30	20% on first \$30	10% on first \$30
Grayson	20% on first \$15	20% on first \$100	20% on first \$100	N/A
Greene	20% on first \$5	20% on first \$5	20% on first \$5	\$3.00
Greensville	20% on first \$15	20% on first \$150	20% on first \$150	N/A
Halifax	20% on first \$15	20% on first \$100; 2% thereafter	20% on first \$100; 2% thereafter	20% on first \$15
Hanover	\$3	\$3	\$3	\$20% on first \$15
Henrico	10% on first \$10	10% on first \$100	10% on first \$100	10% on first \$30
Henry	20% on first \$15	20% on first \$15; 6.5% thereafter	20% on first \$15; 6.5% thereafter	10% on first \$30
Highland	20% on first \$15	20% on first \$15	20% on first \$15	N/A
Isle of Wight	10% on first \$15	10% on first \$1,000	10% on first \$1,000	10% on first \$30
James City	20% on first \$8	20% on first \$8	20% on first \$8	20% on first \$8
King & Queen	20% on first \$15	10% on first \$100	10% on first \$100	N/A
King George	15% on first \$10	15% on first \$10	15% on first \$10	N/A
King William	20% on first \$15	10% on first \$100	10% on first \$100	N/A
Lee	15% on first \$15	15% on first \$15	15% on first \$15	N/A
Loudoun	9% on first \$30	8% on first \$900	8% on first \$900	9% on first \$30
Lunenburg	20% on first \$15	20% on first \$30	20% on first \$30	N/A
Madison	10% on first \$30	10% on first \$30	10% on first \$30	10% on first \$30
Mathews	30% on first \$10	30% on first \$10	30% on first \$10	10% on first \$30

N/A Not applicable.

**Table 13.2** Utility Consumers' Monthly Tax on Telephone, 2005 (continued)

Locality	Residential	Commercial	Industrial	Mobile (Cellular)
<b>Counties (continued)</b>				
Middlesex	\$2 per line	\$2 per line	\$2 per line	\$2 per line
Montgomery	20% on first \$15	20% on first \$100	20% on first \$100	Residential: 10% on first \$30 Comm./Indus.:20%
Nelson	20% on first \$10	20% on first \$10	20% on first \$10	N/A
New Kent	20% on first \$15	20% on first \$100	20% on first \$100	\$3.00
Northampton	20% on first \$15	20% on first \$100	20% on first \$100	10% on first \$30
Nottoway	20% on first \$15	20%	20%	N/A
Orange	20% on first \$15	20% on first \$75	20% on first \$75	10% on first \$30
Patrick	20% on first \$15	20% on first \$15	20% on first \$15	N/A
Pittsylvania	15% on first \$15	15% on first \$100	15% on first \$100	\$3
Powhatan	20% on first \$15	20% on first \$100	20% on first \$100	N/A
Prince Edward	20% on first \$12.50	20% on first \$25	20% on first \$25	10% on first \$25
Prince George	20% on first \$15	20% on first \$200	20% on first \$200	\$3
Prince William	20% on first \$15	20% on first \$500	20% on first \$500	10% on first \$30
Pulaski	20% on first \$15	20% on first \$100	20% on first \$100	20% on first \$15
Rappahannock	20% on first \$15	20% on first \$15	20% on first \$15	10% on first \$30
Richmond	10% on first \$30	10% on first \$30	10% on first \$30	10% on first \$30
Roanoke	12% on first \$15	12% on first \$5,000	12% on first \$5,000	10% on first \$30
Rockbridge	20% on first \$15	20% on first \$50	20% on first \$50	10% on first \$30
Rockingham	20% on first \$10	20% on first \$100	20% on first \$100	N/A
Russell	20% on first \$10	20% on first \$25	20% on first \$25	10%
Scott	20% on first \$10	20% on first \$25	20% on first \$25	20% on first \$10
Shenandoah	20% on first \$5	20% on first \$50	20% on first \$50	N/A
Smyth	20% on first \$15	20% on first \$200	20% on first \$1,000	N/A
Southampton	20% on first \$15	20% on first \$25	20% on first \$25	10% on first \$30
Spotsylvania	20% on first \$50	10% on first \$300; 1% thereafter	10% on first \$300; 1% thereafter	10% on first \$30
Stafford	20% on first \$10	20% on first \$500	20% on first \$500	10% on first \$30
Sussex	10% on first \$15	10% on first \$150	10% on first \$150	N/A
Warren	20% on first \$15	20% on first \$15	20% on first \$15	N/A
Washington	15% on first \$20	15% on first \$333	15% on first \$333	\$3.00
Westmoreland	10% on first \$30	N/A	N/A	N/A
Wise	20% on first \$15	20% on first \$37.50	20% on first \$75	10% on first \$30
Wythe	20% on first \$15	20% on first \$25	20% on first \$25	10% on first \$30
<b>Towns</b> (Note: Towns that answered "not applicable" for all items in this table are excluded. For a listing of town respondents and non-respondents, see Appendix B.)				
Abingdon	10% on first \$10	10% on first \$25	10% on first \$100	N/A
Alberta	20% on first \$15	20% on first \$100	20% on first \$100	N/A
Altavista	9.3% on first \$15	9.3% on first \$15	9.3% on first \$15	N/A
Amherst	20% on first \$15	20% on first \$100	20% on first \$100	\$3
Ashland	10% on first \$10	10% on first \$100	10% on first \$100	10% on first \$30
Berryville	20% on first \$75	20% on first \$250	20% on first \$250	N/A
Big Stone Gap	20% on first \$15	20% on first \$50	20% on first \$50	10% on first \$30
Blacksburg	15% on first \$15	15% on first \$15	15% on first \$15	10% on first \$30
Boones Mill	20% on first \$10	20% on first \$10	20% on first \$10	N/A
Bowling Green	20% on first \$15	20% on first \$50	20% on first \$50	N/A
Boydton	15% on first \$15	20% on first \$50	20% on first \$50	10% on first \$30
Bridgewater	10% on first \$15	15% on first \$500	15% on first \$500	N/A
Broadway	15% on first \$10	15% on first \$100	15% on first \$100	N/A
Brodnax	10% on first \$15	10% on first \$100	10% on first \$100	10% on first \$30
Cape Charles	20% on first \$15	20% on first \$50	20% on first \$50	10% on first \$30
Cedar Bluff	20% on first \$15	20% on first \$50	20% on first \$50	10% on first \$30
Chase City	20% on first \$10	20% on first \$100	20% on first \$100	N/A
Chatham	20% on first \$15	7% on first \$100	7% on first \$100	N/A
Chilhowie	20% on first \$5	20% on first \$200	20% on first \$1,000	N/A
Chincoteague	10% on first \$15; 2% thereafter	10% on first \$100; 2% thereafter	10% on first \$100; 2% thereafter	10% on first \$300

N/A Not applicable.

**Table 13.2** Utility Consumers' Monthly Tax on Telephone, 2005 (continued)

Locality	Residential	Commercial	Industrial	Mobile (Cellular)
<b>Towns (continued)</b>				
Christiansburg	20% on first \$10	20% on first \$100	20% on first \$100	10% on first \$30
Clarkesville	20% on first \$15	20% on first \$30	20% on first \$30	N/A
Clifton Forge	20% on first \$15	20% on first \$125	20% on first \$125	N/A
Clintwood	20% on first \$15	20% on first \$50	20% on first \$50	10% on first \$30
Coeburn	\$3	\$3	\$3	N/A
Craigsville	15% on first \$10	15% on first \$100	N/A	N/A
Damascus	20% on first \$15	20% on first \$30	20% on first \$30	N/A
Dayton	15% on first \$10	15% on first \$100	15% on first \$100	N/A
Dublin	10% on first \$13	10% on first \$100	10% on first \$100	10% on first \$30
Edinburg	10% on first \$10	10% on first \$50	10% on first \$50	N/A
Elkton	15% on first \$10	15% on first \$100	15% on first \$100	N/A
Exmore	10% on first \$15	10% on first \$100	10% on first \$100	10% on first \$30
Farmville	20% on first \$15	20% on first \$37.50	N/A	10% on first \$30
Fries	15% on first \$15	10% on first \$100	10% on first \$200	N/A
Glade Spring	20% on first \$6.25	15% on first \$83.33	15% on first \$83.33	N/A
Glasgow	20% on first \$15	20% on first \$15	20% on first \$15	N/A
Glen Lyn	9% on first \$15	9% on first \$15	9% on first \$15	N/A
Gordonsville	20% on first \$15	20% on first \$15	20% on first \$15	10% on first \$30
Goshen	20% on first \$15	20% on first \$50	20% on first \$50	N/A
Grundy	10% on first \$15	10% on first \$15	10% on first \$15	N/A
Herndon	20% on first \$15	20% on first \$150	20% on first \$150	10% on first \$30
Honaker	20% on first \$10	20% on first \$10	20% on first \$10	N/A
Hurt	15% on first \$15	15% on first \$100	15% on first \$100	N/A
Independence	15% on first \$15	10% on first \$100	\$10 on first \$200	N/A
Iron Gate	15% on first \$15	10% on first \$250	N/A	\$3.00
Kenbridge	20% on first \$15	20% on first \$75	20% on first \$75	N/A
Kilmarnock	20% on first \$15	20% on first \$30	20% on first \$30	N/A
La Crosse	15% on first \$15	15% on first \$100	15% on first \$100	N/A
Lawrenceville	20% on first \$15	20% on first \$200	20% on first \$200	N/A
Lebanon	\$3	\$3	\$3	N/A
Leesburg	16% on first \$15	16% on first \$300	16% on first \$300	N/A
Lovettsville	7% on first \$30	7% on first \$300	7% on first \$300	N/A
Luray	5% on first \$15	5% on first \$150	5% on first \$150	N/A
Marion	20% on first \$5	20% on first \$50	20% on first \$250	N/A
McKenney	16% on first \$10	16% on first \$100	16% on first \$100	N/A
Middleburg	15% on first \$15	11% on first \$300	11% on first \$300	N/A
Middletown	4%	4%	4%	N/A
Montross	20% on first \$15	20% on first \$30	20% on first \$30	10% on first \$30
Narrows	18% on first \$15	18% on first \$15	18% on first \$15	N/A
New Market	10% on first \$15	10% on first \$100	10% on first \$100	10% on first \$15
Onancock	10% on first \$15; 2% thereafter	10% on first \$100; 2% thereafter	10% on first \$100; 2% thereafter	10% on first \$30
Parksley	10% on first \$15; 2% thereafter	10% on first \$15; 2% thereafter	10% on first \$15; 2% thereafter	N/A
Pennington Gap	20% on first \$15	20% on first \$15	20% on first \$15	N/A
Pound	20% on first \$15	20% on first \$15	20% on first \$15	N/A
Pulaski	15% on first \$15	15% on first \$250	15% on first \$250	10% on first \$15
Remington	10% on first \$15	10% on first \$150	10% on first \$150	10% on first \$30
Rocky Mount	10% on first \$20	10% on first \$50	10% on first \$150	10% on first \$30
Round Hill	9% on first \$15	9% on first \$300	9% on first \$300	N/A
Rural Retreat	20% on first \$15	20% on first \$75	20% on first \$75	20% on first \$15
Saint Paul	20% on first \$15	20% on first \$37.50	20% on first \$75	N/A
Scottsville	20% on first \$20	10% on first \$3,000; 2% thereafter	10% on first \$3,000; 2% thereafter	N/A
Shenandoah	10% on first \$15	10% on first \$15	10% on first \$15	N/A
Smithfield	10% on first \$10	10% on first \$700	10% on first \$700	10% on first \$25
South Boston	10% on first \$20	10% on first \$2,000	10% on first \$2,000	10% on first \$30
South Hill	15% on first \$15	15% on first \$100	15% on first \$100	10% on first \$30

N/A Not applicable.

**Table 13.2** Utility Consumers' Monthly Tax on Telephone, 2005 (continued)

Locality	Residential	Commercial	Industrial	Mobile (Cellular)
<b>Towns (continued)</b>				
Stanley	5% on first \$15	5% on first \$15	5% on first \$15	N/A
Stephens City	4%	4%	4%	N/A
Strasburg	20% on first \$5	20% on first \$50	20% on first \$50	N/A
Surry	10% on first \$10	10% on first \$100	10% on first \$100	N/A
Tappahannock	20% on first \$10	20% on first \$25	20% on first \$10	10% on first \$30
Timberville	20% on first \$10	20% on first \$100	20% on first \$100	N/A
Victoria	15% on first \$15	15% on first \$100	15% on first \$100	N/A
Vienna	20% on first \$15	15% on first \$300	15% on first \$300	10% on first \$30
Vinton	12% on first \$15	12% on first \$5,000	12% on first \$5,000	10% on first \$30
Wakefield	10% on first \$15	10% on first \$150	10% on first \$150	N/A
Warrenton	20% on first \$15	20%	20%	10% on first \$30
Warsaw	\$3.00	\$3.00	\$3.00	\$3.00
Waverly	15% on first \$10	15% on first \$50	15% on first \$50	N/A
Weber City	20% on first \$10	20% on first \$25	20% on first \$25	N/A
West Point	20% on first \$15	10% on first \$100	10% on first \$100	N/A
Windsor	10% on first \$10	10% on first \$700	10% on first \$700	Residential: 10% on first \$30 Commercial: 10%; \$70 max./mo.
Wise	20% on first \$15	20% on first \$50	20% on first \$500	N/A
Woodstock	10% on first \$10	10% on first \$50	10% on first \$100	N/A
Wytheville	15% on first \$15	15% on first \$75	15% on first \$75	10% on first \$30
N/A Not applicable.				

**Table 13.3**  
**Utility Consumers' Monthly Tax on Gas, 2005**

Locality	Residential	Commercial	Industrial
<b>Cities</b> (Note: All cities responded to this survey. Those that answered "not applicable" to all items in the table are excluded.)			
Alexandria	\$1.28 + \$0.01244/CCF	\$1.42 + 0.050213/CCF interruptible; \$4.50 + \$0.00367/CCF	\$1.42 + 0.050213/CCF interruptible
Buena Vista	20% on first \$15	20% on first \$150	20% on first \$150
Charlottesville	\$0.80 + \$0.0638/CCF on first 4,500 CCF; \$0.0214/CCF thereafter	\$0.80 + \$0.0638/CCF on first 4,500 CCF; \$0.0214/CCF thereafter	\$0.80 + \$0.0638/CCF on first 4500 CCF; \$0.0214/CCF thereafter
Chesapeake	\$1.88/meter	\$4.00/meter + \$0.155/CCF; \$112.50 max./mo.	\$4.00/meter + \$0.155/CCF; \$112.50 max./mo.
Colonial Heights	20% on first \$15	20% on first \$300	20% on first \$300
Covington	6% + \$0.05601/CCF; \$6 max./mo.	10% + \$0.07783/CCF over 64 CCF; \$8,000 max./year	10% + \$0.07783/CCF over 64 CCF; \$8,000 max./year
Danville	\$0.27 + \$0.0485/CCF	\$0.68 + \$0.0446/CCF	\$0.95 + \$0.0445/CCF; \$60 max./mo.
Fairfax	\$1.05 + \$0.05709/CCF; \$2.25 max./mo.	\$1.27 + \$0.05295/CCF; \$75 max./mo.	\$1.27 + \$0.05295/CCF; \$75 max./mo.
Falls Church	\$0.70 + \$0.0039/CCF; \$5 max./mo.	\$0.676 + \$0.01759/CCF	\$0.676 + \$0.01759/CCF
Fredericksburg	20% on first \$5	20% on first \$500	20% on first \$500
Hampton	\$1.98 + \$0.191/CCF; \$2.40 max./mo.	\$2.78 + \$0.135199/CCF on first 130 CCF; \$0.032578/CCF thereafter; \$65 max./mo.	\$2.78 + \$0.035199/CCF on first 130 CCF; \$0.032578/CCF thereafter; \$65 max./mo.
Harrisonburg	\$1	\$2.33 + \$0.0775/CCF; \$15 max./mo.	\$2.33 + \$0.0775/CCF; \$15 max./mo.
Hopewell	20% on first \$7	20% on first \$25	20% on first \$2,500
Lexington	\$3	\$100	\$100
Lynchburg	\$0.86 + \$0.05088/CCF	\$1.63 + \$0.02689/CCF	\$1.63 + \$0.0256/CCF
Manassas	\$2.45 + \$0.027/CCF; \$3 max./mo.	\$4.65 + \$0.06/CCF; \$100 max./mo.	\$4.65 + \$0.06/CCF; \$100 max./mo.
Manassas Park	20% times min./mo. + \$0.193/CCF; \$3 max./mo.	20% times min./mo. + \$0.1557/CCF on first 200 CCF; \$0.1530/CCF thereafter; \$150 max./mo.	20% times min./mo. + \$0.1557/CCF on first 200 CCF; \$0.1530/CCF thereafter; \$150 max./mo.
Newport News	\$1.51	\$1.29 + 0.067602/CCF on first 128.91 CCF; \$0.032576/CCF thereafter; \$55 max./mo.	\$1.29 + 0.067602/CCF on first 128.91 CCF; \$0.032576/CCF thereafter; \$55 max./mo.
Norfolk	\$1.50, pro-rated per day if less than 26 days	\$3.225 + \$0.167821/CCF on first 70 CCF; \$0.161552/CCF on 70-430 CCF; \$0.15363/CCF thereafter	\$3.225 + \$0.167821/CCF on first 70 CCF; \$0.161552/CCF on 70-430 CCF; \$0.15363/CCF thereafter
Norton	20% on first \$37.50	20% on first \$37.50	20% on first \$37.50
Petersburg	\$2.45 + \$0.092/CCF; \$3 max./mo.	\$3.49 + \$0.063/CCF; \$7.50 max./mo.	\$3.49 + \$0.063/CCF; \$7.50 max./mo.
Poquoson	\$1.98 + \$0.0188374/CCF; \$3 max./mo.	\$1.29 + \$0.068855/CCF; \$10 max./mo.	\$1.29 + \$0.068855/CCF; \$10 max./mo.
Portsmouth	\$2.45 + \$0.18/CCF; \$3 max./mo.	\$4.65 + \$0.10/CCF; \$400 max./mo.	\$4.65 + \$0.10/CCF; \$400 max./mo.
Radford	\$0.025/CCF; \$3 max./mo.	\$0.25/CCF; \$40 max./mo.	\$0.25/CCF; \$40 max./mo.
Richmond	\$1.78 + \$0.10091/CCF; \$4 max./mo.	Small volume: \$2.88 + \$0.1739027/CCF; Large volume: \$24 + \$0.07163081/CCF	\$120 + \$0.011835/CCF
Roanoke	\$0.13/CCF or 12% times min./mo.	\$0.08/CCF or 12% times min./mo.	\$0.008/CCF or 12% times min./mo.
Salem	6% on first \$15	6% on first \$5,000	6% on first \$5,000
Staunton	\$2	\$4.65 + \$0.1832269/CCF; \$20 max./mo.	\$4.65 + \$0.1832269/CCF; \$20 max./mo.
Suffolk	20% on first \$15	13% on first \$10,000	13% on first \$10,000
Virginia Beach	\$1.98 + \$0.162451/CCF; \$3 max./mo.	\$1.94 + \$0.097668/CCF on first 961 CCF; \$0.031362 thereafter; \$162.50 max./mo.	\$1.94 + \$0.097668/CCF on first 961 CCF; \$0.031362 thereafter; \$162.50 max./mo.
Waynesboro	\$1.23 + \$0.07145/CCF; \$5 max./mo.	\$2.33 + \$0.07384/CCF; \$15 max./mo.	\$2.33 + \$0.07384/CCF; \$15 max./mo.
Williamsburg	\$0.70 + \$0.14/CCF; \$1 max./mo.	\$1.15 + \$0.0243/CCF; \$20 max./mo.	\$1.15 + \$0.0243/CCF; \$20 max./mo.
Winchester	\$0.22/CCF; \$3 max./mo.	\$0.15/CCF on first 800 CCF	\$0.15/CCF on first 800 CCF

Note: CCF means hundred cubic feet

**Table 13.3** Utility Consumers' Monthly Tax on Gas, 2005 (continued)

Locality	Residential	Commercial	Industrial
<b>Counties</b> (Note: All counties responded to the survey. Those that answered "not applicable" for all items are excluded.)			
Accomack	10% on first \$15; 2% thereafter	10% on first \$100; 2% thereafter	10% on first \$100; 2% thereafter
Albemarle	\$1.25/CCF on first 1.6 CCF	\$0.0638/CCF on first 4,500 CCF; \$0.0110/CCF thereafter for non-interruptible service; \$0.0588/CCF on first 4,770 CCF interruptible	\$0.0638/CCF on first 4,500 CCF; \$0.0110/CCF thereafter for non-interruptible service; \$0.0588/CCF on first 4,770 CCF interruptible
Alleghany	15% on first \$15	10% on first \$500	10% on first \$500
Amherst	20% times min./mo. + \$0.01867/CCF; \$3 max./mo.	20% times min./mo. + \$0.15566/CCF; \$20 max./mo.	20% times min./mo. + \$0.15566/CCF; \$20 max./mo.
Arlington	N/A	\$0.845 + \$0.05017/CCF; interruptible non-residential \$4.50 + \$0.00913/CCF	\$0.845 + \$0.05017/CCF; interruptible non-residential \$4.50 + \$0.00913/CCF
Bedford	\$1.25 + \$0.04/CCF; \$1.50 max./mo.	\$2.35 + \$0.04/CCF; \$25 max./mo.	\$2.35 + \$0.04/CCF; \$25 max./mo.
Brunswick	20% on first \$10	20% on first \$100	20% on first \$100
Buchanan	\$0.069/CCF; \$3 max./mo.	\$0.048/CCF; \$3 max./mo.	N/A
Campbell	\$2.45 + \$0.05/CCF; \$3 max./mo.	\$2.45 + \$0.05/CCF; \$3 max./mo.	\$2.45 + \$0.05/CCF; \$3 max./mo.
Caroline	20% times min. per mo. + \$0.18670/CCF; \$3 max./mo.	20% times min. per mo. + \$0.15566/CCF; \$10 max./mo.	20% times min. per mo. + \$0.15566/CCF; \$10 max./mo.
Chesterfield	\$2	\$2.00 + \$0.010010 on first 50,000 CCF; \$0.00005 thereafter	\$2.00 + \$0.010010 on first 50,000 CCF; \$0.00005 thereafter
Clarke	20% on first \$15	20% on first \$75; 4% thereafter	20% on first \$75; 4% thereafter
Fairfax	8% on first \$50.00 + \$0.05259/CCF; \$4 max./mo.	10% on first \$3,000 + \$0.04794/CCF; \$300 max./mo.	10% on first \$3,000 + \$0.04794/CCF; \$300 max./mo.
Fauquier	20% times min./mo. + \$0.1867/CCF; \$3 max./mo.	10% times min./mo. + \$0.07783/CCF; \$100 max./mo.	10% times min./mo. + \$0.07783/CCF; \$100 max./mo.
Floyd	\$3	\$3	\$3
Franklin	\$1.50 + \$0.12183/CCF; \$3 max./mo.	\$1.50 + \$0.12183/CCF; \$3 max./mo.	\$1.50 + \$0.12183/CCF; \$40 max./mo.
Frederick	\$0.04 times non-metered + \$0.055/CCF; \$3 max./mo.	\$0.04 times non-metered + \$0.04 on first 6000 CCF; \$0.033/CCF on next 24,000; \$0.025/CCF thereafter	\$0.04 times non-metered + \$0.04 on first 6000 CCF; \$0.033/CCF on next 24,000; \$0.025/CCF thereafter
Goochland	20% times min./mo. + \$0.1867/CCF; \$3 max./mo.	20% times min./mo. + \$0.015566/CCF; \$6 max./mo.	20% times min./mo. + \$0.015566/CCF; \$6 max./mo.
Grayson	\$15	20%; \$1,000 max./mo.	20%; \$200 max./mo.
Greensville	N/A	20% on first \$150	20% on first \$150
Halifax	20% times min./mo. + \$0.1867/CCF; \$3 max./mo.	20% times min./mo. + \$0.15566/CCF on first 100 CCF; \$0.015566/CCF thereafter	20% times min./mo. + \$0.15566/CCF on first 100 CCF; \$0.015566/CCF thereafter
Hanover	\$3	\$3	\$3
Henry	20% times min./mo. + \$0.015192/CCF; \$3 max./mo.	20% times min./mo. + \$0.14974/CCF to \$3; \$0.04867 thereafter	20% of min./mo. on first \$15; 6.5% thereafter
Isle of Wight	\$0.09335/CCF; \$1.50 max./mo.	\$0.07858/CCF; \$100 max./mo.	\$0.07858/CCF; \$100 max./mo.
King George	\$3 max./mo.	N/A	N/A
Lee	15% of first \$15	15% of first \$15	15% of first \$15
Loudoun	\$0.06485/CCF	\$0.03034/CCF	\$0.03034/CCF
Madison	20% times min./mo. + \$0.1867/CCF; \$3 max./mo.	20% times min./mo. + \$0.15566/CCF; \$20 max./mo.	20% times min./mo. + \$0.15566/CCF; \$20 max./mo.
Mecklenburg	\$3	\$3	\$3
Montgomery	20% on first \$15	20% on first \$100	20% on first \$100
New Kent	10% times min./mo. + \$0.08273/CCF; \$1.50 max./mo.	10% times min./mo. + \$0.05945/CCF; \$10 max./mo.	10% times min./mo. + \$0.05945/CCF; \$10 max./mo.
Northampton	20% on first \$15	20% on first \$100	20% on first \$100
Pittsylvania	15% on first \$15	15% on first \$100	15% on first \$100
Powhatan	20% times min./mo. + \$0.18670/CCF; \$3 max./mo.	20% times min./mo. + \$0.15566/CCF; \$20 max./mo.	20% on first \$100
Prince George	\$3.00	\$30.00	\$30.00

Note: CCF means hundred cubic feet

N/A Not applicable.

**Table 13.3** Utility Consumers' Monthly Tax on Gas, 2005 (continued)

Locality	Residential	Commercial	Industrial
<b>Counties</b> (continued)			
Prince William	\$1.60 + \$0.06/CCF; \$3.00 max	\$3.35 + \$0.085/CCF; \$100 max	\$3.35 + \$0.085/CCF; \$100 max
Pulaski	\$0.15492/CCF	\$0.14618/CCF	\$0.14618/CCF
Rappahannock	N/A	N/A	20% on first \$15
Roanoke	\$0.12183/CCF; \$0.90 min./mo. \$1.80 max./mo.	\$0.12183/CCF; \$0.90 min./mo. \$600 max./mo.	\$0.12183/CCF; \$0.90 min./mo. \$600 max./mo.
Rockbridge	20% on first \$15	20% on first \$50	20% on first \$50
Rockingham	20% on first \$10	20% on first \$10	20% on first \$10
Russell	20% on first \$15	10% on first \$200	20% on first \$1,000; 2% thereafter
Scott	20% on first \$15	20% on first \$37.50	20% on first \$75
Smyth	20% times min./mo. + \$0.015492/CCF; \$3 max./mo.	20% times min./mo. + \$0.014618/CCF; \$20 max./mo.	20% times min./mo. + \$0.013842/CCF; \$200 max./mo.
Spotsylvania	\$2	10% on first \$300; 1% thereafter	10% on first \$300; 1% thereafter
Stafford	\$0.06/CCF; \$3 max./mo.	\$0.085/CCF; \$100 max./mo.	\$0.085/CCF; \$100 max./mo.
Sussex	10% on first \$15	\$2.00 + \$0.186/CCF; \$15 max./mo.	\$4.00 + \$0.115/CCF; \$15 max./mo.
Warren	\$0.22/CCF; \$3 max./mo.	\$0.16/CCF; \$128 max./mo.	\$0.16/CCF; \$128 max./mo.
Washington	\$1.20 + \$0.135/CCF; \$1.20 min./mo.; \$3 max./mo.	\$2.50 (small), \$12.30 (large) + \$0.10/CCF on first 100 CCF; + \$0.075/CCF thereafter; \$100 max./mo.	\$2.50 (small), \$12.30 (large) + \$0.10/CCF on first 100 CCF; + \$0.075/CCF thereafter; \$100 max./mo.
Wythe	20% on first \$15	20% on first \$200	20% on first \$1,000; 1% thereafter
<b>Towns</b> (Note: Towns that answered "not applicable" for all items in this table are excluded. For a listing of town respondents and non-respondents, see Appendix B.)			
Abingdon	\$0.0212/CCF; \$7 max./mo.	\$0.0104/CCF; \$25 max./mo.	\$0.0104/CCF; \$100 max./mo.
Altavista	\$2.45; \$3 max./mo.	\$2.45; \$3 max./mo.	\$2.45; \$3 max./mo.
Amherst	20% on first \$15	20% on first \$100	20% on first \$100
Ashland	\$0.10 + \$0.10/CCF; \$0.50 max./mo.	\$1.00 + \$0.10/CCF; \$10 max./mo.	\$1.00 + \$0.10/CCF; \$10 max./mo.
Berryville	\$0.21/CCF; \$3 max./mo.	\$0.055/CCF; \$10 max./mo.	\$0.055/CCF; \$10 max./mo.
Blacksburg	\$0.1891/CCF; \$2.25 max./mo.	\$0.07955/CCF; \$7.50 max./mo.	\$0.07955/CCF; \$7.50 max./mo.
Bowling Green	20% on first \$15	20% on first \$50	20% on first \$50
Bridgewater	\$0.0251/CCF; \$1.50 max./mo.	\$0.0124/CCF on first 1225 CCF; \$0.0035/CCF thereafter	\$0.0124/CCF on first 1225 CCF; \$0.0035/CCF thereafter
Broadway	15% on first \$10	15% on first \$100	15% on first \$100
Brodnax	20% on first \$15	20% on first \$100	20% on first \$100
Cedar Bluff	20% on first \$15	20% on first \$50	20% on first \$50
Chase City	20% on first \$10	20% on first \$100	20% on first \$100
Chatham	20% on first \$15	7% on first \$100	7% on first \$100
Chilhowie	\$0.0184/CCF; \$1 max./mo.	\$0.0668/CCF; \$40 max./mo.	\$0.0052/CCF; \$200 max./mo.
Christiansburg	\$0.0946/CCF; \$2 max./mo.	\$0.0766/CCF; \$20 max./mo.	\$0.0225/CCF; \$20 max./mo.
Clifton Forge	\$2.45 + \$0.15566/CCF; \$3 max./mo.	\$4.65 + \$0.15566/CCF; \$25 max./mo.	\$4.65 + \$0.15566/CCF \$25 max./mo.
Damascus	20% on first \$15	20% on first \$50	20% on first \$50
Dayton	\$0.0240/CCF; \$1.50 max./mo.	\$0.0170/CCF; \$15 max./mo.	\$0.0170/CCF; \$15 max./mo.
Dublin	10% on first \$13	10% on first \$100	10% on first \$100
Exmore	10% on first \$15	10% on first \$100	10% on first \$100
Glade Spring	20% on first \$6.25	15% on first \$83.33	15% on first \$83.33
Glasgow	20% on first \$15	20% on first \$15	20% on first \$15
Gordonsville	20% on first \$15	20% on first \$15	20% on first \$15
Halifax	20% on first \$15	20% on first \$50; 1% thereafter	20% on first \$150; 1% thereafter
Herndon	\$2.45 + \$0.183/CCF; \$3 max./mo.	\$4.65 + \$0.086/CCF; \$30 max./mo.	\$4.65 + \$0.086/CCF; \$30 max./mo.
Hurt	\$2.45 + \$0.10/CCF; \$3 max./mo.	\$2.45 + \$0.10/CCF; \$3 max./mo.	\$2.45 + \$0.10/CCF; \$3 max./mo.
Iron Gate	\$1.05 + \$0.062402/CCF	\$1.05 + \$0.062403/CCF	\$1.05 + \$0.062403/CCF
Lawrenceville	\$0.18670/CCF; \$3 max./mo.	\$0.15566/CCF; \$30 max./mo.	\$0.15566/CCF; \$30 max./mo.
Lebanon	\$3	\$3	\$3
Leesburg	\$1.12 + \$0.07172/CCF; \$2.40 max./mo.	\$1.35 + \$0.5352/CCF; \$48 max./mo.	\$1.35 + \$0.5352/CCF; \$48 max./mo.

Note: CCF means hundred cubic feet

N/A Not applicable.

**Table 13.3** Utility Consumers' Monthly Tax on Gas, 2005 (continued)

Locality	Residential	Commercial	Industrial
<b>Towns (continued)</b>			
Lovettsville	7% on first \$15	7% on first \$100	7% on first \$100
Luray	\$2	\$4.65 + \$0.08274/CCF; \$20 max./mo.	\$4.65 + \$0.08274/CCF; \$20 max./mo.
Marion	20% on first \$5	20% on first \$50	20% on first \$250
Middleburg	\$0.0288/CCF; \$3 max./mo.	\$0.0290/CCF; \$33 max./mo.	\$0.0290/CCF; \$33 max./mo.
Middletown	\$0.50 + \$0.03/CCF; \$3 max./mo.	\$0.50 + \$0.03/CCF; \$3 max./mo.	\$0.50 + \$0.03/CCF; \$3 max./mo.
New Market	10% on first \$15	10% on first \$100	10% on first \$100
Onancock	10% on first \$15; 2% thereafter	10% on first \$100; 2% thereafter	N/A
Pearisburg	\$2	\$6	\$6
Pound	20% on first \$15	20% on first \$100	20% on first \$100
Pulaski	15% on first \$15	15% on first \$250	15% on first \$250
Round Hill	\$0.0288/CCF; \$3 max./mo.	\$0.079/CCF; \$33 max./mo.	\$0.079/CCF; \$33 max./mo.
Rural Retreat	\$0.166/CCF; \$3 max./mo.	\$2.344 + \$0.158/CCF; \$15 max./mo.	\$2.344 + \$0.158/CCF; \$15 max./mo.
Saint Paul	\$0.01/CCF; \$3 max./mo.	\$0.01/CCF; \$7.50 max./mo.	\$0.01/CCF; \$15 max./mo.
Scottsville	\$1.25/CCF on first 1.6 CCF	\$0.00638/CCF on first 4,500 CCF; \$0.0110/CCF thereafter	\$0.00638/CCF on first 4,500 CCF; \$0.0110/CCF thereafter
Shenandoah	\$2	\$0.08274/CCF	\$0.08274/CCF
Smithfield	10% on first \$10	10% on first \$700	10% on first \$700
South Hill	\$1.50	\$3.49 + \$0.065/CCF; \$15 max./mo.	\$3.49 + \$0.065/CCF; \$15 max./mo.
Stephens City	4%	4%	4%
Surry	10% on first \$10	10% on first \$100	10% on first \$100
Timberville	\$2	20% on first \$100	20% on first \$100
Vienna	\$1.40 + \$0.18356/CCF; \$3 max./mo.	\$1.27 + \$0.10760/CCF; \$45 max./mo.	\$1.27 + \$0.10760/CCF; \$45 max./mo.
Vinton	\$0.12183/CCF	\$0.12183/CCF	\$0.12183/CCF
Warrenton	\$0.0186/CCF; \$3 max./mo.	\$0.015566/CCF; \$20 max./mo.	\$0.015566/CCF; \$20 max./mo.
Weber City	20% on first \$15	20% on first \$37.50	20% on first \$75
Woodstock	\$1 + \$0.10/CCF; \$1.25 max./mo.	\$1.25 + \$0.10/CCF; \$5 max./mo.	\$1.25 + \$0.10/CCF; \$10 max./mo.
Wytheville	\$0.90 + \$0.1333/CCF; \$2.25 max./mo.	\$1.875 + \$0.126/CCF; \$11.25 max./mo.	\$1.875 + \$0.126/CCF; \$11.25 max./mo.

Note: CCF means hundred cubic feet

N/A Not applicable.

**Table 13.4**  
**Utility Consumers' Monthly Tax on Water, 2005**

Locality	Residential	Commercial	Industrial
<b>Cities</b> (Note: All cities responded to the survey. Those that answered "not applicable" for all items in this table are excluded.)			
Alexandria	15%	15% on first \$150	15% on first \$150
Bristol	5%	5%	5%
Buena Vista	20% on first \$15	20% on first \$150	20% on first \$150
Charlottesville	10% on first \$3,000; 4% thereafter	10% on first \$3,000; 4% thereafter	10% on first \$3,000; 4% thereafter
Emporia	\$3	20%	20%
Fairfax	15% on first \$15	15% on first \$500	15% on first \$500
Falls Church	10% on first \$150	8%	8%
Franklin	20% on first \$15	16.5% on first \$1,000	16.5% on first \$1,000
Harrisonburg	10% on first \$10	10% on first \$150	10% on first \$150
Hopewell	20% on first \$10	20% on first \$25	20% on first \$2,500
Martinsville	\$1.00 if not an electric customer	\$1.00 if not an electric customer	\$1.00 if not an electric customer
Norfolk	25% on first \$45	25% on first \$75; 15% thereafter	25% on first \$75; 15% thereafter
Petersburg	20% on first 30,000 cu. ft.	15% on first 30,000 cu. ft.	15% on first 30,000 cu. ft.
Portsmouth	20% on first \$2,000	20% on first \$2,000	20% on first \$2,000
Roanoke	12%	12% on first \$20,000	12% on first \$20,000
Salem	6% on first \$15	6% on first \$5,000	6% on first \$5,000
Staunton	20% on first \$10	20% on first \$100	20% on first \$100
Virginia Beach	20% on first \$15	15% on first \$625; 5% on \$626-\$2,000	15% on first \$625; 5% on \$626-\$2,000
<b>Counties</b> (Note: All counties responded to the survey. Those that answered "not applicable" for all items in this table are excluded.)			
Greensville	N/A	20% on first \$150	20% on first \$150
Nelson	\$16.70 on first 4,000 gallons; \$5.00 per 1,000 gallons thereafter	\$16.70 on first 4,000 gallons; \$5.00 per 1,000 gallons thereafter	\$16.70 on first 4,000 gallons; \$5.00 per 1,000 gallons thereafter
Roanoke	12% on first \$15	12% on first \$5,000	12% on first \$5,000
<b>Towns</b> (Note: Towns that answered "not applicable" for all items in this table are excluded. For a listing of town respondents and non-respondents, see Appendix B.)			
Capron	\$9.50 for first 4,800 gallons; \$1.00/1,000 gallons thereafter	\$9.50 for first 4,800 gallons; \$1.00/1,000 gallons thereafter	N/A
Clifton Forge	Varies	Varies	Varies
Vinton	12% on first \$15	12% on first \$5,000	12% on first \$5,000
N/A Not applicable.			

# ***Business, Professional and Occupational License (BPOL) Tax and Merchants' Capital Tax***

## **Introduction**

## **History**

## **Administering the Tax**

### **BPOL Tax**

### **Merchants' Capital Tax**

## **Recent Developments**

## **Issues**

### **Elimination of the BPOL Tax**

### **Basing Tax on Gross Receipts**

## **Summary**

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## **Introduction**

In many localities, certain businesses, professions, and occupations are subject to local license taxes. The statutory law for this tax is found in the Code of Virginia (§§ 58.1-3700 through 58.1-3735). Rather than what some might consider the traditional purpose of a license tax, which is to regulate, the main purpose of this tax is to raise revenue for the locality. Those localities that do not levy the business, professional and occupational license (BPOL) tax may instead levy a merchants' capital tax. The statutory provisions for this tax are found in §§ 58.1-3509 through 58.1-

3510.3 of the Code. Localities may levy only one of these taxes; however, they no longer have to levy either one if they choose not to do so.<sup>1</sup>

## History

The license tax has existed for quite some time in Virginia. Practically unheard of in the colonial period, it was recognized as a source of revenue at the state level following the War of 1812, when the state government assumed Virginia's quota of the costs of that war. The license tax rates not only increased but were extended to more businesses. By 1850, the policy of levying a license tax on practically all well-established businesses and professionals was adopted. Today, the BPOL tax remains a significant source of revenue to localities.

Although a significant revenue source, the BPOL tax has been subject to criticism and study for many years, especially during the 1970s. BPOL tax rates were actually frozen at their December 31, 1974, level during the 1975 Session of the General Assembly on the recommendation of the Revenue Resources Commission, which was conducting a study that resulted in the publication of *Fiscal Prospects and Alternatives: 1976*. Included in the publication is a detailed analysis of the BPOL tax—its advantages and disadvantages. The analysis points out the importance of the tax as a source of revenue and also discusses the inequities of the tax structure as it then existed and suggests that many of these inequities still exist today.

The tax is based on gross receipts, which has no relation to profitability. Further, different types of business have different levels of profitability relative to receipts. For example, a grocery store would have a relatively low profit margin but a relatively high volume of gross receipts. However, other types of business have high profit margins with lower gross receipts. Finally, there were some extremely high tax rates for certain types of business in some localities.

The following year, in its 1977 report to the Governor and General Assembly,<sup>2</sup> the commission focused on one alternative for restructuring the framework of the BPOL tax. The intent was to categorize activities that had displayed similar operating ratios over a recent time period and to set maximum tax rates per gross receipts for those classes reflecting the same relative differences in profitability. The report suggested that the state also could require that in addition to being within the state maximums, each locally set rate for each business category must be relative to the operating ratios for all categories. The report indicated that guidelines developed by the Department of Taxation would provide some assurance to the various categorized businesses that tax rates would reflect their general ability to pay and that no business would be subject to special

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<sup>1</sup> Virginia Constitution Article X, § 6 (j).

<sup>2</sup> Revenue Resources and Economic Commission, *Report to the Governor and the General Assembly on Local Fiscal Issues, A Staff Report* (December 1977).

treatment, because a rate change for one category would be accompanied by similar changes for other categories.

This 1977 report resulted in a proposal by the commission in its 1978 report to the Governor and the General Assembly.<sup>3</sup> An excerpt from the 1978 report explains the proposal.

The proposal places ceilings on the local business, professional, occupational license tax as follows:

<b>Category of Enterprise</b>	<b>Tax Rate Per \$100 Gross Receipts</b>
Contracting	.16
Retail Sales	.20
Finance, real estate, and professional services	.58
Repair, personal and business services, and all other businesses	.36

No such local license tax shall exceed \$30 or the rate per \$100.00 of the enterprise's gross receipts as stated above, whichever is greater. Three businesses, massage parlors, fortune tellers, and carnivals, are allowed as exceptions and no ceilings are placed on these businesses.

NOTE: The relationship between the ceiling rates reflects the relative differences in operating ratios between broad categories of similar activities, i.e., the gross profit ratios for similar business activities as reported by the Internal Revenue Service in *Statistics of Income: Business Income Tax Returns, 1970*.

The Department of Taxation will be responsible for drafting regulations enumerating the various types of businesses which fall within the four broad categories. Local governments will have the option of setting varied rates for sub-categories of businesses as long as the rates do not exceed the ceiling rate of the major category.

Any local government which presently has rates higher than the proposed ceilings is frozen at the same amount of dollars it collected in FY 1977-78 until such time as it is able to reduce its rates to the ceiling rates without a loss of revenue. When the locality has adjusted its rates at or below the ceiling, it may once more collect additional revenues as inflation and/or economic growth increases the tax base.

The administrative procedure for a locality that must roll back its BPOL rates is explained by the following example:

- a) A locality is frozen at FY 1977-78 BPOL dollars (until such time as its tax rates are within the ceilings). For example, assume \$100,000 is collected in FY 1977-78.
- b) In FY 1978-79, assume \$106,000 is collected.
- c) The locality must lower the tax rates for the subsequent tax year on one or more of the categories which was above the ceiling rate. The rate (rates) must be lowered so that the total receipts in the next fiscal year can reasonably be expected to be the amount received in FY 1977-78 less the \$6,000 in receipts which was over-collected.

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<sup>3</sup> Revenue Resources and Economic Commission, *Report to the Governor and the General Assembly*, Senate Document No. 16 (1978).

The merchants' capital tax is repealed. This tax source yielded \$2,806,321 for counties in tax year 1976 (*Department of Taxation Annual Report 1976-77*, Table 5.6). Some towns also levy this tax, but the total dollars collected is not available. It is perceived that counties now levying a merchants' capital tax would adopt a BPOL tax.

Any county license tax imposed shall not apply within the limits of any town located in such county. This is the present law (§ 58-266.1(7), Code of Virginia)."<sup>4</sup>

Today's BPOL tax provisions include many of the recommendations made by the Revenue Resources Commission in its 1978 report. The categories and maximum tax rates are identical to those recommended by the commission.

## Administering the Tax

### BPOL Tax

In Virginia, the governing body of any locality can levy and provide for the assessment and collection of local license taxes on businesses, trades, occupations, and professions. Whenever a local jurisdiction imposes a BPOL tax, the basis for the tax, whether it is gross receipts or otherwise, will be the same for all individuals engaged in the same business. Some occupations and businesses are exempt from the tax (e.g., certain public service corporations, manufacturers that sell merchandise at wholesale at the place of manufacture, and certain printers and publishers of newspapers, magazines, and other publications issued daily or regularly).<sup>5</sup>

For counties, the license tax imposed does not apply in any town in the county where the town has a similar tax, unless the town's governing body makes provision for the county tax to apply.

The situs for BPOL tax purposes is any county, city, or town in which the individual maintains an office or carries on a principal and essential business. If such taxable situs is in more than one local jurisdiction, the tax in any one jurisdiction may not exceed the amount of business attributable to that local jurisdiction.

The governing body of any locality may charge a fee for issuing a license in an amount no greater than (i) \$50.00 in localities with populations of 25,000 or more and (ii) \$30.00 in localities with populations less than 25,000. If a fee is imposed, the tax may not also be imposed on any amount of gross receipts on which the fee is charged.

In addition, no BPOL tax may be imposed on any person whose gross receipts from a business, profession, or occupation are less than (i) \$100,000 in any locality with a population

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<sup>4</sup> *Id.* at 3-5.

<sup>5</sup> See Va. Code § 58.1-3703 B for the entire list of exemptions.

exceeding 50,000 or (ii) \$50,000 in any locality with a population of 25,000 but no more than 50,000. Any business with gross receipts exceeding \$100,000 or \$50,000, as applicable, may be subject to the tax at a rate not to exceed the rate below for the type of business listed:

1. For contracting, and persons constructing for their own account for sale, \$.16 per \$100 of gross receipts;
2. For retail sales, \$.20 per \$100 of gross receipts;
3. For financial, real estate and professional services, \$.58 per \$100 of gross receipts; and
4. For repair, personal and business services, and all other businesses and occupations not specifically listed or excepted in this section, \$.36 per \$100 of gross receipts.

These rates are the same as those recommended by the Revenue Resources Commission in its 1978 report.

In administering the BPOL tax, localities follow guidelines provided by the Department of Taxation, which define and explain the four categories of business named above. These guidelines, which had not been updated since 1984, were revised by the Department of Taxation, effective July 1, 1995, and are revised every three years. In 2001, these guidelines became subject to the Administrative Process Act (§§ 2.2-4000 et seq.) and were accorded the weight of regulations.

Table 1 presents the 2005 local license tax rates on professionals, retail merchants, contractors, and repair service occupations. The rates imposed by one county and four cities exceed at least one of the four categories of maximum rates allowed. While the total list of license taxes is extensive, these four categories should illustrate well the form and range of license taxes. The four shown correspond to the four broad categories for classifying business concerns, as established in § 58.1-3706 of the Code.

Table 2 shows the total 2005 BPOL tax collections for the counties and cities that levy the tax. For the fiscal year ending June 30, 2005, the BPOL tax, collected by 38 cities and 55 counties, generated \$538.5 million. The tax is an important part of local tax revenues and the fourth largest single tax source for Virginia's counties and cities.

## **Merchants' Capital Tax**

The merchants' capital tax may be and often is imposed in localities that do not impose a BPOL tax. Generally, more rural counties levy the merchants' capital tax, while cities, towns and urbanized counties opt to levy the BPOL tax on businesses, professions, and occupations. The reason for this seems to be based on the differences in the kinds of businesses located in cities, towns, and urbanized counties versus those in rural counties. The merchants' capital tax is a local tax only, the rate of which may not exceed the rate and ratio which were in effect in the locality on January 1, 1978.

**Table 1**  
**BPOL Taxes, Virginia Counties and Cities, 2005**

County	Professionals		Retail Merchants		Contractors		Repair Service	
	Rate/ \$100	\$ Volume (GR)	Rate/ \$100	\$ Volume (GR)	Rate/ \$100	\$ Volume (GR)	Rate/ \$100	\$ Volume (GR)
Albemarle	\$0.58	Over \$5,000	\$0.20	Over \$5,000	\$0.15	Over \$5,000	\$0.36	Over \$5,000
Alleghany	\$0.29	Over \$5,172	\$0.10	Over \$15,000	\$0.08	Over \$18,750	\$0.18	Over \$8,333
Amelia	\$0.15	ALL	\$0.05	ALL	\$0.16	ALL	\$0.09	ALL
Amherst	\$0.50	ALL			\$0.13	ALL	\$0.31	ALL
Arlington	\$0.55	Over \$4,000	\$0.20 <sup>1</sup>	Over \$4,000	\$0.16	Over \$4,000	\$0.35	Over \$4,000
Augusta	\$0.30	Over \$10,000	\$0.30	Over \$10,000	\$0.16	Over \$15,625	\$0.30	Over \$10,000
Botetourt	\$0.29	ALL	\$0.10	ALL	\$0.08	ALL	\$0.18	ALL
Caroline	\$0.49	ALL	\$0.15	ALL	\$0.12	ALL	\$0.19	ALL
Chesterfield	\$0.58	ALL	\$0.20	ALL	\$0.15	ALL	\$0.36	ALL
Clarke	Flat fee of \$25		Flat fee of \$25					
Cumberland	\$0.10	ALL	\$0.05	ALL	\$0.05	Over \$3,000	\$0.05	ALL
Dickenson	Flat fee of \$125							
Dinwiddie <sup>2</sup>	\$0.45	ALL	\$0.16	ALL	\$0.14	ALL	\$0.30	ALL
Fairfax <sup>3</sup>	\$0.31	Over \$5,000	\$0.17	Over \$5,000	\$0.11	Over \$5,000	\$0.18	Over \$5,000
Fauquier	\$0.30	Over \$3,500	\$0.10	Over \$10,000	\$0.10	Over \$12,500	\$0.20	Over \$6,000
Frederick <sup>4</sup>	\$0.58	ALL	\$0.20	ALL	\$0.16	ALL	\$0.36	ALL
Gloucester	\$0.12	ALL	\$0.10	\$0-\$200,000	\$0.10	ALL	\$0.10	ALL
			\$0.20	Over \$200,000				
Goochland	\$0.15	Over \$25,000	\$0.05	Over \$25,000	\$0.10	Over \$25,000	\$0.05	Over \$25,000
Greene <sup>5</sup>	\$0.44	ALL	\$0.15	ALL	\$0.12	ALL	\$0.27	ALL
Greensville	\$0.40	ALL	\$0.16	ALL	\$0.16	ALL	\$0.30	ALL
Halifax	\$0.29	Over \$200,000	\$0.10	Over \$200,000	\$0.08	Over \$200,000	\$0.18	Over \$200,000
Hanover					\$0.10	ALL		
Henrico	\$0.58	ALL	\$0.20	ALL	\$0.15	ALL	\$0.20	ALL
Henry	\$0.25	Over \$2,000	\$0.15	Over \$5,000	\$0.025	Over \$7,000	\$0.15	Over \$3,000
Isle of Wight	\$0.35	ALL	\$0.12	ALL	\$0.10	ALL	\$0.20	ALL
James City	\$0.58	ALL	\$0.20	ALL	\$0.16	ALL	\$0.36	ALL
King George	\$0.25	Over \$2,500	\$0.10	Over \$2,500	\$0.12	Over \$2,500	\$0.10	Over \$2,500
Loudoun	\$0.33	Over \$10,000	\$0.11	Over \$10,000	\$0.09	ALL	\$0.16	ALL
Louisa					\$5 Fee	Up to \$5,000		
					\$25 Fee	\$5,001-\$25,000		
					\$25 Fee	Plus \$0.20 Over \$25,000		
Mathews <sup>6</sup>	\$0.10	Over \$3,000	\$0.10	\$3,001-\$200,000	Flat fee from \$5 to \$500		\$0.10	Over \$3,000
			\$0.20	Over \$200,000				
Nelson					Flat fee of \$30		Flat fee of \$30	
New Kent	\$0.58	ALL	\$0.20	ALL	\$0.16	ALL	\$0.36	ALL
Nottoway	\$0.15	ALL	\$0.05	ALL	\$0.04	ALL	\$0.09	ALL
Page	\$0.30	ALL	\$0.10	ALL	\$0.10	ALL	\$0.20	ALL
Powhatan	Flat fee of \$30		Flat fee of \$30		Flat fee of \$30			
Prince George	\$0.20	ALL	\$0.15	ALL	\$0.16	ALL	\$0.20	ALL
Prince William	\$0.33	Over \$3,030	\$0.17	Over \$5,882	\$0.13	Over \$7,692	\$0.21	Over \$4,761
Roanoke	\$0.50	ALL	\$0.20	ALL	\$0.16	ALL	\$0.34	ALL
Rockbridge	\$0.38	ALL	\$0.13	ALL	\$0.10	ALL	\$0.23	ALL
Southampton	\$0.58	ALL			\$0.10	ALL	\$0.25	ALL
Spotsylvania	\$0.29	Over \$50,000	\$0.10	Over \$50,000	\$0.08	Over \$50,000	\$0.18 <sup>7</sup>	Over \$50,000
Surry	\$0.15	Over \$20,000	\$0.15	Over \$1,000	\$0.08	Over \$35,000	\$0.15	Over \$20,000
Warren	\$0.35	ALL	\$0.12	ALL	\$0.10	ALL	\$0.22	ALL
Wise					\$0.12	ALL		
York	\$0.58	ALL	\$0.20	ALL	\$0.16	ALL	\$0.36	ALL

Table 1, continued

	Professionals		Retail Merchants		Contractors		Repair Service	
City	Rate/ \$100	\$ Volume (GR)	Rate/ \$100	\$ Volume (GR)	Rate/ \$100	\$ Volume (GR)	Rate/ \$100	\$ Volume (GR)
Alexandria	\$0.58	Over \$5,172	\$0.20	Over \$15,000	\$0.16	Over \$18,750	\$0.35	Over \$8,750
Bedford	\$0.50	Over \$5,000	\$0.125	Over \$8,000	\$0.10	Over \$25,000	\$0.25	Over \$4,000
Bristol <sup>7</sup>	\$0.20	ALL	\$0.20	ALL	\$0.16	ALL	\$0.20	ALL
Buena Vista	\$0.58	ALL	\$0.20	ALL	\$0.16	ALL	\$0.36	ALL
Charlottesville	\$0.58	Over \$2,500	\$0.20	Over \$2,000	\$0.15	Over \$20,000	\$0.30	Over \$10,000
Chesapeake	\$0.58	ALL	\$0.20	ALL	\$0.16	ALL	\$0.36	\$0-\$500,000
							\$0.30	Over \$500,000
Clifton Forge	\$0.58	ALL	\$0.20	ALL	\$0.16	ALL	\$0.36	ALL
Colonial Heights	\$0.57	Over \$5,623	\$0.20	Over \$15,000	\$0.15	Over \$20,000	\$0.35	Over \$8,571
Covington	\$0.58	ALL	\$0.20	ALL	\$0.16	ALL	\$0.36	ALL
Danville	\$0.58	ALL	\$0.20	ALL	\$0.16	ALL	\$0.36	ALL
Emporia	\$0.55	ALL	\$0.20	\$0-\$600,000	\$0.16	ALL	\$0.20	\$0-\$600,000
			\$0.15	Over \$600,000			\$0.15	Over \$600,000
Fairfax	\$0.40	ALL	\$0.20	ALL	\$0.16	ALL	\$0.27	ALL
Falls Church	\$0.54	ALL	\$0.36	ALL	\$0.16	ALL	\$0.35	ALL
Franklin	\$0.74	Over \$3,000	\$0.29	Over \$2,000	\$0.15	Over \$10,000	\$0.30	Over \$2,000
Fredericksburg	\$0.58	ALL	\$0.20	ALL	\$0.16	ALL	\$0.36	ALL
Galax	\$0.58	Over \$5,200	\$0.20	Over \$15,000	\$0.16	Over \$18,800	\$0.20	Over \$15,000
Hampton	\$0.58	ALL	\$0.20	ALL	\$0.16	ALL	\$0.30	ALL
Harrisonburg	\$0.58	ALL	\$0.20	ALL	\$0.16	ALL	\$0.20	ALL
Hopewell	\$0.58	ALL	\$0.20	ALL	\$0.16	ALL	\$0.36	ALL
Lexington	\$0.58	ALL	\$0.20	ALL	\$0.16	ALL	\$0.36	ALL
Lynchburg	\$0.58	ALL	\$0.20	ALL	\$0.16	ALL	\$0.36	ALL
Manassas	\$0.22	ALL	\$0.10	ALL	\$0.10	ALL	\$0.22	ALL
Manassas Park	\$0.35	Over \$8,572	\$0.15	Over \$20,000	\$0.10	Over \$30,000	\$0.18	Over \$16,668
Martinsville	\$0.58	Over \$5,173	\$0.20	Over \$15,000	\$0.10	Over \$30,000	\$0.36	Over \$8,333
Newport News <sup>8</sup>	\$0.58	Over \$5,172	\$0.20	Over \$15,000	\$0.15	Over \$20,000	\$0.36	Over \$15,000
Norfolk	\$0.58	ALL	\$0.20	ALL	\$0.16	ALL	\$0.36	ALL
Norton	\$0.50	ALL	\$0.20	ALL	\$0.16	ALL	\$0.36	ALL
Petersburg	\$0.58	ALL	\$0.24	ALL	\$0.18	Over \$25,000	\$0.32	Over \$9,400
Poquoson	\$0.40	ALL	\$0.15	ALL	\$0.15	ALL	\$0.30	ALL
Portsmouth	\$0.58	Over \$5,173	\$0.20	Over \$15,000	\$0.16	Over \$18,753	\$0.36	Over \$8,334
Radford	\$0.365	ALL	\$0.135	ALL	\$0.125	ALL	\$0.14	ALL
Richmond	\$0.58	ALL	\$0.375	ALL	\$0.19	ALL	\$0.43	ALL
Roanoke	\$0.58	ALL	\$0.20	ALL	\$0.14	ALL	\$0.36	ALL
Salem	\$0.58	Over \$5,173	\$0.20	Over \$15,000	\$0.16	Over \$18,750	\$0.36	Over \$8,334
South Boston	\$0.58	ALL	\$0.20	ALL	\$0.16	ALL	\$0.33	ALL
Staunton	\$0.40	ALL	\$0.20	ALL	\$0.16	ALL	\$0.36	ALL
Suffolk	\$0.58	ALL	\$0.20	ALL	\$0.15	ALL	\$0.20	ALL
Virginia Beach	\$0.58	ALL	\$0.20	ALL	\$0.16	ALL	\$0.36	ALL
Waynesboro	\$0.58	ALL	\$0.20	ALL	\$0.16	ALL	\$0.36	ALL
Williamsburg	\$0.58	ALL	\$0.20	ALL	\$0.16	ALL	\$0.36	ALL
Winchester	\$0.58	ALL	\$0.20	Over \$15,000	\$0.16	ALL	\$0.36	ALL

NOTES: Included in the category of "Professionals" are such occupations as architect, attorney, engineer, physician, and veterinarian.

<sup>1</sup>A second category of retail merchants in Arlington County includes restaurants, other eating places, and night clubs; the retail merchants' tax on those establishments is \$0.20 per \$100 gross receipts, with a maximum of \$25. A third category of retail merchants includes retail gasoline dealers; the tax on this category is \$0.10 per \$100 gross receipts, with a maximum of \$25.

<sup>2</sup>Payment of license tax not required if gross receipts are under \$2,000.

<sup>3</sup>Payment of a license tax not required if the computed annual license tax is less than \$10.00 or if gross receipts are less than \$10,000.

<sup>4</sup>No minimum charge for gross receipts under \$4,000.

<sup>5</sup>Payment of a license tax not required if gross receipts are less than \$5,000.

<sup>6</sup>The tax on contractors is levied on gross orders.

<sup>7</sup>Bristol charges a 75¢ fee for each license issued.

<sup>8</sup>A second category of retail merchants in Newport News includes retail gasoline dealers; the retail merchants' tax is \$30 plus \$0.23 per \$100 gross receipts for receipts over \$12,000. A third category is new automobile dealers; the rate on these establishments is \$30 plus \$0.33 per \$100 on the first \$197,000 of gross receipts and \$0.28 per \$100 for receipts over \$197,000.

SOURCE: 1994 Tax Rates in Virginia's Cities, Counties, and Selected Towns, Center for Public Service, University of Virginia.

**Table 2**  
**BPOL Tax Collections, Virginia Counties and Cities, 2005**

County	Collections	County	Collections	County	Collections
Accomack	\$68,995	Isle of Wight	\$418,242	Washington	-
Albemarle	\$8,042,962	James City	\$4,663,030	Westmoreland	-
Alleghany	\$333,202	King & Queen	\$11,608	Wise	\$19,919
Amelia	\$155,705	King George	\$1,052,792	Wythe	-
Amherst	\$413,661	King William	\$243,080	York	\$4,226,847
Appomattox	-	Lancaster	-	<b>City</b>	
Arlington	\$45,699,04	Lee	-	Alexandria	\$27,098,032
Augusta	\$2,662,780	Loudoun	\$21,230,878	Bedford	\$402,880
Bath	-	Louisa	\$139,265	Bristol	\$1,200,656
Bedford	\$501	Lunenburg	-	Buena Vista	
Bland	-	Madison	-	Charlottesville	\$4,695,807
Botetourt	\$717,265	Mathews	\$184,391	Chesapeake	\$21,461,924
Brunswick	-	Mecklenburg	-	Colonial Heights	\$2,601,296
Buchanan	-	Middlesex	\$25,745	Covington	\$444,459
Buckingham	-	Montgomery	-	Danville	\$3,777,830
Campbell	\$1,322,512	Nelson	\$31,570	Emporia	\$559,511
Caroline	\$825,542	New Kent	\$652,313	Fairfax	\$8,295,462
Carroll	-	Northampton	\$16,637	Falls Church	\$2,913,022
Charles City	-	Northumberland	\$16,637	Franklin	\$760,383
Charlotte	-	Nottoway	\$127,601	Fredericksburg	\$4,974,756
Chesterfield	\$16,392,87	Orange	-	Galax	\$813,218
Clarke	\$30,229	Page	\$132,276	Hampton	\$11,019,387
Craig	-	Patrick	-	Harrisonburg	\$5,274,648
Culpeper	-	Pittsylvania	\$75,311	Hopewell	\$1,411,667
Cumberland	\$97,023	Powhatan	\$70,440	Lexington	\$4,488,447
Dickenson	-	Prince Edward	-	Lynchburg	\$7,371,507
Dinwiddie	\$473,874	Prince George	\$631,522	Manassas	\$2,700,753
Essex	-	Prince William	\$19,534,000	Manassas Park	\$681,181
Fairfax	\$113,956,6	Pulaski	-	Martinsville	\$1,750,980
Fauquier	\$1,287,192	Rappahannock	-	Newport News	\$13,391,073
Floyd	-	Richmond	-	Norfolk	\$21,854,626
Fluvanna	-	Roanoke	\$4,572,222	Norton	\$658,845
Franklin	\$3,394	Rockbridge	\$665,463	Petersburg	\$2,675,192
Frederick	\$4,160,697	Rockingham	-	Poquoson	\$339,675
Giles	-	Russell	-	Portsmouth	\$5,841,124
Gloucester	\$1,312,493	Scott	-	Radford	\$351,235
Goochland	\$607,580	Shenandoah	-	Richmond	\$24,152,763
Grayson	-	Smyth	-	Roanoke	\$11,843,732
Greene	\$260,921	Southampton	\$108,119	Salem	\$4,032,843
Greensville	\$189,664	Spotsylvania	\$3,868,673	Staunton	\$1,698,253
Halifax	\$177,948	Stafford	-	Suffolk	\$4,528,220
Hanover	\$441,541	Surry	\$65,897	Virginia Beach	\$36,444,397
Henrico	\$26,055,40	Sussex	\$155	Waynesboro	\$1,565,469
Henry	\$1,436,093	Tazewell	-	Williamsburg	\$1,749,413
Highland	-	Warren	\$1,207,130	Winchester	\$5,437,444

■ TOTAL COUNTIES: \$291,100,914

■ TOTAL CITIES: \$247,422,561

■ VIRGINIA TOTAL: \$538,523,475

SOURCE: Auditor of Public Accounts Report, 2005.

**Table 3**  
**Merchants' Capital Taxes, Virginia Counties, 2005**

County	Nominal Tax Rate (per \$100)	Assessment Method	Assessment %	County	Nominal Tax Rate (per \$100)	Assessment Method	Assessment %
<b>Amherst</b>	\$3.95	Original Cost	20	<b>Lunenburg</b>	\$1.20	Original Cost	40
<b>Appomattox</b>	\$1.00	Original Cost	85	<b>Madison</b>	\$0.86	Original Cost	100
<b>Bedford</b>	\$1.10	Original Cost	20	<b>Mecklenburg</b>	\$0.72	Original Cost	100
<b>Bland</b>	\$0.89	Original Cost	100	<b>Montgomery</b>	\$4.50	Original Cost	20
<b>Brunswick</b>	\$1.20	Original Cost	100	<b>Northampton</b>	\$6.25	Original Cost	10
<b>Buchanan</b>	\$2.00	Original Cost	10	<b>Northumberland</b>	\$1.00	Original Cost	50
<b>Buckingham</b>	\$1.00	Depreciated Cost	100	<b>Orange</b>	\$0.40	Original Cost	100
<b>Carroll</b>	\$2.30	Original Cost	30	<b>Pittsylvania</b>	\$2.75	Original Cost	30
<b>Charles City</b>	\$2.80	Original Cost	100	<b>Prince Edward</b>	\$0.70	Original Cost	100
<b>Charlotte</b>	\$3.20	Original Cost	10	<b>Pulaski</b>	\$4.80	Original Cost	*
<b>Craig</b>	\$3.50	Original Cost	25	<b>Richmond</b>	\$3.50	Original Cost	50
<b>Dickenson</b>	\$10.50	Original Cost	10	<b>Rockingham</b>	\$0.87	Original Cost	67
<b>Essex</b>	\$3.75	Original Cost	5	<b>Russell</b>	\$0.65	Original Cost	20
<b>Floyd</b>	\$3.50	Original Cost	15	<b>Scott**</b>	\$0.72	Original Cost	100
<b>Franklin</b>	\$1.08	Original Cost	100	<b>Shenandoah</b>	\$0.60	Original Cost	100
<b>Giles</b>	\$0.75	Original Cost	100	<b>Smyth</b>	\$0.40	Original Cost	100
<b>Grayson</b>	\$6.70	Original Cost	10	<b>Southampton</b>	\$0.50	Fair Market Value	100
<b>Hanover</b>	\$1.90	Original Cost	10	<b>Stafford</b>	\$0.50	Original Cost	100
<b>Highland</b>	\$1.00	Merchant's Inventory	20	<b>Sussex</b>	\$1.00	Original Cost	100
<b>King &amp; Queen</b>	\$0.65	Original Cost	100	<b>Tazewell</b>	\$4.30	Original Cost	20
<b>Lancaster</b>	\$1.00	Original Cost	50	<b>Westmoreland</b>	\$0.50	Original Cost	100
<b>Lee</b>	\$1.41	Fair Market Value	30	<b>Wise</b>	\$2.85	Fair Market Value	45
<b>Louisa</b>	\$0.65	Original Cost	100	<b>Wythe</b>	\$0.56	Original Cost	100

SOURCE: *2005 Tax Rates in Virginia's Cities, Counties and Selected Towns*, Weldon Cooper Center for Public Service, University of Virginia.

\* Pulaski County's assessment percentages are as follows: \$1–\$300,000 = 22%; \$300,001–\$20,000,000 = 5%; more than \$20,000,000 = 1%.

\*\* Scott County allows a business to estimate its inventory and compares the estimate with the inventory reported on Form 1040, Schedule C.

Merchants' capital is inventory of stock on hand, daily rental passenger cars as defined in § 58.1-2401 of the Code, daily rental property, and all other taxable personal property of any kind except (i) money on hand and on deposit and (ii) tangible personal property not offered for sale as merchandise. The situs for the assessment of the tax is the locality in which the property is physically located on tax day, January 1.

During the 2005 tax year, 53 Virginia counties imposed a tax on merchants' capital. Table 3 shows the nominal tax rate per \$100, the assessment percentage, and the assessment method. As Table 4 illustrates, the total tax revenue generated by the merchants' capital tax was \$10,851,741 for the fiscal year ending June 30, 2005.

**Table 4****Merchants' Capital Tax Collections, Virginia Counties, 2005**

County	Collections	County	Collections
Appomattox	\$76,716	Lunenburg	\$46,111
Bedford	\$135,380	Madison	\$158,504
Bland	\$201,160	Mecklenburg	\$292,591
Brunswick	\$100,684	Middlesex	\$35,139
Buchanan	\$62,862	Montgomery	\$968,498
Buckingham	\$57,720	Northampton	\$66,586
Campbell	\$2,862	Northumberland	\$36,309
Carroll	\$185,186	Orange	\$138,354
Charles City	\$21,910	Patrick	-
Charlotte	23,442	Pittsylvania	\$348,086
Craig	\$3,708	Prince Edward	\$342,802
Culpeper	-	Pulaski	\$312,403
Dickenson	\$69,089	Richmond	-
Essex	\$46,578	Rockingham	\$724,840
Floyd	\$43,352	Russell	\$24,351
Franklin	\$595,784	Scott	\$118,163
Giles	\$139,155	Shenandoah	\$206,905
Grayson	\$38,335	Smyth	-
Greene	\$484	Southampton	\$457,080
Hanover	\$795,591	Stafford	\$681,595
Highland	\$2,362	Sussex	\$65,118
King & Queen	\$14,511	Tazewell	\$974,972
King William	\$165	Westmoreland	\$48,936
Lancaster	\$86,906	Wise	\$779,269
Lee	\$61,853	Wythe	\$378,122
Louisa	280,912	York	\$356,104

■ **TOTAL COUNTIES: \$10,851,741**

SOURCE: Auditor of Public Accounts Report, 2005.

## Recent Developments

The BPOL tax has been a controversial tax for many years. Some in the business community think the categories of occupations are inappropriate and the tax rates unfair. A majority of those objecting to the tax agree that it should not be levied on the gross receipts of a business. However, local jurisdictions depend substantially on the BPOL tax revenues and, therefore, do not want to give them up without some alternative that will generate comparable funds in order to provide required services. An equitable distribution of the financial responsibilities for those local services is of paramount concern to the localities.

HJR 526, passed by the 1993 General Assembly, established a joint subcommittee to study the BPOL tax imposed by local jurisdictions and to consider alternative means of taxation. HJR 110, passed by the 1994 General Assembly, continued the study for another year for the purpose of improving administration of the tax.

In its deliberations during the first year, the joint subcommittee considered options for restructuring or replacing some or all of such taxes with alternative revenue-neutral business taxes that are fairer, easier to understand and apply, and more efficient to administer. During the second year, deciding that eliminating the tax was impossible without an alternative revenue producer, the joint subcommittee focused on making administration of the tax more uniform. To achieve this goal, the subcommittee relied on an advisory committee, consisting of business and local jurisdiction representatives, and the Department of Taxation for assistance in preparing a model BPOL ordinance for use by all localities.

The model ordinance was introduced during the 1995 General Assembly Session as HB 2351, but it failed to pass. A resolution was also introduced that continued the study for an additional year in order to examine once again the possibility of eliminating the BPOL tax entirely. Obviously, that idea was never adopted.

During 2001 and 2002, another joint legislative subcommittee examined Virginia's entire tax code.<sup>6</sup> As part of the study, the BPOL tax was included with a focus on retailers. Discussion among retail industry representatives, legislators, and staff included lowering the rate on retailers and increasing the sales and use tax rate to replace any loss in revenues. This idea, however, was not adopted by the joint legislative subcommittee.

## **Issues**

### **Elimination of the BPOL Tax**

Since 1993, much discussion has centered on eliminating the BPOL tax. The business community claims it is harmful to business, especially new and small businesses. Local government officials assert that localities cannot operate without the BPOL tax revenues. Therefore, until another source of revenue that produces the same amount as the BPOL tax can be identified, it seems the BPOL tax will remain on the books.

### **Basing Tax on Gross Receipts**

One issue that has persisted for several years is that the BPOL tax is levied on the gross receipts of a business, profession, or occupation, even if the business fails to realize a profit. Many, especially those paying the tax, believe this is inequitable and think it should be more like an income tax with deductions and exemptions.

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<sup>6</sup> House Joint Resolution 685/Senate Joint Resolution 387 (2001); House Joint Resolution 60 (2002).

## Summary

The BPOL tax may be imposed by counties, cities, and towns on certain businesses, professions, and occupations. In the alternative, localities may impose a merchants' capital tax on the capital of a business. The BPOL tax is an important source of revenue and is used by virtually all cities and most urban counties. In 2005, the BPOL tax provided 4.1 percent of total local revenues.

The categories and tax rates for the BPOL tax and the merchants' capital tax are established in the Code of Virginia. The rate for the merchants' capital tax may not exceed the rate that existed in the locality on January 1, 1978. Situs for the BPOL tax is the locality in which the individual maintains an office or carries on a principal business. Situs for the merchants' capital tax is the locality in which the property is physically located on tax day, which generally is January 1.

As a source of local revenue, the BPOL tax is administered by each locality that imposes it, with guidance from the Department of Taxation through its regulations and guidelines.

The elimination of the BPOL tax and the perceived inequity of levying the BPOL tax on gross receipts regardless of profits remain the two major issues concerning the BPOL tax in Virginia.

# ***Food and Beverage (Meals) Tax***

## **Introduction**

## **History**

## **Administering the Tax**

## **Recent Developments**

## **Issues**

**Unequal Taxing Authority between Counties and Cities**

**Small Tax Revenues to Some Localities**

**Definition of "Meal" for Tax Purposes**

## **Summary**

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## **Introduction**

The food and beverage tax, also known as the meals tax, is a local tax based on the amount charged for certain prepared foods and beverages. The statutory provision in the Code of Virginia (§ 58.1-3833) specifically applies to counties. Cities and towns have the authority to impose this tax under their general taxing powers provided under the Uniform Charter Powers Act.<sup>1</sup> The meals tax is in addition to the five percent state and local sales and use tax charged. However, the total of the sales and use tax and the meals tax rate may not exceed nine percent in the counties; that is, the maximum meals tax rate is four percent. There is no similar limit placed on cities and towns.

## **History**

The meals tax is a special sales tax added to the price of the meal at the time of purchase. Cities and towns were granted the taxing authority through their charters, with such authority

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<sup>1</sup> Chapter 11 of Title 15.2 of the *Code of Virginia*, specifically § 15.2-1104.

clarified in the Code in 1984. Counties, however, did not have the authority to levy a meals tax until 1988.

In 1976, the only cities levying the meals tax were Norfolk, Petersburg, Portsmouth, Richmond, and Virginia Beach. By 1982, that number had tripled to 18 cities (but no towns). By 2005, all of the Commonwealth's 39 cities imposed the meals tax, while 34 of 36 towns reporting to the Auditor of Public Accounts reported meals tax revenues. The cities' rates for 2005 ranged from 2 percent in the City of Fairfax to 6.5 percent in Franklin, Hampton, Lynchburg, Newport News, Norfolk and Portsmouth. Table 1 shows the 2005 tax rates for each city imposing the meals tax.

In 1990, 10 counties imposed a meals tax: Amherst, Botetourt, Caroline, James City, Pulaski, Roanoke, Rockbridge, Spotsylvania, and Stafford imposed the tax at the four percent maximum rate allowed counties; Frederick imposed a two percent meals tax. By 1994, 21 counties levied the meals tax, with all but the Counties of Augusta and Frederick imposing the maximum four percent rate (see Table 2). By 2005, the number of counties imposing the tax almost doubled to 39, with all except Dickenson County imposing the tax at the maximum permissible four percent tax rate.

Towns also may impose the meals tax in accordance with their town charters. In 2005, the annual report of the Auditor of Public Accounts indicates 34 of 36 towns listed collected meals tax revenues, with rates ranging from 2 percent to a top rate of 6.5 percent in the Town of Farmville. As with other local taxes, whenever a town imposes the meals tax, it prevents the county in which the town is located from imposing the county meals tax within the town, unless the town specifically allows the imposition of the county tax within the town's geographical limits.

## **Administering the Tax**

In the fiscal year ending June 30, 2005, the meals tax generated \$292,377,388 in revenue for the Commonwealth's counties and cities. Cities produced \$224,248,589, or approximately 77 percent of the total meals tax revenue, while counties collected \$68,128,799, or approximately 23 percent of the total. When compared to total local-source revenues, the meals tax comprises 2.2 percent of the total.

Table 3 provides a listing of local meals tax collections in the Commonwealth's counties and cities. The largest amount of meals tax revenue was collected by the City of Virginia Beach. Other localities collecting in excess of \$10 million from this source were Chesapeake, Hampton, Newport News, Norfolk, Richmond, and Arlington County. In other words, 52 percent of the total meals tax revenue was collected by these seven localities.

**Table 1**  
**Meals Tax Rates, Virginia Cities, 2005**

City	Rate (%)	City	Rate (%)
Alexandria	3.0	Manassas	4.0
Bedford	5.0	Manassas Park	4.0
Bristol	6.0	Martinsville	5.0
Buena Vista	4.0	Newport News	6.5
Charlottesville	4.0	Norfolk	6.5
Chesapeake	5.5	Norton	5.0
Colonial Heights	5.0	Petersburg	4.0
Covington	4.0	Poquoson	5.5
Danville	4.5	Portsmouth	6.5
Emporia	5.0	Radford	5.0
Fairfax	2.0	Richmond	6.0
Falls Church	4.0	Roanoke	4.0
Franklin	6.5	Salem	4.0
Fredericksburg	4.5	Staunton	5.0
Galax	4.0	Suffolk	5.5
Hampton	6.5	Virginia Beach	5.5
Harrisonburg	6.0	Waynesboro	5.0
Hopewell	4.5	Williamsburg	5.0
Lexington	4.0	Winchester	5.0
Lynchburg	6.5		

SOURCE: 2005 Tax Rates in Virginia's Cities, Counties and Selected Towns, Weldon Cooper Center for Public Service, University of Virginia.

**Table 2**  
**Meals Tax Rates, Virginia Counties, 2005**

County	Rate (%)	County	Rate (%)
Albemarle	4	Isle of Wight	4
Alleghany	4	James City	4
Amherst	4	King George	4
Arlington	4	Madison	4
Augusta	4	Montgomery	4
Bedford	4	Nelson	4
Bland	4	New Kent	4
Botetourt	4	Northampton	4
Caroline	4	Orange	4
Carroll	4	Page	4
Craig	4	Prince George	4
Dickenson	2	Pulaski	4
Dinwiddie	4	Rappahannock	4
Franklin	4	Roanoke	4
Frederick	4	Rockbridge	4
Gloucester	4	Spotsylvania	4
Greene	4	Stafford	4
Greensville	4	Warren	4
Henry	4	Wythe	4
		York	4

SOURCE: 2005 Tax Rates in Virginia's Cities, Counties and Selected Towns, Weldon Cooper Center for Public Service, University of Virginia.

**Table 3****Meals Tax Collections, Virginia's Cities and Counties, 2005**

<b>City</b>	<b>Collections</b>	<b>County</b>	<b>Collections</b>
Alexandria	\$9,598,763	Albemarle	\$4,554,989
Bedford	\$521,767	Alleghany	\$239,750
Bristol	\$3,522,872	Amherst	\$774,352
Buena Vista	\$139,969	Arlington	\$23,844,071
Charlottesville	\$5,745,899	Augusta	\$1,990,184
Chesapeake	\$16,684,210	Bedford	\$994,188
Colonial Heights	\$3,441,923	Bland	\$73,059
Covington	\$385,135	Botetourt	\$934,270
Danville	\$3,971,100	Caroline	\$713,527
Emporia	\$1,158,099	Carroll	\$431,513
Fairfax	\$2,176,558	Craig	\$37,451
Falls Church	1,452,095	Dinwiddie	\$455,393
Franklin	\$902,417	Franklin	\$745,316
Fredericksburg	\$5,987,400	Frederick	\$2,420,073
Galax	\$795,147	Gloucester	\$1,318,307
Hampton	\$12,449,368	Greene	\$456,137
Harrisonburg	\$6,711,580	Greensville	\$72,706
Hopewell	\$986,819	Henry	\$1,700,628
Lexington	\$552,946	James City	\$4,444,002
Lynchburg	\$8,666,119	King George	\$640,118
Manassas	\$2,583,398	Madison	\$322,589
Manassas Park	\$292,943	Montgomery	\$201,596
Martinsville	\$1,119,338	Nelson	\$486,865
Newport News	\$14,779,660	Northampton	\$342,956
Norfolk	\$26,669,046	Orange	\$409,958
Norton	\$721,995	Page	\$215,579
Petersburg	\$1,130,653	Prince George	\$504,917
Poquoson	\$481,323	Pulaski	\$812,610
Portsmouth	\$5,450,310	Rappahannock	\$144,369
Radford	\$735,982	Roanoke	\$2,990,255
Richmond	\$16,028,093	Rockbridge	\$1,126,412
Roanoke	\$7,995,551	Spotsylvania	\$4,650,797
Salem	\$2,190,099	Stafford	\$4,343,493
Staunton	\$1,751,768	Warren	\$126,165
Suffolk	\$3,323,238	Wythe	\$647,926
Virginia Beach	\$41,565,553	York	\$3,962,278
Waynesboro	\$1,773,540		
Williamsburg	\$5,367,745		
Winchester	\$4,438,168		

**Cities' Total: \$224,248,589****Counties' Total: \$68,128,799****Virginia Total: \$292,377,388**

SOURCE: 2005 Comparative Report of Local Government Revenues and Expenditures, Auditor of Public Accounts.

It is extremely difficult, if not impossible, to compare the Commonwealth's meals tax with those of other states. Many states incorporate the tax or take it into account through their sales and use tax. Only a handful of states allow a separate local meals tax.

With regard to counties, the tax applies to meals sold by restaurants as well as prepared sandwiches and single-meal platters sold in grocery and convenience stores. However, the tax does not apply to (i) meals served at boarding houses that do not accommodate transients, (ii) industrial plant employee cafeterias, (iii) certain fire departments and rescue squad dinners and bazaars, (iv) church meals provided as a regular part of religious observances, and (v) nonprofit cafeterias in public schools, nursing homes, and hospitals.

Prior to its imposition, the meals tax must be approved by a referendum in the county, unless the county is exempt from this requirement. Once a meals tax ordinance has been approved as required by the Code of Virginia, amendments to the ordinance do not need voter approval.

## **Recent Developments**

The 1993 General Assembly added § 58.1-3834, which allows for apportionment of the meals tax when a business is located partially within two or more local jurisdictions and one or more of them imposes the meals tax. The apportionment is accomplished in the same manner as § 58.1-3709 provides for the business, professional and occupational license tax. The factors considered in such apportionment are the taxpayer's total volume of business, the taxpayer's volume of business done in each applicable jurisdiction, and the area occupied by the business in each applicable jurisdiction.

## **Issues**

### **Unequal Taxing Authority between Counties and Cities**

One area of inequity is in the unequal taxing authority of the Commonwealth's counties and municipalities. Cities and towns have no rate ceiling, but counties are limited to a nine percent total tax rate, including five percent sales and use tax, resulting in an effective meals tax cap of four percent. Moreover, most counties can adopt this tax only after the measure is approved in a local referendum.

### **Small Tax Revenues to Some Localities**

The meals tax is often referred to as a nuisance tax in some localities. While the tax provides a substantial source of revenue to some localities, its contribution to the total local-source revenue is slightly in excess of two percent. In some localities, it may not be an efficient tax to collect since administrative and audit costs are a relatively high percentage of revenue.

## Definition of "Meal" for Tax Purposes

Currently, for meals tax purposes, there is no clear definition of "meal" in the Code or in regulations. A meal obviously includes food and beverages sold in a restaurant. But should it also include the salad bar at the supermarket or the prepared foods (e.g., fried chicken, french fries, lasagna, soup) sold in the delicatessen at the supermarket?

## Summary

The meals tax is imposed by all of the cities and 39 counties in the Commonwealth. Counties are limited to a nine percent combined meals and sales and use tax rate, while cities and towns have no limits on their rates. The meals tax provided \$292,377,388 in revenue for cities and counties in the fiscal year ending June 30, 2005, 2.2 percent of total local-source revenue collected.

That less than half of Virginia's counties impose the meals tax may be due partially to the fact that counties have only had the power to levy the tax since 1988. Cities and towns have exercised the power to levy the tax for many years through their charter provisions. Also, most counties must have voter approval in order to levy the tax, while cities and towns do not.

A major issue regarding the meals tax is common to many local taxes—the inequity in rates that may be levied by counties as opposed to cities and towns. Counties have a limit; cities and towns do not. The low revenues generated by the tax in some localities and the lack of a clear definition of “meal” for tax purposes are also important issues.

# ***Local Motor Vehicle License Tax (Registration)***

**Introduction**

**History**

**Administering the Tax**

**Issues**

**Requirement of Local License Decal**

**Summary**

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## **Introduction**

State law required the registration of motor vehicles even before it required that they be titled or that their drivers be licensed. From the very beginning, registration of motor vehicles, and the revenues derived therefrom, was a state/local partnership. As the years went by, the role of local vehicle registration evolved. While it may have been almost purely a revenue-generator in the beginning (prior to the passage of the Byrd Road Act in 1932, local governments were responsible not only for city streets, but for county roads as well), local vehicle registration (and the possibility of the denial thereof) proved useful for enforcement of the payment of local tangible personal property tax on automobiles and other vehicles and other local fees, taxes, and fines as well.

At least in recent decades, the requirement of local vehicle registration has grown increasingly unpopular with the general public, particularly since the slender metal local registration license plates were replaced by stickers attached to the vehicles' windshields. Some localities no longer require the decals; some no longer impose a registration fee; some continue to do both.

## History

Beginning in 1906, the owner of any "automobile, locomobile, or any vehicle of any kind, the motive power of which shall be electricity, steam, gas, gasoline, or any other motive power except animals" was required to register his "machine" with the Secretary of the Commonwealth. These registrations were valid for the life of the vehicle, and the fee for registration was \$2.50.

In spite of the fact that the provisions of the act applied only to those counties and cities whose governing bodies had "adopted the same," 3,800 vehicles were registered the first year. Over the following decades, the local option character of registration eroded as more and more localities adopted the state requirement and as state law first permitted and then required that motor vehicle owners obtain certificates of title. By 1932, Virginia law contained an explicit requirement that all motor vehicles be registered before their operation on the public highways. These registrations expired annually on March 31 and were subject to a fee based on the weight of the vehicle.

In 1972 the General Assembly authorized the staggering of registration renewals, eliminating the annual DMV nightmare resulting from simultaneous expiration of virtually all motor vehicle registrations in the Commonwealth. Beginning in 1973, registration renewals were spread throughout the year and annual issuance of new license plates was replaced with a system of annual validation decals. Some localities followed suit and provided for staggered issuance of their local licenses, and others did not. Even today, in some localities, all local vehicle decals expire on the same day of the same month, in others, expirations are staggered—often corresponding to the expiration of the state registration of the vehicle.

Until the early- to mid-1990s, DMV's involvement with most local motor vehicle registration programs remained fairly tangential. Before then, DMV's involvement in these programs typically extended no further than furnishing localities lists of motor vehicles registered within their jurisdictions. Although § 46.2-756 allows DMV, on the basis of written agreements with localities, to collect local motor vehicle licensing fees along with state fees when registrations are issued or renewed, by 1990, only Waynesboro, Staunton, and Charlottesville had entered into such agreements with DMV. In recent years, such agreements have begun to be more common.

When it comes to consideration of local vehicle licenses as a source of local revenues, it is important to note that, while § 46.2-752 permits counties, cities, and towns to levy taxes on and require licenses for motor vehicles, trailers, and semitrailers, the amount of the fee charged by a locality for a local vehicle license for any given vehicle cannot be greater than the fee

charged by the Commonwealth for the registration of that vehicle. This may be significant for vehicles qualifying for free or reduced-cost state license plates.<sup>1</sup>

Over the past 16 years, the General Assembly has been fairly active in creating and adding to a list of persons to whom local vehicle licenses may be issued free of charge, at the issuing locality's option. A new twist was added in 1995, when blanket authorization for Augusta County to issue *all* of its decals free of charge, recognizing that, at least in that county in that year, the purpose of the decal was very much more a means of enforcing the personal property tax than raising revenue directly. The next year, this permission was broadened to embrace all localities.

Authorization for localities by ordinance to "provide for ... the limitation, restriction, or denial of ... free issuance to an otherwise qualified applicant" and the grounds therefore, also came in 1996. The next year saw leased vehicles were accorded the same treatment as owned vehicles. Persons 65 years old or older were allowed a 50 percent discount, at local option, beginning in 2000. The 2001 Session saw an action that allowed for an increase rather than a decrease in local registration fees when, in addition to using the windshield decal to raise local revenue, the law allowed localities to impose a surcharge of up to one dollar per vehicle, with the proceeds going to the Volunteer Firefighters' and Rescue Squad Workers' Pension Fund.

In many localities, the issuance (or denial) of these local vehicle licenses has been used as a mechanism for collecting various local taxes, fees, and fines. In 1956, the General Assembly authorized localities to require that all local personal property taxes owed on any vehicle be paid as a precondition to the issuance of a local license for the vehicle. Later, the legislature went a step further and allowed other Virginia localities similarly to require that local parking tickets issued to a vehicle's owner be paid before issuance of a local vehicle license. Another bill of 1995 finally broadened this authority to embrace all cities. Further refinements as to parking violations were made in 2003.

In 1993, the first steps in intergovernmental reciprocity in enforcement of local "decal" statutes were taken, allowing localities to enter into compacts with one another for enforcement of each others local ordinances. In 1992 the General Assembly took a first step in more directly linking payment of personal property taxes to vehicle registrations at the state level by allowing local governments to enter into agreements with DMV whereby the Department would not issue or renew vehicle registration of any vehicle owned by any person who owed the locality \$100 or more in delinquent personal property taxes with respect to the vehicle. This \$100 threshold was lowered to \$50 in 1997 and finally removed completely in 2002, along with making the statute applicable to all taxes and fees assessable against the applicant, rather than against his vehicle.

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<sup>1</sup> Such as license plates issued to recipients of the Medal of Honor under § 46.2-745 and former prisoners of war under § 46.2-746, to cite but three examples.

**Table 1**  
**Motor Vehicle Local License Tax, Virginia Cities, 2005**

Private Passenger Vehicles			
City	Tax	Motorcycles	Trucks, Not For Hire
Alexandria	\$25.00	\$15.00	\$25.00-\$90.00
Bedford	\$25.00	\$12.00	\$25.00
Bristol	\$15.00	\$8.00	\$17.00 up to 13,000 lbs. \$22.50 over 13,000 lbs.
Buena Vista	\$25.00	\$18.00	\$25.00 up to 2,000 lbs. \$32.50 over 2,000 lbs.
Charlottesville	\$28.50	\$8.50	\$33.50
Chesapeake	\$23.00 up to 4,000 lbs. \$28.00 over 4,000 lbs.	\$8.00	\$23.00-\$150.00
Colonial Heights	\$20.00 up to 4,000 lbs. \$25.00 over 4,000 lbs.	\$15.00	\$20.00-\$25.00
Covington	\$20.00	\$10.00	\$20.00 up to 10,000 lbs. \$25.00 over 10,000 lbs.
Danville	\$25.00	\$25.00	\$25.00-\$195.00
Emporia	\$25.00	\$15.00	\$25.00
Fairfax	\$25.00	\$15.00	\$25.00
Falls Church	\$25.00	\$24.00	\$28.00 up to 6,500 lbs. \$39.00 from 6,500 to 10k lbs. \$44.00 over 10,000 lbs.
Franklin	\$23.00 up to 4,000 lbs. \$28.00 over 4,000 lbs.	\$8.00	\$29.00-\$45.00
Fredericksburg	\$20.00	\$20.00	\$20.00
Galax	\$15.00	\$8.00	\$15.00 up to 10,000 lbs. \$20.00 over 10,000 lbs.
Hampton	1/1-6/30: \$28.00-\$33.00; 7/1-10/14: 1/2 price; 10/15-12/31: 1/3 price	\$15.00	1/1-6/30: \$28.00-\$33.00; 7/1: 1/2 price; 10/15: 1/3 price
Harrisonburg	\$20.00	\$5.00	\$20.00-\$64.00
Hopewell	\$23.00	\$7.50	\$23.00-\$65.00
Lexington	\$20.00	\$14.00	\$20.00
Lynchburg	\$29.50 up to 4,000 lbs. \$34.50 over 4,000 lbs.	\$21.00	\$24.50-\$250.00
Manassas	\$25.00	\$10.00	\$25.00
Manassas Park	\$25.00	\$10.00	\$25.00
Martinsville	\$20.00	\$5.00	\$20.00 + 1.00 per 1,000 lbs. over 15,000 lbs.
Newport News	\$26.00 up to 4,000 lbs. \$31.00 from 4,001 to 10k lbs.	\$24.00	\$26.00 up to 4,000 lbs. \$31.00 from 4,001 to 10k lbs. + 0.20/100 lbs. over 10k lbs.
Norfolk	\$26.00 up to 4,000 lbs. \$31.00 over 4,000 lbs.	\$15.00	\$26.00-\$130.00
Norton	\$10.00	\$10.00	\$10.00
Petersburg	\$23.00-\$28.00	\$16.00	\$28.00-\$208.00
Poquoson	\$25.00	\$15.00	\$25.00 up to 7,500 lbs. \$30.00 over 7,500 lbs.
Portsmouth	\$25.00 up to 4,000 lbs. \$30.00 over 4,000 lbs.	\$24.00	\$25.00-\$250.00
Radford	\$21.00	\$11.00	\$21.00 + 0.25/100 lbs. over 10k lbs. (max. \$65.00)
Richmond	\$23.00 up to 4,000 lbs. \$28.00 over 4,000 lbs.	\$15.00	\$24.00-\$250.00
Roanoke	\$20.00	\$8.00	\$20.00-\$66.00
Salem	\$20.00	\$16.00	\$20.00-\$120.00
Staunton	\$20.00 up to 4,000 lbs. \$25.00 over 4,000 lbs.	\$15.00	\$20.00-\$55.00
Suffolk	\$20.00 up to 4,000 lbs. \$25.00 over 4,000 lbs.	\$15.00	\$24.00-\$85.00
Virginia Beach	\$25.00 up to 4,000 lbs. \$35.00 over 4,000 lbs.	\$23.00	\$24.00-\$85.00
Waynesboro	\$25.00	\$15.00	\$25.00-\$60.00
Williamsburg	None	None	None
Winchester	\$24.00	\$12.00	\$36.00

Source: 2005 Tax Rates in Virginia's Cities, Counties and Selected Towns, Center for Public Service, University of Virginia

**Table 2**  
**Motor Vehicle Local License Tax, Virginia Counties, 2005**

Private Passenger Vehicles			
County	Tax	Motorcycles	Trucks, Not For Hire
Accomack	\$27.00	\$27.00	\$27.00
Albemarle	\$25.00-30.00	\$20.00	\$25.00-\$30.00
Alleghany	\$20.00	\$13.00	\$20.00 up to 2,000 lbs. \$25.00 over 2,000 lbs.
Amelia	\$20.00	\$13.00	\$20.00
Amherst	\$25.00	\$12.00	\$25.00
Appomattox	\$25.00	\$24.00	\$25.00
Arlington	\$24.00	\$24.00	\$24.00
Augusta	\$25.00	\$20.00	\$25.00
Bath	\$5.00	\$5.00	\$5.00
Bedford	\$20.00	\$10.00	\$20.00
Bland	\$20.00	\$10.00	\$20.00
Botetourt	\$20.00	\$11.00	\$20.00
Brunswick	\$25.00	\$10.00	\$25.00
Buckingham	\$25.00	\$25.00	\$25.00
Campbell	\$27.00	\$17.00	\$27.00
Caroline	\$23.00 up to 4,000 lbs. \$28.00 over 4,000 lbs.	\$18.00	\$23.00 up to 4,000 lbs. \$28.00 over 4,000 lbs. \$41.00 over 10,000 lbs.
Carroll	\$25.00	\$15.00	\$25.00
Charles City	\$22.00	\$15.00	\$22.00
Charlotte	\$25.00	\$10.00	\$25.00
Chesterfield	\$20.00-\$25.00	\$10.00	\$20.00-\$45.00
Clarke	\$25.00	\$12.00	\$25.00
Craig	\$20.00	\$10.00	\$20.00
Culpeper	\$25.00	\$15.00	\$25.00
Cumberland	\$23.00	\$18.00	\$20.00-\$30.00
Dickenson	\$10.00	\$10.00	\$10.00
Dinwiddie	\$20.00	\$10.00	\$20.00
Essex	\$25.00	\$15.00	\$20.00
Fairfax	\$25.00	\$18.00	\$25.00
Fauquier	\$25.00	\$15.00	\$25.00
Floyd	\$25.00 up to 4,000 lbs. \$30.00 over 4,000 lbs.	\$10.00	\$25.00 up to 4,000 lbs. \$30.00 over 4,000 lbs.
Fluvanna	\$20.00	\$6.00	\$20.00
Franklin	\$25.00	\$18.00	\$25.00
Frederick	\$25.00	\$10.00	\$25.00
Giles	\$15.00	\$7.00	\$15.00
Goochland	\$25.00	\$20.00	\$25.00 up to 2,000 lbs. \$30.00 over 2,000 lbs.
Grayson	\$20.00	\$15.00	\$20.00
Greene	\$25.00	\$9.00	\$25.00
Greensville	\$25.00	\$20.00	\$25.00
Halifax	\$25.00	\$5.00	\$25.00
Hanover	\$23.00 up to 4,000 lbs. \$28.00 over 4,000 lbs.	\$18.00	\$23.00 up to 4,000 lbs. \$28.00 over 4,000 lbs.
Henrico	\$20.00 up to 4,000 lbs. \$25.00 over 4,000 lbs.	\$15.00	\$20.00-\$64.00
Henry	\$20.00	\$8.00	\$20.00
Highland	\$15.00	\$5.00	\$15.00
Isle of Wight	\$20.00	\$18.00	\$20.00
James City	None	None	None
King & Queen	\$25.00	\$10.00	\$25.00
King George	\$23.00	\$18.00	\$23.00
King William	\$25.00	\$20.00	\$25.00
Lancaster	\$20.00	\$12.00	\$20.00
Lee	\$10.00	\$10.00	\$10.00
Loudoun	\$25.00	\$16.00	\$25.00
Louisa	\$20.00	\$10.00	\$20.00
Lunenburg	\$25.00	\$15.00	\$25.00
Madison	\$25.00	\$10.00	\$25.00 trailers: \$7.50

**Table 2, continued**

Private Passenger Vehicles			
County	Tax	Motorcycles	Trucks, Not For Hire
Mathews	\$20.00	\$10.00	\$20.00
Mecklenburg	\$25.00	N/A	\$25.00
Middlesex	\$20.00; trailers: \$10.00	\$7.00	\$20.00
Montgomery	\$20.00; trailers: \$5.00 up to 1,500 lbs. \$10.00 over 1,500 lbs.	\$10.00	\$20.00
Nelson	\$20.00	\$8.00	\$20.00
New Kent	\$20.00	\$8.00	\$20.00
Northampton	\$27.00	\$27.00	\$27.00
Northumberland	\$25.00	\$18.00	\$25.00
Nottoway	\$25.00	\$15.00	\$25.00
Orange	\$25.00	\$15.00	\$25.00
Page	\$20.00	\$4.00	\$20.00
Patrick	\$25.00	\$15.00	\$25.00
Pittsylvania	\$29.50	\$29.50	\$29.50
Powhatan	\$25.00	\$8.00	\$25.00
Prince Edward	\$20.00	\$10.00	\$20.00-\$40.00
Prince George	\$23.00 up to 4,000 lbs. \$27.00 over 4,000 lbs.	\$18.00	\$23.00 up to 4,000 lbs. \$27.00 over 4,000 lbs.
Prince William	\$24.00	\$12.00	\$24.00
Pulaski	\$25.00	\$10.00	\$25.00 trailers: \$10.00
Rappahannock	\$20.00	\$15.00	\$20.00
Richmond	\$25.00	\$8.00	\$25.00
Roanoke	\$20.00	\$15.00	\$20.00-80.00
Rockbridge	\$25.00	\$25.00	\$25.00
Rockingham	\$20.00	\$7.50	\$20.00
Russell	\$15.00	\$8.00	\$15.00
Scott	\$23.00	\$13.00	\$23.00
Shenandoah	\$25.00	\$18.00	\$25.00 trailers 1,500 lbs.: \$15.00
Smyth	\$15.00	\$10.00	\$15.00
Southampton	\$23.00	\$15.00	\$23.00
Spotsylvania	\$25.00	\$10.00	\$20.00
Stafford	\$23.00	\$18.00	\$23.00
Surry	\$10.00	\$3.00	\$10.00
Sussex	\$25.00	\$15.00	\$25.00
Tazewell	\$10.00	\$10.00	\$10.00
Warren	\$25.00	\$12.00	\$25.00
Washington	\$20.00	\$8.00	\$20.00
Westmoreland	\$29.50	\$15.00	\$29.50
Wise	\$5.00	\$5.00	\$5.00
Wythe	\$20.00	\$10.00	\$20.00
York	\$23.00	\$15.00	\$23.00

Source: 2005 Tax Rates in Virginia's Cities, Counties and Selected Towns, Center for Public Service, University of Virginia.

The DMV Commissioner was allowed to charge a delinquent tax payer a fee to cover the Commissioner's costs in any such enforcement action, and collect the fee from the applicant for registration.

## Administering The Tax

Table 1 lists the 2005 Motor Vehicle License tax rates in cities, and Table 2 provides the tax rates for counties.

In the fiscal year ending June 30, 2005, motor vehicle license taxes generated \$141.5 million for Virginia's counties and cities (Table 3) which amounted to 1.1 percent of total local revenue. All counties and cities have chosen to impose this tax, with the exception of the City of Williamsburg and the County of James City.

**Table 3**  
**Motor Vehicle License Tax Revenues, Virginia Cities and Counties, 2005**

<b>City</b>	<b>Revenue</b>	<b>County</b>	<b>Revenue</b>
Alexandria	\$2,460,980	Essex	218,225
Bedford	99,431	Fairfax	19,802,772
Bristol	197,101	Fauquier	1,421,448
Buena Vista	136,064	Floyd	395,292
Charlottesville	752,745	Fluvanna	424,029
Chesapeake	4,465,961	Franklin	1,237,090
Colonial Heights	363,426	Frederick	1,871,393
Covington	108,725	Giles	152,931
Danville	891,092	Gloucester	844,427
Emporia	83,725	Goochland	514,876
Fairfax	462,290	Grayson	281,065
Falls Church	223,394	Greene	370,405
Franklin	150,156	Greensville	174,593
Fredericksburg	165,647	Halifax	650,565
Galax	87,107	Hanover	2,359,824
Hampton	2,905,173	Henrico	5,974,167
Harrisonburg	504,105	Henry	1,047,476
Hopewell	392,283	Highland	44,778
Lexington	65,320	Isle of Wight	458,663
Lynchburg	1,498,014	James City	136,380
Manassas	753,839	King & Queen	171,479
Manassas Park	294,064	King George	456,906
Martinsville	227,623	King William	264,436
Newport News	3,585,609	Lancaster	192,947
Norfolk	2,692,643	Lee	93,496
Norton	29,486	Loudoun	4,626,043
Petersburg	588,524	Louisa	577,077
Poquoson	296,574	Lunenburg	202,816
Portsmouth	1,959,659	Madison	352,139
Radford	174,864	Mathews	217,997
Richmond	3,453,990	Mecklenburg	651,195
Roanoke	1,761,745	Middlesex	269,184
Salem	539,346	Montgomery	579,415
Staunton	394,005	Nelson	306,716
Suffolk	1,350,308	New Kent	358,774
Virginia Beach	8,845,748	Northampton	233,519
Waynesboro	407,343	Northumberland	334,663
Williamsburg	0	Nottoway	178,369
Winchester	502,303	Orange	617,435
<b>Cities' Total:</b>	<b>\$43,870,412</b>	Page	343,792
<b>County</b>		Patrick	455,041
Accomack	553,503	Pittsylvania	1,395,187
Albemarle	2,092,304	Powhatan	690,909
Alleghany	287,300	Prince Edward	231,477
Amelia	267,410	Prince George	681,175
Amherst	703,770	Prince William	6,275,000
Appomattox	296,570	Pulaski	366,884
Arlington	3,456,567	Rappahannock	172,614

**Table 3 - continued**

County	Revenue	County	Revenue
Augusta	1,785,822	Richmond	158,055
Bath	33,551	Roanoke	1,821,134
Bedford	1,466,204	Rockbridge	545,606
Bland	111,562	Rockingham	1,158,694
Botetourt	694,280	Russell	292,194
Brunswick	350,884	Scott	461,017
Buchanan	0	Shenandoah	654,599
Buckingham	356,044	Smyth	290,748
Campbell	1,306,364	Southampton	331,890
Caroline	574,161	Spotsylvania	2,654,574
Carroll	613,518	Stafford	2,223,491
Charles City	177,240	Surry	60,778
Charlotte	263,625	Sussex	203,003
Chesterfield	6,187,924	Tazewell	278,869
Clarke	277,418	Warren	593,932
Craig	105,980	Washington	761,157
Culpeper	710,746	Westmoreland	375,832
Cumberland	191,840	Wise	109,080
Dickenson	0	Wythe	368,244
Dinwiddie	476,262	York	1,291,961
<b>Counties' Total:</b>		<b>\$97,642,511</b>	
<b>Grand Total</b>		<b>\$141,522,923</b>	

Source: 2005 Comparative Report of Local Government Revenues and Expenditures, Auditor of Public Accounts.

## Issues

### Requirement of Local License Decal

Local motor vehicle licenses and the fees that go with them have probably never been particularly popular with the general public; however, they appear to have become even more unpopular since localities switched from using supplemental license plates to windshield decals. The decals have proven difficult to remove and replace—particularly in cold winter weather. The 2006 Session approved legislation making it clear that local governments are not obliged to require display of local license decals, unless they by ordinance so provide.

Table 4 provides a breakdown of which localities do and do not continue to require the display of windshield decals as evidence of payment of those fees.

**Table 4**

### Motor Vehicle Local License Tax Displays and Exemptions, 2006

City	Display Decals	Special Exemptions
Alexandria	Yes	Members of Congress, diplomats, active duty military
Bedford	Yes	Disabled vets, POWS, fire, rescue, and police personnel
Bristol	Yes	N/A
Buena Vista	Yes	Military
Charlottesville	No	N/A
Chesapeake	No	Vehicles exempt under <i>Code of Virginia</i> § 46.2-755
Colonial Heights	Yes	N/A
Covington	Yes	N/A

**Table 4, continued**

City	Display Decals	Special Exemptions
Danville	No	Rescue crew members (1/2 off)
Emporia	Yes	N/A
Fairfax	Yes	Public safety, military, students
Falls Church	Yes	Active military
Franklin	Yes	N/A
Fredericksburg	Yes	N/A
Galax	Yes	N/A
Hampton	Yes	Disabled veterans, POWs
Harrisonburg	Yes	Rescue squad, POWs, disabled vets, National Guard
Hopewell	Yes	POWs, military, antique, city vehicles, National Guard
Lexington	Yes	N/A
Lynchburg	No	Public safety, antique vehicles
Manassas	Yes	Public safety
Manassas Park	Yes	Police, military, and fire personnel
Martinsville	No	N/A
Newport News	Yes	N/A
Norfolk	No	Disabled vets (1 vehicle), military (out-of-state)
Norton	Yes	N/A
Petersburg	Yes	N/A
Poquoson	Yes	N/A
Portsmouth	No	N/A
Radford	Yes	N/A
Richmond	No	Veterans
Roanoke	Yes	N/A
Salem	Yes	N/A
Staunton	Yes	N/A
Suffolk	Yes	N/A
Virginia Beach	No	Auxiliary Sheriff, auxiliary police, chaplains, disabled vets
Waynesboro	Yes	N/A
Williamsburg	Yes	N/A
Winchester	Yes	N/A
<b>County</b>		
Accomack	Yes	Volunteer firemen (1 vehicle), POWs (all vehicles)
Albemarle	Yes	N/A
Alleghany	Yes	Fire and rescue members
Amelia	Yes	N/A
Amherst	Yes	N/A
Appomattox	Yes	N/A
Arlington	Yes	N/A
Augusta	Yes	N/A
Bath	Yes	N/A
Bedford	Yes	Public safety, POWs, disabled veterans
Bland	Yes	Firefighters (with x number of hours)
Botetourt	Yes	Fire and rescue volunteers
Brunswick	Yes	N/A
Buchanan	No	N/A
Buckingham	Yes	Disabled veterans
Campbell	No	Disabled veterans, fire and rescue members
Caroline	Yes	Fire and rescue members (1 exemption per person)
Carroll	Yes	Fire and rescue members, POWs, disabled veterans
Charles City	Yes	Volunteer firefighters
Charlotte	No	Volunteer fire and rescue members
Chesterfield	No	N/A
Clarke	Yes	fire and rescue members
Craig	Yes	N/A
Culpeper	yes	Fire and rescue members, police, disabled veterans
Cumberland	Yes	N/A
Dickenson	Yes	N/A
Dinwiddie	yes	Fire and rescue, POWs, military, disabled veterans
Essex	Yes	N/A
Fairfax	Yes	Fire and rescue members, auxiliary police
Fauquier	Yes	N/A
Floyd	Yes	N/A
Fluvanna	Yes	N/A
Franklin	Yes	N/A
Frederick	yes	Fire and rescue, disabled veterans
Giles	Yes	N/A
Gloucester	No	N/A

**Table 4, continued**

County	Display Decals	Special Exemptions
Goochland	Yes	Fire and rescue, physically handicapped
Grayson	Yes	N/A
Greene	Yes	N/A
Greensville	Yes	Fire and rescue, POWs, county vehicles
Halifax	Yes	Disabled veterans, volunteer fireman
Hanover	Yes	Public safety, disabled veterans, qualified volunteers
Henrico	Yes	N/A
Henry	Yes	N/A
Highland	Yes	Public safety
Isle of Wight	yes	Fire and rescue, police, POWs, disabled veterans
James City	Yes	N/A
King & Queen	Yes	N/A
King George	Yes	Fire and rescue (1 per person)
King William	No	N/A
Lancaster	No	Fire and rescue, disabled veterans
Lee	Yes	Churches
Loudoun	Yes	Public safety
Louisa	Yes	N/A
Lunenburg	No	Fire and rescue members
Madison	Yes	POWs
Mathews	Yes	Fire and rescue (1 decal per person)
Mecklenburg	Yes	N/A
Middlesex	Yes	Fire and rescue, National Guard
Montgomery	Yes	N/A
Nelson	Yes	Fire and rescue
New Kent	Yes	Fire and rescue, auxiliary police
Northampton	Yes	N/A
Northumberland	Yes	N/A
Nottoway	yes	N/A
Orange	Yes	Fire and rescue
Page	Yes	N/A
Patrick	Yes	N/A
Pittsylvania	Yes	N/A
Powhatan	yes	Fire and rescue (1 decal per person)
Prince Edward	Yes	N/A
Prince George	yes	Fire and rescue, volunteer police
Prince William	Yes	Fire and rescue, military, handicapped, disabled veterans, National Guard, antique vehicles
Pulaski	Yes	N/A
Rappahannock	Yes	N/A
Richmond	Yes	N/A
Roanoke	Yes	N/A
Rockbridge	Yes	N/A
Rockingham	Yes	Fire and rescue, disabled veterans
Russell	Yes	N/A
Scott	Yes	N/A
Shenandoah	Yes	N/A
Smyth	Yes	Fire and rescue (1 decal per person)
Southampton	Yes	N/A
Spotsylvania	Yes	Fire and rescue
Stafford	Yes	N/A
Surry	Yes	N/A
Sussex	Yes	N/A
Tazewell	Yes	N/A
Warren	Yes	Emergency services, antique vehicles, disabled veterans
Washington	yes	N/A
Westmoreland	Yes	Fire and rescue, antique vehicles
Wise	Yes	N/A
Wythe	Yes	N/A
York	Yes	N/A

Source: 2005 Tax Rates in Virginia's Cities, Counties and Selected Towns, Center for Public Service, University of Virginia

Note: All counties responded to the survey. Those that answered "not applicable" for all items in this table are excluded.

## Summary

The motor vehicle license tax is imposed by virtually all of Virginia's counties and cities. The amount of the license tax on any motor vehicle, trailer, or semi trailer cannot exceed the amount of the license tax imposed by the Commonwealth. The motor vehicle license tax provided \$141,522,923 in revenue for cities and counties in the fiscal year ending June 30, 2005, or 1.1 percent of total local-source revenue collected.

A recent issue, other than the amount of the tax, is whether counties and cities should continue to require the motor vehicle to display the local license decal to indicate the payment of the tax.

# ***Transient Occupancy Tax***

## **Introduction**

## **History**

## **Administering the Tax**

## **Issues**

### **Unequal Taxing Authority between Counties and Cities**

### **Viability as a Revenue Source**

## **Summary**

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## **Introduction**

The transient occupancy tax is a local tax based on the charge for lodging in hotels, motels, boarding houses, campgrounds, and other facilities offering guest rooms rented out for continuous occupancy for fewer than 30 days. The Commonwealth allows localities to impose this tax by local ordinance. Cities and towns are granted authority to impose a transient occupancy tax, without any rate limitation, under their general taxing powers provided under the Uniform Charter Powers Act.<sup>1</sup> If a town imposes the transient occupancy tax, the county is preempted from imposing the county tax within the territorial limits of the town.

All counties are authorized to impose a tax of up to two percent based on the amount of the charge of the occupancy. However, numerous counties have been given the authority to impose the tax at higher rates, with the proviso, in most cases, that the additional revenue be used for tourism-related purposes (see Table 1).

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<sup>1</sup> Chapter 11 of Title 15.2 of the Code of Virginia, specifically § 15.2-1104.

**Table 1****Transient Occupancy Tax Rates in Excess of 2% Authorized for Counties**

<b>Counties:</b>	<b>Total Rate (%)</b>	<b>Restriction</b>
<b>Albemarle</b>	5	all over initial 2% rate dedicated for tourism
<b>Arlington</b>	5.25	all over 5% rate dedicated for tourism; and maximum license tax on hotels/motels of 1%
<b>Augusta</b>	5	all over initial 2% rate dedicated for tourism
<b>Bedford</b>	5	all over initial 2% rate dedicated for tourism
<b>Botetourt</b>	5	all over initial 2% rate dedicated for tourism
<b>Caroline</b>	5	all over initial 2% rate dedicated for tourism
<b>Carroll</b>	5	all over initial 2% rate dedicated for tourism
<b>Chesterfield</b>	9	0%-2% general fund; 2%-6% dedicated for tourism; 6%-8% dedicated for expanding the Richmond Centre; and 8%-9% dedicated for Virginia Performing Arts Foundation
<b>Craig</b>	5	all over initial 2% rate dedicated for tourism
<b>Cumberland</b>	5	all over initial 2% rate dedicated for tourism
<b>Dinwiddie</b>	5	of the 2% rate over initial 2% rate: no more than 75% dedicated for tourism, with remainder dedicated for a nonprofit convention and visitor's bureau
<b>Fairfax</b>	4	all over initial 2% rate dedicated for tourism
<b>Floyd</b>	5	all over initial 2% rate dedicated for tourism
<b>Franklin</b>	5	all over initial 2% rate dedicated for tourism
<b>Gloucester</b>	5	all over initial 2% rate dedicated for tourism
<b>Halifax</b>	5	all over initial 2% rate dedicated for tourism
<b>Hanover</b>	9	0%-2% general fund; 2%-6% dedicated for tourism; 6%-8% dedicated for expanding the Richmond Centre; and 8%-9% dedicated for Virginia Performing Arts Foundation
<b>Henrico</b>	11	0%-2% general fund; 2%-6% dedicated for tourism; 6%-8% dedicated for expanding the Richmond Centre; and 8%-9% dedicated for Virginia Performing Arts Foundation; and 9%-11% for a county conference center
<b>James City</b>	5% and \$2	of the 5%, all over initial 2% rate dedicated for tourism; entire \$2 for advertising the Historic Triangle District as an overnight tourism destination
<b>King George</b>	5	all over initial 2% rate dedicated for tourism
<b>Loudoun</b>	5	all over initial 2% rate dedicated for tourism
<b>Mecklenburg</b>	5	all over initial 2% rate dedicated for tourism
<b>Montgomery</b>	5	all over initial 2% rate dedicated for tourism
<b>Nelson</b>	5	all over initial 2% rate dedicated for tourism
<b>Page</b>	5	all over initial 2% rate dedicated for tourism
<b>Patrick</b>	5	all over initial 2% rate dedicated for tourism
<b>Prince Edward</b>	5	all over initial 2% rate dedicated for tourism
<b>Prince George</b>	5	all over initial 2% rate dedicated for tourism
<b>Prince William</b>	5	all over initial 2% rate dedicated for tourism
<b>Pulaski</b>	5	all over initial 2% rate dedicated for tourism
<b>Roanoke</b>	5	no restrictions; by charter
<b>Rockbridge</b>	7	0%-2% general fund; 2%-5% for tourism; and 5%-7% for the Virginia Horse Center Foundation or the Virginia Equine Center Foundation
<b>Spotsylvania</b>	5	all over initial 2% rate dedicated for tourism
<b>Stafford</b>	5	all over initial 2% rate dedicated for tourism
<b>Tazewell</b>	5	all over initial 2% rate dedicated for tourism
<b>Wise</b>	5	all over initial 2% rate dedicated for tourism
<b>Wythe</b>	5	all over initial 2% rate dedicated for tourism
<b>York</b>	5% and \$2	of the 5%, all over initial 2% rate dedicated for tourism; entire \$2 for advertising the Historic Triangle District as an overnight tourism destination

SOURCE: Va. Code §§ 58.1-3819, 58.1-3820, 58.1-3822, 58.1-3823, 58.1-3824, and 58.1-3825.

## History

Only a handful of cities imposed the tax prior to 1970, and it was not until then that a local transient occupancy tax of up to two percent was authorized for the counties of Arlington and Fairfax. Albemarle County was granted the authority to impose the tax in 1973, and four more counties followed in 1974. During the next 10 years there was little legislative activity regarding this tax. Prior to July 1, 1985, eight counties were authorized to impose the transient occupancy tax, but only three actually used the authority. As a result of the gradual but constant increase in the number of counties seeking authority to impose the tax, the 1985 Session of the General Assembly passed legislation to allow all counties to impose a local transient occupancy tax at a rate of up to two percent.

From the early 1990s to the present, there has been a constant increase in counties given the authority to impose a tax rate in excess of the initial 2 percent (see Table 1). Today, 36 cities impose a transient occupancy tax with rates ranging from 2 percent (Covington and Martinsville) to 10.5 percent in certain districts in Virginia Beach (see Table 2).

**Table 2**  
**Transient Occupancy Tax Rates, Virginia Cities, 2005**

Cities:	Rate (%)	Cities:	Rate (%)
Alexandria	5.5% + \$1	Lynchburg	5.5% + \$1
Bedford	5	Manassas	5
Bristol	6	Martinsville	2
Buena Vista	4	Newport News	7.5
Charlottesville	6	Norfolk	8
Chesapeake	8	Norton	4
Colonial Heights	8	Petersburg	4
Covington	2	Portsmouth	8
Danville	3	Radford	5
Emporia	5	Richmond	8
Fairfax	4	Roanoke	7
Falls Church	5	Salem	4
Franklin	8	Staunton	4
Fredericksburg	5	Suffolk	6
Hampton	8	Virginia Beach	8 (10.5 in special districts)
Harrisonburg	6	Waynesboro	5
Hopewell	8	Williamsburg	5
Lexington	6	Winchester	5

SOURCE: *2005 Tax Rates in Virginia's Cities, Counties, and Selected Towns*, Center for Public Service, University of Virginia.

## Administering the Tax

In the fiscal year ending June 30, 2005, the local transient occupancy tax in Virginia's counties and cities generated approximately \$132.2 million. It is not a large source of revenue statewide; however, in those areas where tourism is an important component of the local economy, the tax provides a significant source of revenue for localities. Cities generated \$65.3 million, and counties collected \$66.8 million.

Table 3 provides local transient occupancy tax collections in Virginia's counties and cities. Virginia Beach collected the largest amount (\$19.1 million), followed by Arlington (\$17.2 million), Fairfax County (\$14.6 million), and Henrico County (\$8.3 million). The table also shows a large number of localities collecting small amounts from this source (e.g. \$2,208 in Lee County and \$2,802 in Covington).

## Issues

### Unequal Taxing Authority between Counties and Cities

One continuing issue concerning the transient occupancy tax is the unequal taxing authority between Virginia's counties and cities. Since 1985, all counties in Virginia have been authorized to impose a local tax of up to two percent, and many counties have been authorized to impose the tax at higher rates. However, cities and towns are authorized to impose the tax with no rate ceiling by their general taxing powers provided under the Uniform Charter Powers Act. There have been efforts to reduce the variation in this tax (as well as a number of other taxes) in recent sessions of the General Assembly. Table 3 reveals the small amount of revenue collected in virtually all the counties that impose the tax. The table also shows that even in the relatively urban counties a doubling of the tax rate to four percent would not generate sufficient funds to address many local needs. Thus, in terms of the debate regarding the disparity of local taxing authority, many localities appear to be arguing principle rather than revenue. In many localities, the tax generates such small sums of money that it may cost more to administer than it generates in local revenues.

### Viability as a Revenue Source

Another issue is the role this special tax should play in the local revenue structure. Although state and local governments typically rely on broad-based taxes, governments also single out businesses for specific tax treatments. Some typical examples are transient occupancy, meals, tobacco products, alcoholic beverages, and motor fuels. The issue, then, is whether this activity is an appropriate special tax source and what an appropriate tax rate should be.

**Table 3**  
**Local Transient Occupancy Tax Collections,**  
**Virginia Counties and Cities, 2005**

County	Collections	County	Collections
Accomack	\$331,418	Rockingham	79,854
Albemarle	1,415,988	Scott	7,316
Alleghany	61,958	Shenandoah	85,314
Amherst	25,143	Spotsylvania	865,818
Arlington	17,236,935	Stafford	985,891
Augusta	417,760	Warren	7,363
Bath	279,173	Washington	37,558
Bedford	235,823	Wise	49,262
Bland	3,524	Wythe	128,891
Botetourt	251,643	York	2,857,007
Buchanan	27,043	Bedford	53,830
Caroline	235,697		
Carroll	127,754	<b>City</b>	
Chesterfield	3,637,137	Bristol	585,739
Clarke	8,572	Buena Vista	13,113
Craig	2,370	Charlottesville	1,909,540
Culpeper	18,696	Chesapeake	2,935,669
Dickenson	12,940	Colonial Heights	240,825
Dinwiddie	26,554	Covington	2,802
Fairfax	14,629,545	Danville	329,451
Franklin	119,479	Emporia	379,693
Frederick	321,422	Fairfax	607,630
Giles	38,036	Falls Church	222,079
Gloucester	88,143	Franklin	175,870
Grayson	5,735	Fredericksburg	718,473
Greene	5,383	Galax	5,089
Greensville	42,201	Hampton	2,516,024
Halifax	54,682	Harrisonburg	1,262,314
Hanover	670,700	Hopewell	359,545
Henrico	8,308,420	Lexington	174,923
Henry	99,450	Lynchburg	1,392,866
Isle of Wight	47,860	Manassas	164,652
James City	2,480,944	Martinsville	13,735
Lee	2,208	Newport News	2,668,120
Loudoun	4,865,837	Norfolk	6,560,868
Mecklenburg	12,463	Norton	127,921
Montgomery	21,718	Petersburg	272,130
Nelson	185,703	Portsmouth	1,036,638
Northampton	74,569	Radford	113,919
Nottoway	16,456	Richmond	4,578,302
Orange	37,752	Roanoke	2,250,249
Page	308,464	Salem	660,790
Patrick	35,497	Staunton	234,685
Prince George	195,738	Suffolk	302,463
Prince William	2,793,000	Virginia Beach	19,175,967
Pulaski	258,290	Waynesboro	265,978
Roanoke	626,855	Williamsburg	5,277,984
Rockbridge	914,290	Winchester	594,456

■ Total Counties: \$66,833,355

■ Total Cities: \$65,385,408

■ TOTAL: \$132,218,763

SOURCE: *Comparative Report of Local Government Revenues and Expenditures*, Auditor of Public Accounts (2005).

## Summary

The local transient occupancy tax is imposed by a large majority of the cities and by about half of the counties in the Commonwealth. Cities and towns are authorized to impose this tax with no rate limitations, while counties are generally limited to a rate of two percent. The tax generated \$132.2 million of revenue for cities and counties in the fiscal year ending June 30, 2005, which amounted to one percent of total local tax revenue. The localities that are more heavily dependent on tourism and the business traveler receive larger amounts from this tax.

The major issue concerning the tax in Virginia is the unequal taxing authority granted counties and cities. Although this is a significant inequality in principle, equalizing the rates counties and cities are authorized to levy would not generate appreciable revenue gains in most counties.

# ***Cigarette Tax***

## **Introduction**

## **History**

## **Administering the Tax**

## **Recent Developments**

## **Issues**

### **Increasing the Tax Rate**

### **Unequal Taxing Authority between Counties and Cities**

## **Summary**

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## **Introduction**

The cigarette tax is a flat fee levied by the Commonwealth and certain localities on each pack of cigarettes. The statutory authority for the local cigarette tax is found in §§ 58.1-3830 through 58.1-3832 of the Code of Virginia. The local cigarette tax is added on to the price of each pack prior to its purchase.

## **History**

Subsection A of § 58.1-3830 of the Code of Virginia provides that "[n]o provision of Chapter 10 (§ 58.1-1000 et seq.) of this title shall be construed to deprive counties, cities and towns of the right to levy taxes upon the sale or use of cigarettes, provided such county, city or town had such power prior to January 1, 1977." (Section 58.1-1000 et seq. addresses the state cigarette tax.)

Originally, the state cigarette tax and what later became the separate local cigarette tax were part of the same legislation coming out of the 1960 Session of the General Assembly. With the recodification of Title 58 in 1984, the local cigarette tax statutes were placed in Article 7 of Chapter 38, "Miscellaneous Taxes," of Title 58.1 of the Code.

## Administering the Tax

Virginia is one of eight states that allow selected counties and municipalities to levy a local cigarette tax. The other seven are Alabama, Alaska, Illinois, Missouri, New York, Ohio, and Tennessee. In 2005, 30 cities, two counties, and 29 towns in Virginia imposed the tax, with rates ranging from \$.03 in the Town of Bluefield to \$.75 per pack in the City of Franklin (see Table 1).

Local cigarette tax collections by the counties and cities in fiscal year 2005 totaled \$58,274,183 (see Table 2). Local cigarette taxes are generally concentrated in two areas—Hampton Roads and Northern Virginia. Virginia Beach collected \$11.7 million in 2005, while Norfolk collected \$6.9 million, for a total of \$18.6 million, or about 32 percent of the local cigarette tax revenue collected by all localities. In fact, the cities within the Hampton Roads area collected approximately 63 percent of total local cigarette taxes in Virginia.

Currently, only two counties—Fairfax and Arlington—levy the cigarette tax. Each is statutorily limited to imposing the tax up to the state cigarette tax rate of \$.30 per pack, and each imposes its local cigarette tax at that rate.

The actual administration and enforcement of the local cigarette tax is provided for by local ordinance. Localities may allow the use of meter impressions or stamps to evidence payment of the tax and may enter into an arrangement with the Department of Taxation, which allows a tobacco wholesaler, who is responsible for the collection of the tax, to use a dual die or stamp to evidence the payment of both the state and local tax. The stamp is attached to the pack by the wholesaler or distributor, with the tax paid to the Department of Taxation by the 10th day of the following month. Most localities administer the tax themselves in accordance with their local ordinances.

## Recent Developments

There has been little activity in the local cigarette tax area in terms of legislation. However, there has been substantial activity in terms of increasing local tax rates and the increasing number of localities that have imposed local cigarette taxes. No additional counties have been granted the authority to impose the tax; however, over the 10-year period beginning with fiscal year 1996, an additional eight cities and 14 towns first began to impose a cigarette tax. The rate of tax has also gone up dramatically. In 1996, the highest local tax rate was \$.35 per

pack, which was imposed by the City of Hampton. The highest rate today is the \$.75 per pack imposed by the City of Franklin, with the City of Alexandria at \$.70 per pack. Cities and towns are increasingly using cigarette taxes to generate revenue, which could be explained by the fact that there are few limitations on the authority granted to cities and towns to impose the tax.

**Table 1**  
**Local Cigarette Tax Rates, (Based on 20 Cigarettes per Pack)**  
**Virginia's Counties and Cities, 2005**

County	Rate	City	Rate
Arlington	\$.30	Manassas	\$.50
Fairfax	.30	Manassas Park	.50
		Martinsville	.20
		Newport News	.65
<b>City</b>		Norfolk	.55
Alexandria	\$.70	Petersburg	.10
Bedford	.20	Poquoson	.10
Bristol	.04	Portsmouth	.50
Charlottesville	.25	Radford	.15
Chesapeake	.50	Roanoke	.27
Covington	.20	Salem	.15
Fairfax	.50	Staunton	.15
Falls Church	.50	Suffolk	.50
Franklin	.75	Virginia Beach	.50
Fredericksburg	.31	Waynesboro	.20
Hampton	.65	Williamsburg	.25
Harrisonburg	.30	Winchester	.10
Lynchburg	.35		

SOURCE: *Tax Rates 2005; Virginia's Cities, Counties and Selected Towns*, Weldon Cooper Center for Public Service.

## Issues

### Increasing the Tax Rate

The state cigarette tax was increased to \$.20 per pack effective in 2004, and increased to the present rate of \$.30 per pack in 2005. While the issue of capping local cigarette tax rates arose in conjunction with the increase in the state tax rate, no legislation has been passed by the General Assembly establishing a cap on the local cigarette tax rates imposed by cities and towns. Such a statutory cap would place limits on the amount of revenue that could be generated from the local cigarette tax. On the other hand, high local tax rates cause the loss of state cigarette tax revenue to neighboring states. For instance, a person purchasing a pack of cigarettes in the City of Franklin pays a total of \$1.05 tax per pack (\$.30 state + \$.75 local). However, if the taxpayer travels into North Carolina, he pays only \$.30 tax per pack, which results in a \$.75 per carton tax savings.

**Table 2**  
**Local Cigarette Tax Collections,**  
**Virginia's Counties and Cities, 2005**

County	Collections	City	Collections
Arlington	\$1,925,743	Manassas Park	\$562,020
Fairfax	6,061,050	Martinsville	145,099
<b>TOTAL COUNTIES: \$7,986,793</b>		Newport News	4,639,855
<b>City</b>		Norfolk	6,947,795
Alexandria	\$2,277,366	Petersburg	114,110
Bedford	148,514	Poquoson	94,467
Bristol	168,778	Portsmouth	2,714,850
Charlottesville	661,266	Radford	144,636
Chesapeake	4,827,640	Roanoke	1,889,419
Covington	176,640	Salem	451,765
Fairfax	939,837	Staunton	393,534
Falls Church	412,894	Suffolk	1,538,959
Franklin	284,266	Virginia Beach	11,747,980
Fredericksburg	898,413	Waynesboro	451,890
Hampton	4,084,162	Williamsburg	209,340
Harrisonburg	967,983	Winchester	327,470
Lynchburg	1,087,358		
Manassas	979,036	<b>TOTAL CITIES: \$50,287,390</b>	

**VIRGINIA TOTAL: \$58,274,183**

SOURCE: *Comparative Report of Local Government Revenues and Expenditures*, Fiscal Year Ending June 30, 2005, Auditor of Public Accounts.

## Unequal Taxing Authority Between Counties and Cities

As with several other local taxes, the unequal taxing authority among Virginia's localities continues to be an issue. Under the general taxing powers provided in the Uniform Charter Powers Act, any city or town may levy the cigarette tax without any restriction on the rate charged. However, only the Counties of Fairfax and Arlington are currently allowed by statute to levy the tax, and the rate may not exceed \$.30 per pack.

## Summary

Virginia, along with seven other states, allows cities, towns, and certain counties to impose a local cigarette tax. The tax is levied on each pack of cigarettes prior to its sale. Most localities imposing the tax also handle its administration and collection.

In 2005, 30 cities, two counties, and 29 towns imposed the tax, with rates ranging from \$.03 to \$.75 per pack. Local cigarette tax revenues in cities and counties for 2005 totaled \$58,274,183.

# ***Severance Taxes***

**Introduction**

**History**

**Severance Taxes in Other States**

**Coal and Gas Severance Taxes**

**Coal and Gas Road Improvement Tax**

**Mineral Lands Tax**

**Administering the Taxes**

**Summary**

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## **Introduction**

Severance taxes are levied on the production of natural resources when they are "severed" from the earth. In the major energy-producing states, severance taxes provide substantial revenues. In the Commonwealth, local severance taxes are levied by and produce revenue in only a few local jurisdictions. The specific Code of Virginia provisions for local severance taxes are found at §§ 58.1-3712 through 58.1-3713.5, which comprise part of the chapter on license taxes.

Technically, Virginia's severance taxes are license taxes levied on persons engaging in the business of severing the resources, and the amount of tax liability is generally based on the gross receipts from their sale. The natural resource taxes that may be levied by cities and counties include severance taxes on coal and gas, a coal and gas road improvement tax, and a mineral lands tax. In addition, localities had been authorized to levy a 0.5 percent license tax on gross receipts from the sale of severed oil up until July 1, 1995.

## History

Coal and other mineral lands were specifically segregated for local taxation by Section 172 of the 1928 revision of the Constitution. This provision was continued in Article X, Section 4 of the 1971 Constitution.

In 1973, the General Assembly first authorized a local license tax at the rate of one-half of one percent of gross receipts from the business of severing coal and gases. The maximum rate of this tax was doubled to one percent three years later.

In 1985, cities and counties were permitted to assess a severance tax on oil at the rate of one-half of one percent of the gross receipts of oil sold. The enabling legislation provided that the bill would expire in 1992. The expiration date was extended to July 1, 1995. The authorization was not extended in the 1995 Session, and the ability to levy this tax has expired.

In 1978, the General Assembly authorized the imposition of the one percent coal road improvement tax on the gross proceeds from the severance of coal and gas. The purpose for which the tax proceeds could be used was expanded in 1986 to include all roads within the taxing jurisdictions rather than only roads used to haul coal. Concurrent with the establishment of the Coalfield Economic Development Authority in 1988, the General Assembly directed that 25 percent of the coal and gas road tax collected in member localities be paid to the Virginia Coalfield Economic Development Fund.

When enacted in 1978, the coal and gas road improvement tax was scheduled to expire on December 31, 1986. The expiration date for this tax has subsequently been extended to 1992, to 1995, to 2002, and to 2007.

## Severance Taxes in Other States

Virginia is in the minority of states that segregate coal, oil, and natural gas for local taxation only. In most of the jurisdictions in which a severance tax is levied on these resources, it is applied at the state level, though in five states (Alabama, Minnesota, Mississippi, North Dakota, and Tennessee), plus the District of Columbia, taxes may be imposed by local governments as well as by the state. Maryland and Virginia are the only states where the production of these resources is subject only to a local severance tax. Fifteen other states (Arizona, Connecticut, Delaware, Georgia, Hawaii, Iowa, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, South Carolina, Vermont, and Washington) do not levy severance taxes on coal, oil, or gas. The lack of severance taxes in these states may be attributed to their lack of production of these natural resources.

**Table 1**  
**Maximum State Severance Taxes Rates**

State	Coal	Natural Gas	Oil
Alabama	13.5¢/ton	2% of value	8% of value
Alaska	---	6.4¢/MCF or 10% of value	80¢/bbl. or 12.25% of value
Arkansas	10¢/ton	0.3¢/1,000 c.f.	5% of value
California	---	5.0898¢/10,000 c.f.	5.0898¢/bbl.
Colorado	36¢/ton plus	5% gross income	5% gross income
Florida	8% of value	\$0.509/MCF	8% of price
Idaho	---	5 mills/50,000 c.f.	5 mills/bbl.
Illinois	---	0.1% gross revenue	0.1% gross revenue
Indiana	---	3¢/1000c.f.	1% of value
Kansas	\$1/ton	8% of value	8% of value
Kentucky	4.5% of value	4.5% of value	4.5% of value
Louisiana	10¢/ton	37.3%/1000c.f.	12.5% of value
Michigan	---	5% of value	6.6% of value
Minnesota	9.8% of value	---	---
Mississippi	---	6% of value	6% of value
Missouri	25¢/ton first 50,000 tons 15¢/ton next 50,000 tons	---	---
Montana	15% of value (surface); 4% of value (underground)	12% of value	7% of value
Nebraska	---	3% of value	3% of value
Nevada	5% of value	50 mills/50,000 c.f.	50 mills/bbl.
New Mexico	\$1.17/ton (surface) \$1.13/ton (underground)	3.75% of value	3.75% of value
North Carolina	---	0.5 mill/1,000 c.f.	5 mills/bbl.
North Dakota	75¢/ton	5.07¢/1,000 c.f.	5% of value
Ohio	7¢/ton	2.5¢/1,000 c.f.	10¢/bbl.
Oklahoma	7.5¢/ton	7% of value	7% of value
Oregon	---	6% of value	6% of value
South Dakota	4.5% of value	4.5% of value	4.5% of value
Tennessee	20¢/ton	3% of sale price	3% of sale price
Texas	---	7.5% of value	4.6¢/bbl. or 4.6% of value
Utah	---	3% on 1st \$1.50/MCF and 5% on balance	3% on 1st \$13 value/bbl. and 5% on balance
West Virginia	5% of gross proceeds (surface) 2% of gross proceeds (underground)	5% of gross proceeds	5% of gross proceeds
Wisconsin	---	7% of value	7% of value
Wyoming	7% of value (surface); 3.75% of value (underground)	6% of value	6% of value

SOURCE: *RIA State and Local Taxes: All States Tax Guide, Vol. 2.*

A summary of the rates assessed on these resources in states that levy severance taxes is set forth in Table 1. State severance taxes on coal are generally assessed based either on the tonnage or the value of the coal produced. Among states taxing the severance of coal based on

the tonnage mined, rates range from \$0.07 (Ohio) to \$1.17 (New Mexico). Among states basing their coal severance tax on the value of production, rates range between 15 percent for surface-mined coal in Montana and 5 percent in West Virginia. Four states (Montana, New Mexico, West Virginia, and Wyoming) impose higher coal severance tax rates on surface-mined coal than on coal mined underground.

## **Coal and Gas Severance Taxes**

Any city or county in the Commonwealth may impose a license tax on persons who sever coal or gases from the earth. The tax rate may not exceed one percent and is based on the gross receipts from the sale of the coal or gas. If a city or county levies this severance tax, it may not levy the severance tax on coal and gases extracted from land on which the mineral lands tax authorized by § 58.1-3286 of the Code is levied.

Cities and counties may also impose an additional levy of one percent of the gross receipts from the sale of gases. One half of the proceeds from this additional levy on gases in the jurisdictions that belong to the Virginia Coalfield Economic Development Authority (Buchanan, Dickenson, Lee, Russell, Scott, Tazewell and Wise Counties and the City of Norton) are required to be paid to the Virginia Coalfield Economic Development Fund. The other half of the proceeds in these localities, and all of the proceeds in any other jurisdiction levying this additional tax on gases, are paid into each locality's general fund.

## **Coal and Gas Road Improvement Tax**

In addition to the one percent coal and gas severance tax authorized under § 58.1-3712, any county or city may levy a license tax, at a rate not exceeding one percent of gross receipts, on the business of severing coal or gases. The biggest difference between this tax and the other one percent coal and gas severance tax is the use of the moneys collected. Revenues from the coal and gas road improvement tax in localities outside of the Virginia Coalfield Economic Development Authority must be paid into a special account called the Coal and Gas Road Improvement Fund of the locality imposing the tax, to be used for improvements to public roads. The rationale for the road improvement tax was to have coal trucks share the burden for paying for road improvements necessitated by the heavy traffic of coal trucks. For the localities comprising the Authority, three-fourths of the revenue is paid to the Coal and Gas Road Improvement Fund (of which sum 25 percent may be used for construction of new and improved water systems, sewers, and lines) and one-fourth of the revenue is paid to the Virginia Coalfield Economic Development Fund.

A specific statutory exception requires that the incorporated towns and city within Wise County shall receive 20 percent of the coal road improvement tax collected in Wise County. Twenty-five percent of these funds is distributed to the city and towns based on the number of

registered motor vehicles, and the remaining 75 percent is distributed equally among the City of Norton and the towns of Appalachia, Big Stone Gap, Coeburn, Pound, St. Paul, and Wise.

Moneys in a county's Coal and Gas Road Improvement Fund are required to be spent on improvements to public roads within the collecting locality. At its discretion, the county may elect to improve city or town roads with the approval of the city or town council. Localities imposing the coal and gas road improvement tax must establish a Coal and Gas Road Improvement Advisory Committee, which must develop an annual plan before July 1 for road improvements to be implemented in the following fiscal year.

In 1992, the General Assembly authorized Dickenson County to transfer up to \$1 million per year of unexpended balances collected under the Coal and Gas Road Improvement Tax to the general fund to be used for public education purposes. Wise County was authorized by the 1993 General Assembly to transfer up to \$1 million per year of balances collected under this tax to its general fund, provided the county matches any sums transferred, and the matching funds are derived by a one-time increase in local revenues. Up to \$500,000 of the transferred coal and gas road improvement funds were to be used for public government purposes, and up to \$500,000 of such funds were to be used for public education. The county was prohibited from reducing the amount of its appropriation for educational purposes as a result of the fund transfer. The act providing for transfers of Coal and Gas Road Improvement funds in Dickenson County expired July 1, 1995, and the act regarding Wise County expired January 1, 1995.

In 2001, the General Assembly passed legislation that creates a priority lien on a debtor's estate for all delinquent severances taxes imposed under § 58.1-3712 and 58.1-3713 on persons who sever coal from the earth. Such a lien is only inferior to real estate and tangible personal property taxes and penalties; obligations, bonds or instruments used in lieu of a bond to the Department of Mines, Minerals and Energy; and liens benefiting the Commonwealth.

## **Mineral Lands Tax**

As part of the real estate tax process, cities and counties are required to specifically and separately assess at the fair market value all mineral lands and improvements located on them. Mineral lands are taxed at the same rate as other real estate in the locality. As an alternative to assessing the fair market value of mineral lands, the county or city may impose by ordinance a severance tax of up to one percent of the gross receipts on all coal and gases extracted from lands within its jurisdiction. Section 58.1-3712 prohibits any locality levying a severance tax on coal or gases under that section from enacting the provisions of § 58.1-3286 "relating to a tax on gross receipts." Two cities and 19 counties levy the mineral lands tax. Thus far, no localities utilize the severance tax option permitted by § 58.1-3826.

Article X, § 4 of the Constitution segregates “coal and other mineral lands” for local taxation only, and provides that they “shall be assessed for local taxation in such manner and such times as the General Assembly may prescribe by law.” The term “mineral lands” is not defined in the Code. However, § 58.1-3826 requires the commissioner of revenue to ascertain the fair market value of the coal, iron, other minerals, mineral waters, gas and oils under the surface, when the mineral rights and the surface of the land are not owned by the same person.

**Table 2**  
**Severance/Mineral Tax Rates**  
**Virginia Cities and Counties, 2005**

Virginia Cities and Counties, 2006					
	Per \$100 of Gross Receipts (%)				
	Coal & Gas Severance Tax	Oil Severance Tax	Additional Gas Severance Tax	Coal & Gas Road Improvement Tax	Tax on Mineral Land
Locality	(\$ 58.1-3712)	(\$ 58.1-3712.1)	(\$ 58.1-3713.4)	(\$ 58.1-3713)	(\$ 58.1-3286)
Cities					
Norton*	1.0	N/A	N/A	1.0	Yes
Roanoke	N/A	N/A	N/A	N/A	Yes
Counties					
Albemarle	N/A	N/A	N/A	N/A	Yes
Buchanan	1.0	0.5	1.0	1.0	Yes
Caroline	N/A	N/A	N/A	N/A	Yes
Culpeper	N/A	N/A	N/A	N/A	Yes
Dickenson	1.0	0.5	N/A	1.0	Yes
Dinwiddie	N/A	N/A	N/A	N/A	Yes
Goochland	N/A	N/A	N/A	N/A	Yes
Grayson	N/A	N/A	N/A	N/A	Yes
Greene	N/A	N/A	N/A	N/A	Yes
Greensville	N/A	N/A	N/A	N/A	Yes
Hanover	N/A	N/A	N/A	N/A	Yes
Henry	N/A	N/A	N/A	N/A	Yes
King George	N/A	N/A	N/A	N/A	Yes
Lee	1.0	0.5	1.0	1.0	No
Pittsylvania	N/A	N/A	N/A	N/A	Yes
Pulaski	1.0	N/A	1.0	1.0	No
Rockbridge	N/A	N/A	N/A	N/A	Yes
Rockingham	1.0	0.5	N/A	N/A	Yes
Russell	1.0	0.5	N/A	1.0	Yes
Scott	1.0	0.5	N/A	1.0	No
Tazewell	1.0	N/A	1.0	1.0	Yes
Wise	1.0	0.5	1.0	1.0	Yes
Towns**					
Appalachia	N/A	N/A	N/A	0.1335	No

Note: All cities and counties responded to the survey. Those that answered "not applicable" for all items in this table are excluded.

\* The City of Norton reports that it also charges a mineral loading tax of \$0.05/ton of coal.

\*\* No towns reported having natural resource severance taxes.

SOURCE: 2005 *Tax Rates in Virginia Cities, Counties, and Selected Towns*, Center for Public Service, University of Virginia.

## Administering the Taxes

Table 2 provides a list of cities and counties that levy at least one of the severance taxes or the mineral tax and their rates for the fiscal year ending June 30, 2005. Only one city and nine counties imposed at least one of the severance taxes. Most of the localities levying the tax are

located in Southside and Southwest Virginia, where the natural resources subject to the tax are mined and produced. The rates range from one-half percent to three percent for the severance taxes.

Table 3 provides a listing of severance tax collections on coal, gas, and oil for the fiscal year ending June 30, 2005. Total collections for all counties and cities collecting a severance tax on coal, oil, or gas for this period was \$32.8 million. The severance tax on coal generates the vast majority of all severance tax revenue. While this figure is small compared to some of the other local tax revenues, severance taxes are an important revenue source to those counties and cities in Southwest Virginia that impose them. For example, in Buchanan County, the \$12.6 million from its local coal and gas severance tax equaled 36.1 percent of total local revenue. In Wise County, the \$10.2 million collected equaled 28.3 percent of total local revenue. And in three (the Counties of Buchanan, Dickinson, and Wise) of the eight localities that levy a severance tax, the revenue it generated in 2005 exceeded that generated by the local real estate tax.

**Table 3**  
**Local Coal, Oil, and Gas Severance Tax Collections,**  
**Virginia, 2005**

Local Coal, Oil, and Gas Severance Tax Collections	
County	
Buchanan	\$12,615,517
Dickinson	\$ 6,140,446
Lee	\$ 340,700
Russell	\$ 2,264,142
Scott	\$ 9,153
Tazewell	\$ 974,742
Wise	\$10,241,368
City	
Norton	\$ 178,532
<b>Virginia Totals:</b>	<b>\$32,764,600</b>

SOURCE: Auditor of Public Accounts, *Comparative Report of Local Governments Revenues and Expenditures for Fiscal Year 2005*.

## Summary

Severance/mineral taxes may be imposed by certain counties and cities located in Southwest Virginia on persons who sever coal, gas, or oil from the earth. Severance tax rates range from one-half percent to three percent total. The mineral tax is imposed by two cities and 19 counties with none imposing the optional severance tax in its place. These taxes are important revenue sources for those localities that levy them.

The revenue raised by most of the severance taxes may be used by cities and counties for whatever purposes their governing bodies may select. However, the coal and gas road improvement tax revenues must be paid into a special account to be used to improve the roads, as its title suggests. Also, part of the severance tax revenue goes to the Virginia Coalfield Economic Development Fund, which is to be used to enhance the economic base of the seven counties and one city that comprise the Virginia Coalfield Economic Development Authority.

# ***Admissions Tax***

## **Introduction**

## **History**

## **Administering the Tax**

## **Comparison with Other States**

## **Issues**

**Unequal Taxing Authority between Counties and Cities**

**Viability as a Revenue Source**

## **Summary**

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## **Introduction**

The admissions tax is a local tax based on a percentage of the amount charged for admission to events. The General Assembly has enumerated classes of events for which admission may be taxed. Cities and towns may impose the tax without limitation under their general taxing powers provided under the Uniform Charter Powers Act. Of Virginia's counties, however, only Arlington, Brunswick, Charlotte, Clarke, Culpeper, Dinwiddie, Fairfax, Madison, Nelson, New Kent, Prince George, and Sussex are authorized to levy a local admissions tax. The admissions tax imposed by these counties may not exceed 10 percent of the amount of the charge for admission to the event. In addition, three counties have obtained county charters (Chesterfield, James City and Roanoke) which provide general taxing authority similar to those provided cities and towns, and Roanoke has elected to impose an admissions tax.

## History

Events to which admission is charged were first divided into classes for the purpose of local taxation in 1950. At that time the two classes of events were (a) any event the gross receipts of which go wholly to charitable purpose or purposes and (b) all other events. Cities and towns were authorized under their charters to levy the admissions tax, and counties with a population over 150,000 were granted authority by the Commonwealth. At that time there were no counties that met the population requirement. The counties were not subject to a tax rate limitation, but were prohibited from levying the tax on admissions to any event whose gross receipts went wholly to charitable purposes.

In 1971, the Commonwealth removed the population requirements for counties that imposed the admissions tax and instead granted the taxing authority to Fairfax and Arlington Counties only. Fairfax and Arlington were able to levy an admissions tax on any event but were subject to a limitation of 10 percent of the amount charged for admission. In 1977, Prince George County was also granted the authority to impose the admissions tax; in 1978, Dinwiddie County was added to the list; in 1986, Roanoke County; and in 1995, Culpeper County. The remainder were added in 1998 and 2001.

The General Assembly in 1989 expanded the classifications of events to which admission is charged. The purpose of these classifications was to allow localities to charge different tax rates for different types of events. The current classes are as follows:

1. Admissions charged for attendance at any event, the gross receipts of which go wholly to charitable purpose or purposes.
2. Admissions charged for attendance at public and private elementary, secondary, and college school-sponsored events, including events sponsored by school-recognized student organizations.
3. Admissions charged for entry into museums, botanical or similar gardens, and zoos.
4. Admissions charged to participants in order to participate in sporting events.
5. All other admissions.

## Administering the Tax

In 2005, 16 cities, three counties, and two towns imposed the admissions tax. Dinwiddie, New Kent and Roanoke are the only counties that utilize the tax, although a number of localities are authorized to do so. The tax rates on admissions ranged from a low of two percent in New Kent County to a high of 10 percent in Chesapeake, Hampton, Norfolk, Portsmouth, Suffolk and Virginia Beach. Virginia Beach levies a lower rate, five percent, on persons participating in certain sports (golf, tennis, bowling, swimming, roller skating, billiards, and sports fishing boats). Roanoke City imposes a 6.5 percent admissions tax, except for events at the Civic Center when the tax is nine percent. Culpeper and Vinton are the only towns levying an admissions tax.

In the fiscal year ending June 30, 2005, the local admissions tax generated approximately \$14.4 million for Virginia's cities and counties (Table 1). This is an extremely small portion of local revenue, comprising an average of 0.36 percent of total local revenue for the localities that

**Table 1**  
**City and County Admissions Tax Collections, Fiscal Year 2005**

Locality	Collections	% of Total Local Revenue	Locality	Collections	% of Total Local Revenue
Albemarle County	\$73,974	0.04%	Norfolk	\$4,118,927	0.98%
Chesapeake	\$543,054	0.14%	Petersburg	\$12,123	0.02%
Dinwiddie County	\$45,358	0.17%	Portsmouth	\$205,601	0.13%
Falls Church	\$18,092	0.03%	Richmond	\$1,195,603	0.27%
Fredericksburg	\$163,734	0.26%	Roanoke	\$448,312	0.25%
Galax	\$18,443	0.15%	Roanoke County	\$104,268	0.08%
Hampton	\$1,125,799	0.49%	Salem	\$184,320	0.36%
Harrisonburg	\$164,417	0.29%	Suffolk	\$369,995	0.32%
Lynchburg	\$344,161	0.27%	Virginia Beach	\$4,595,065	0.60%
New Kent County	\$5,406	0.02%	Winchester	\$115,821	0.21%
Newport News	\$566,599	0.18%			

■ **TOTAL: \$14,419,072**

SOURCE: 2005 Comparative Report of Local Government Revenues and Expenditures, Auditor of Public Accounts (2005)

collect revenue from the tax, and 0.1 percent of total local revenue for all cities and counties. As Table 1 shows, five localities generated less than \$50,000 from this tax in 2005. Norfolk and Virginia Beach collected the largest amounts of admissions tax revenue, collecting between them over 60 percent of all revenue from the admissions tax. Despite this fact, the revenue for these two cities comprises, on average, only 0.74 percent of their total local revenue. Culpeper and Vinton are the only towns levying this tax, with Vinton collecting \$7,215 from this source.

## Comparison with Other States

Over half of the states tax admissions at the state level in a manner similar to that in which Virginia's localities tax admissions at the local level. Most of these states tax admissions at the same rate, and collect the tax in the same manner, as the sales and use tax. Maryland allows local governments to impose an admissions tax in addition to the state sales and use tax. Ohio and Pennsylvania allow local admissions taxes only, much like the tax in Virginia. Washington allows localities to charge a five percent admissions tax; however, admission is exempt from the state sales and use tax if the local tax applies.<sup>1</sup>

Localities in Virginia that have the authority to impose the admissions tax may choose to impose the tax on the admission to any type of event. Many states, however, exempt certain

<sup>1</sup> *Sales Taxation of Services: 2004 Update*, Federation of Tax Administrators' Research Report.

events from the tax. For example, some states exempt admissions to school sporting events but tax professional events. Thirty-seven states and the District of Columbia tax admissions to professional sporting events, but only 22 states tax school or college events. Arkansas, Arizona, Delaware, Georgia, Kentucky, Louisiana, Montana, Nevada, New York, North Dakota, South Dakota, Texas, Utah, Vermont, and Washington exempt admissions to college sporting events.

Other types of events subject to an admissions tax include amusement park admissions (taxed in 37 states), circuses and fairs (34 states), cultural events (37 states), bowling alleys (27 states), and pari-mutuel racing events (28 states). The highest rate (10 percent) is assessed in Connecticut, Maryland and Nevada (Table 2).

**Table 2:**  
**State Admission Tax Rates on Sports Events, 2004**

State	Rate (%)	State	Rate (%)
Alabama	4	Nebraska	5.5
Arizona	5.6	Nevada	10
Arkansas	6	New Jersey	6
Connecticut	10	New Mexico	5
Delaware	0.4	New York	4.25
District of Columbia	5.75	North Carolina	3
Florida	6	North Dakota	5
Georgia	4	Oklahoma	4.5
Hawaii	4	South Carolina	5
Idaho	6	South Dakota	4
Iowa	5	Tennessee	7
Kansas	5.3	Texas	6.25
Kentucky	6	Utah	4.75
Louisiana	4	Vermont	6
Maryland	10	Washington	5
Minnesota	6.5	West Virginia	6
Mississippi	7	Wisconsin	5
Missouri	4.225	Wyoming	4
Montana	5		

SOURCE: *Sales Taxation of Services: 2004 Update*, Federation of Tax Administrators, Research Report

## Issues

### Unequal Taxing Authority between Counties and Cities

The unequal taxing authority granted Virginia's cities and counties is a continuing issue in the admissions tax area. Only 12 counties have the authority to impose a local admissions tax of up to 10 percent under § 58.1-3818 while three other counties have the authority under their county charter powers. Cities and towns are authorized to impose the tax under their general

powers authority, with no rate limitation. A number of bills were introduced over the past decade that would have, in an attempt to reduce the disparity in taxing powers between cities and counties, authorized any county to levy cigarette, food and beverage, and admissions taxes, at rates up to the highest rate charged by any locality. None of these bills were adopted by the General Assembly. Although these bills failed, their introduction called attention to the disparity in local taxing powers.

## **Viability as a Revenue Source**

In taxing admissions to certain events, governments target a particular item and a particular group of consumers to tax. Targeting admissions as an activity for taxation generates a relatively insignificant amount of revenue for localities. During the fiscal year 2005, for example, New Kent County collected \$5,406, and the City of Petersburg collected \$12,123. The relative triviality of the admissions tax collections may explain why so few localities have chosen to impose the tax. Only 16 out of 39 cities have adopted the tax. Though 15 counties have been authorized to levy the tax, only three (Dinwiddie, New Kent and Roanoke Counties) have implemented the tax. The local revenue generated by the admissions tax may not be enough in some localities to cover the administrative expenses of imposing the tax.

## **Summary**

The local admissions tax is a little-used tax that may be imposed on the admission to any event. The tax is usually added to the price of the ticket and passed on to the consumer. Cities and towns have the authority to impose the tax with no rate ceilings, while counties must request authorization from the General Assembly to impose the tax. A county's admissions tax is subject to a rate limitation of 10 percent.

In the fiscal year ending June 30, 2005, the admissions tax generated approximately \$14.4 million for Virginia's cities and counties. This is an extremely small portion of local revenue, comprising an average of only 0.36 percent of total local revenue for the localities that impose the tax, and 0.1 percent of total local revenue for all cities and counties. Norfolk, and Virginia Beach collected the largest amounts of admissions tax revenue, which comprised only 0.74 percent of their total local revenue.

The revenue-generating capacity of the admissions tax is minimal for most localities, and consequently the tax is not widely used by local governments. The tax is also a subject of the debate over the disparities in the taxing powers of cities and counties.

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# ***Sales and Use Tax/Motor Fuel Tax***

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## **Introduction**

## **History**

- Sales and Use Tax**

- Motor Fuel Tax**

## **Administering the Tax**

- Sales and Use Tax**

- Motor Fuel Tax**

- Recent Developments in Sales and Use Tax**

## **Issues**

- Local Tax Rate**

- The Role of the Motor Fuel Tax**

## **Summary**

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## **Introduction**

Virginia's counties and cities are authorized to impose up to a one percent local sales and use tax on a tax base identical to the tax base for the state sales and use tax. All counties and cities have chosen to impose the local tax at the maximum rate of one percent, which means that there is a uniform five percent state and local sales and use tax imposed throughout the Commonwealth.<sup>1</sup> The maximum local tax rate authorized has not changed since the sales and use tax was enacted in 1966.

There is also a special regional state sales and use tax on motor fuel of two percent of the retail price of the fuel in all of the localities comprising the Northern Virginia Transportation District or any transportation district contiguous to the Northern Virginia Transportation District.

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<sup>1</sup> Because the state sales tax on food for human consumption has been reduced to 1.5 percent, the combined state and local sales tax on food is 2.5 percent.

Currently, only the Potomac-Rappahannock Transportation District is contiguous to the Northern Virginia Transportation District.<sup>2</sup> Motor fuel is one of the categories of tangible personal property exempt from the general sales and use tax base. The tax is levied like a sales and use tax.

## History

### Sales and Use Tax

The retail sales and use tax was enacted by the 1966 Session of the Virginia General Assembly and became effective on September 1, 1966. At that time, the Commonwealth was authorized to impose a state sales and use tax at a rate of two percent, while counties and cities were authorized at a local rate of up to one percent. Every county and city adopted the one percent rate. The same legislation also provided that the state rate would increase from two percent to three percent on July 1, 1968. The sales tax was proposed by Governor Godwin in his address to the 1966 Session of the General Assembly. The original purpose was to provide a quality education to all of Virginia's children.

Another reason the Commonwealth adopted a sales and use tax was because by the mid 1960s approximately 15 municipalities had imposed a local sales and use tax under their charter powers. These taxes were at varying rates and on different bases, and if any uniformity was to be achieved, a statewide tax was needed before the number of municipalities imposing the tax proliferated. Virginia was one of the last states to adopt a sales and use tax. In fact, only three states have adopted the tax subsequent to Virginia, and only five states (Alaska, Delaware, Montana, New Hampshire and Oregon) still have no state sales and use tax.

The state sales and use tax was increased to 3.5 percent by a Special Session of the General Assembly in 1986, with the one-half percent increase earmarked for transportation purposes. In 2004 the state sales and use tax was increased to four percent.

The local tax has remained unchanged at one percent since its inception. It should also be noted that although the state tax rate is four percent, one-fourth of this state sales and use tax revenue is returned to the counties and cities based on percentage of school-age population.

### Motor Fuel Tax

The regional state sales and use tax on motor fuel was enacted originally in 1976 as a permissive local sales and use tax on motor fuel. The legislation allowed the counties and cities of any multimember transportation district in existence on January 1, 1973 (the Northern

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<sup>2</sup> The localities comprising the Northern Virginia Transportation District are Alexandria, Fairfax, Falls Church, Arlington County, Fairfax County, and Loudoun County. The localities comprising the Potomac-Rappahannock Transportation District are Fredericksburg, Manassas, Manassas Park, Prince William County and Stafford County.

Virginia Transportation District), to impose a local sales tax on motor fuel sold in the district at a rate of up to four percent of the retail sales price. The tax would be included in the pump price of the gasoline and would be collected by the Department of Taxation. However, the legislation stipulated that no county or city in the transportation district could impose the tax unless all the counties and cities in the district imposed the tax. The tax was never imposed because one city in the district refused to impose the tax. This local taxing authority expired in 1978 without the tax ever becoming effective.

The 1980 Session of the General Assembly passed legislation imposing a state sales and use tax of two percent on all motor fuel sold in the Northern Virginia Transportation District. The tax was based on the retail sales price of fuel and was incorporated into the pump price. As originally enacted, the tax was due to increase from two percent of the pump price to four percent on July 1, 1982. However, the increase was repealed by the 1982 Session. In 1986 the Code was amended to levy a two percent tax in any transportation district contiguous to the Northern Virginia Transportation District. As a result, a similar two percent tax was imposed on fuels sold within the Potomac-Rappahannock Transportation District.

## **Administering the Tax**

### **Sales and Use Tax**

All counties and cities impose the local-option one percent sales and use tax. For the fiscal year ending June 30, 2005, Virginia's counties and cities collected \$921.5 million of local sales and use tax (see Table 1). Sales and use tax dealers are not allowed any compensation for collecting the local sales and use tax (although they are compensated for collecting the state sales and use tax revenue. The taxes are collected by the Department of Taxation and are remitted monthly by point of collection to each county and city in the month after it is collected by the department.

Cities received nearly \$357.6 million in the last fiscal year, while counties collected \$563.8 million. The three localities collecting the largest sums from this tax in Fiscal Year 2005 were Fairfax County (\$151.1 million), Henrico County (\$52.8 million), and Virginia Beach (\$49.3 million). Although some counties and cities received relatively small amounts of revenue, the tax is nevertheless an important source of revenue for all counties and cities.

Although there are exceptions, generally, a town is eligible to receive from the applicable county its proportionate share of the sales and use tax revenue collected by the county in the ratio that the school age population of the town bears to the school age population of the entire county.

**Table 1**  
**Local Sales and Use Tax Collections**  
**Virginia Counties and Cities, Fiscal Year 2005**

County	Collections	County	Collections	City	Collections
Accomack	\$2,761,611	King & Queen	\$135,707	Alexandria	\$23,812,277
Albemarle	\$12,059,884	King William	\$600,521	Bedford	\$968,531
Alleghany	\$673,900	Lancaster	\$1,222,068	Bristol	\$3,546,056
Amelia	\$624,615	Lee	\$992,635	Buena Vista	\$341,367
Amherst	\$2,261,019	Loudoun	\$40,440,519	Charlottesville	\$9,001,835
Appomattox	\$743,777	Louisa	\$1,381,918	Chesapeake	\$31,989,281
Arlington	\$30,969,494	Lunenburg	\$340,111	Colonial Heights	\$6,664,763
Augusta	\$4,387,914	Madison	\$858,730	Covington	\$1,548,310
Bath	\$862,771	Mathews	\$405,622	Danville	\$6,941,295
Bedford	\$2,767,094	Mecklenburg	\$2,641,338	Emporia	\$1,220,669
Bland	\$220,396	Middlesex	\$797,339	Fairfax	\$11,604,756
Botetourt	\$1,907,016	Montgomery	\$6,555,523	Falls Church	\$3,828,328
Brunswick	\$671,085	Nelson	\$884,935	Franklin	\$1,377,290
Buchanan	\$1,398,536	New Kent	\$847,734	Fredericksburg	\$11,994,065
Buckingham	\$468,114	Northampton	\$1,132,340	Galax	\$1,904,093
Campbell	\$3,310,792	Northumberland	\$693,279	Hampton	\$12,885,589
Caroline	\$1,105,781	Nottoway	\$865,181	Harrisonburg	\$10,739,589
Carroll	\$1,322,944	Orange	\$1,941,534	Hopewell	\$1,710,007
Charles City	\$406,928	Page	\$1,276,657	Lexington	\$646,198
Charlotte	\$513,808	Patrick	\$652,766	Lynchburg	\$12,221,812
Chesterfield	\$34,673,367	Pittsylvania	\$2,008,242	Manassas	\$6,989,980
Clarke	\$780,660	Powhatan	\$1,407,932	Manassas Park	\$2,032,705
Craig	\$115,682	Prince Edward	\$2,258,289	Martinsville	\$2,020,464
Culpeper	\$5,426,631	Prince George	\$1,091,419	Newport News	\$20,955,339
Cumberland	\$403,954	Prince William	\$43,857,000	Norfolk	\$29,497,479
Dickenson	\$581,664	Pulaski	\$2,186,449	Norton	\$1,497,058
Dinwiddie	\$930,972	Rappahannock	\$392,306	Petersburg	\$3,568,160
Essex	\$1,496,395	Richmond	-	Poquoson	\$446,435
Fairfax	\$151,104,611	Roanoke	\$7,377,963	Portsmouth	\$5,922,997
Fauquier	\$6,605,989	Rockbridge	\$2,317,974	Radford	\$813,064
Floyd	\$539,870	Rockingham	\$4,173,990	Richmond	\$26,302,099
Fluvanna	\$790,835	Russell	\$1,534,690	Roanoke	\$19,663,577
Franklin	\$3,795,054	Scott	\$1,175,375	Salem	\$5,601,846
Frederick	\$8,488,195	Shenandoah	\$2,932,417	Staunton	\$3,859,669
Giles	\$984,998	Smyth	-	Suffolk	\$6,393,278
Gloucester	\$3,556,343	Southampton	\$467,318	Virginia Beach	\$49,315,425
Goochland	\$1,761,650	Spotsylvania	\$12,980,307	Waynesboro	\$3,339,120
Grayson	\$475,802	Stafford	\$9,369,450	Williamsburg	\$4,219,603
Greene	\$882,511	Surry	\$408,238	Winchester	\$10,273,222
Greensville	\$326,906	Sussex	\$464,151		
Halifax	\$2,589,323	Tazewell	\$4,057,061		
Hanover	\$14,361,323	Warren	\$2,124,574		
Henrico	\$52,849,683	Washington	\$5,157,082		
Henry	\$4,076,404	Westmoreland	\$656,785		
Highland	\$90,298	Wise	\$2,558,577		
Isle of Wight	\$1,709,088	Wythe	\$3,099,274		
James City	\$7,636,974	York	\$7,564,266		
King George	\$1,103,560				

■ **Total Counties: \$563,863,903**

■ **Total Cities: \$357,656,383**

■ **Virginia Total: \$921,520,286**

SOURCE: *Comparative Report of Local Government Revenues and Expenditures*, Auditor of Public Accounts, Richmond, Virginia (2005)

Items that are exempt from the state sales and use tax are also exempt from the one percent local sales and use tax, with the exception that artificial or propane gas, firewood, coal, or home heating oil for domestic consumption are subject to the one percent local sales and use tax. However, cities and counties may by ordinance exempt these materials from the local one percent sales and use tax.

## Motor Fuel Tax

The local motor fuel tax for the Northern Virginia Transportation District and the Potomac-Rappahannock Transportation District generated \$41.9 million in Fiscal Year 2005 (Table 2). The tax is collected by the Department of Taxation, and the localities are charged for the administrative expenses of collecting the tax. With respect to the Northern Virginia Transportation District, the tax revenue must be applied to the operating deficit and debt service of the mass transit system serving the district. In the Potomac-Rappahannock Transportation District, the revenue can be used for any transportation purpose of the district.

**Table 2**  
**Local Sales and Use Tax Collections on Motor Fuel**  
**Fiscal Year 2005**

Northern Virginia Transportation District		Potomac-Rappahannock Transportation District	
Locality	Revenue	Locality	Revenue
Alexandria	\$1,991,081	Fredericksburg	\$1,293,971
Fairfax City	\$879,648	Manassas	\$1,111,921
Falls Church	\$350,627	Manassas Park	\$735,457
Arlington	\$2,811,893	Prince William	\$8,449,785
Fairfax County	\$15,836,721	Stafford	\$3,067,810
Loudoun	\$5,421,411		
<b>District Total:</b>	<b>\$27,291,380</b>	<b>District Total:</b>	<b>\$14,658,943</b>

**TOTAL: \$41,950,323**

SOURCE: Virginia Department of Taxation, 2005 Annual Report.

## Recent Developments in Sales and Use Tax

The 2003 Session of the General Assembly overhauled the procedure for granting sales and use tax exemptions to nonprofit entities. Prior to the change, exempt status for a nonprofit entity could be established only by a member of the General Assembly filing a specific bill requesting such, and the General Assembly passing the bill in the same manner required to pass any law. The volume of such requests grew greatly over the years, creating a time-consuming and tedious task for the General Assembly as well as for the nonprofit entities. In addition, although some rough guidelines were established by the relevant standing committees, the bills

were considered on a case-by-case basis, resulting in an exemption landscape for nonprofit entities that was far from uniform.

As a result, the 2003 overhaul by the General Assembly replaced this legislative process with an administrative one, whereby the Department of Taxation grants tax-exempt status to nonprofit entities pursuant to criteria established by the General Assembly. Among the criteria are that (i) the entity is exempt from federal income taxation pursuant to § 501 (c) (3) of the Internal Revenue Code or is exempt as a charitable entity under § 501 (c) (4) of the Internal Revenue Code; (ii) the entity's annual general administrative costs are not greater than 40 percent of its gross revenue; and, (iii) if the entity's revenue is above a certain threshold, the entity must provide a financial audit.

In a series of laws passed in several sessions of the General Assembly from 1999 through 2005, the state sales tax on food for human consumption was gradually reduced. Today, the state sales and use tax on food is 1.5 percent, which, together with the local 1 percent tax, produces a total state and local sales and use tax of 2.5 percent. Of the 1.5 percent state tax, the revenue attributable to the 1 percent is returned to localities based on school-age population, and the revenue attributable to the remaining .5 percent is dedicated to the Transportation Trust Fund.

## Issues

### Local Tax Rate

Ever since the sales tax was adopted, the local-option tax rate has been one percent. During the same time, the state tax rate has increased from two percent to four percent. Legislation authorizing localities to increase their local tax rate beyond one percent has been introduced several times in recent sessions without success. A local sales and use tax rate increase has been mentioned as an alternative to the business, professional and occupational license (BPOL) tax. It should be noted that not all localities would benefit equally from an increase in the local tax rate, whether as a substitute for the BPOL tax or not. Those rural localities with relatively few retail centers would not benefit as much as those localities with a heavier concentration of retail centers. Those localities that do not levy a BPOL tax may benefit to a greater degree than those that do.

Local revenues could also be increased by broadening the base of the tax. Eliminating exemptions for certain activities, goods, or persons has been mentioned as an alternative to increasing the local sales and use tax rate.

Table 3 lists the state and local sales taxes levied in all states. In many states the local rate is not uniform, and Table 3 captures the highest rate actually imposed by at least one local jurisdiction in the state.

**Table 3**  
**Comparison of State-Local Retail Sales Taxes: July 2004**

State	Food Items <sup>1</sup> Taxable (T) Exempt (E)	State Rate	Maximum Local Rate <sup>2</sup>	Maximum State/Local Rate <sup>2</sup>
Alaska	T	---	7.00 <sup>3</sup>	7.00
Alabama	T	4.00	7.00	11.00
Arizona	E	5.60	4.50	10.10
Arkansas	T	6.00	5.50	11.50
California	E	6.25	2.65	8.90
Colorado	E	2.90	7.00	9.90
Connecticut	E	6.00	---	6.00
District of Columbia	E	5.75	---	5.75
Florida	E	6.00	1.50	7.50
Georgia	E	4.00	3.00	7.00
Hawaii	T*	4.00	---	4.00
Idaho	T*	6.00	3.00	9.00
Illinois	T**	6.25	3.00	9.25
Indiana	E	6.00	---	6.00
Iowa	E	5.00	2.00	7.00
Kansas	T*	5.30	3.00	8.30
Kentucky	E	6.00	---	6.00
Louisiana	E <sup>4</sup>	4.00	6.25	10.25
Maine	E	5.00	---	5.00
Maryland	E	5.00	---	5.00
Massachusetts	E	5.00	---	5.00
Michigan	E	6.00	---	6.00
Minnesota	E	6.50	1.00	7.50
Missouri	T**	4.225	4.5	8.725
Mississippi	T	7.00	0.25	7.25
North Carolina	E <sup>4</sup>	4.50	3.00	7.50
North Dakota	E	5.00	2.50	7.50
Nebraska	E	5.50	1.50	7.00
New Jersey	E	6.00	---	6.00
New Mexico	T	5.00	2.25	7.25
Nevada	E	6.50	1.00	7.50
New York	E	4.25	4.50	8.75
Ohio	E	6.00	2.00	8.00
Oklahoma	T	4.50	6.00	10.50
Pennsylvania	E	6.00	1.00	7.00
Rhode Island	E	7.00	---	7.00
South Carolina	T	5.00	2.00	7.00
South Dakota	T*	4.00	2.00	6.00
Tennessee	T**	7.00	2.75	9.75
Texas	E	6.25	2.00	8.25
Utah	T	4.75	2.25	7.00
Virginia	T**	4.00	1.00	5.00

**Table 3, continued**

<b>Vermont</b>	E	6.00	1.00	7.00
<b>Washington</b>	E	6.50	2.40	8.90
<b>Wisconsin</b>	E	5.00	0.60	5.60
<b>West Virginia</b>	T	6.00	---	6.00
<b>Wyoming</b>	T*	4.00	2.00	6.00

<sup>1</sup> Food purchased for consumption off-premises.

<sup>2</sup> Highest local rate known to be actually levied by at least one jurisdiction. Includes local taxes for general purposes and those earmarked for specific purposes (e.g. transit). Taxes applying only to specified sales (e.g. lodging or meals) are excluded.

<sup>3</sup> Alaskan cities and boroughs may levy local sales taxes from 1% to 6%.

<sup>4</sup> Food exempt from state tax, but subject to local taxes.

\* Income tax credit allowed to offset sales tax on food.

\*\* Food taxed at lower rate.

Source: Compiled by the Washington Department of Revenue from various sources.

## The Role of the Motor Fuel Tax

Currently the sales tax on motor fuel sales is imposed only in localities belonging to two transportation districts. The proceeds of this tax are used to finance transportation-related projects in the 11 affected localities. Other localities with unmet transportation needs may not impose the tax. One question raised by this tax is whether it should be imposed in other transportation districts in Virginia to be used for transportation purposes in the applicable transportation district.

## Summary

A local sales and use tax is imposed by all cities and counties in the Commonwealth at a rate of one percent, generating seven percent of their total locally generated revenue.

The local rate has remained at one percent since its enactment in 1966. Since that time, the state tax rate has increased from two percent to four percent. Increasing the permitted rate of the sales and use tax, or limiting exemptions for certain activities or materials, would allow localities to increase revenues while reducing their reliance on property and BPOL taxes.

The two percent local sales and use tax on motor fuel is levied in two transportation districts in Virginia.

# ***Individual and Corporate Income Taxes***

## **Introduction**

## **History**

## **Local Income Tax Structure**

### **Estimated Revenue Impact**

### **Comparison with Other Tax Sources**

## **Recent Developments**

## **Issues**

### **Referendum Requirement**

### **Limited Number of Localities**

### **Payroll Taxes**

## **Summary**

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## **Introduction**

A local income tax is one the state authorizes its local governments to impose, generally by providing for an additional tax to be added to the state's income tax (the so-called "piggy-back" tax).<sup>1</sup> When a local tax is authorized, the state tax-collecting agency also generally administers, collects, and distributes the local income tax for ease of administration and for purposes of uniformity. Only 12 states permit their localities to impose a local income tax: Delaware, Indiana, Iowa, Kentucky, Maryland, Michigan, Missouri, New York, Ohio, Oregon, Pennsylvania, and Virginia. However, no Virginia locality has yet attempted to take advantage of this potential revenue source. Sections 58.1-540 through 58.1-549 of the Code of Virginia

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<sup>1</sup> [1977] *All States Tax Guide* (P-H) § 793.

specifically authorize certain Virginia localities to impose a local income tax if the local voters approve the tax by a referendum.

The maximum local income tax rate in Virginia is one percent; by local option, the tax may be imposed in lesser increments than one percent as long as such increments are stated in one-quarter percents (i.e., 0.25 percent, 0.50 percent, or 0.75 percent). The rates in the other 11 states range from a low of 0.50 percent in Indianapolis (Marion County), Indiana, to a high of 3.20 percent in Maryland's counties. However, rate comparisons can be deceiving, because many localities seek to tax only salaries, wages, commissions, and other income earned in the taxing jurisdiction. Unearned income is not taxed at all in many of the other states. The states of New York, Iowa, and Maryland allow the local income tax liability to be computed by taking a percentage of the individual's taxable income. Baltimore imposes a rate of 3.05 percent on taxable income while Maryland counties may impose a rate of 1 percent but no more than 3.20 percent.

Virginia is the only jurisdiction that allows the imposition of a local corporate income tax under the label of an income tax. Many jurisdictions tax businesses under gross receipts or gross income taxes, with various deductions, but Virginia is the only state that authorizes localities to impose a local corporate income tax as such. Moreover, Virginia permits both local gross receipts taxes (business, professional, and occupational license taxes, or the BPOL tax) and the local income tax to be imposed in certain of its jurisdictions.

## History

Under Dillon's Rule and Virginia case law, cities and counties possess only those powers expressly conferred upon them by charter or statute, or which may be necessarily or fairly implied in or incident to powers expressly granted. Moreover, historically Virginia has specifically prohibited the imposition of local income taxes. However, with the continuing urbanization of Virginia and the growing need for core cities to expand their tax bases and increase tax revenues, certain authors began to call for repealing the prohibition against municipal income taxes.<sup>2</sup> In 1970, Senate Bill 454 provided for a local surtax, not to exceed 20 percent of the state income tax liability, to be returned to the taxpayer's place of residence (in the case of an individual or estate or trust) or to a corporation's principal place of doing business. The Senate Finance Committee rejected the effort.

In 1989 identical bills were introduced in each house of the General Assembly, and House Bill 1684 was eventually enacted by the General Assembly and signed into law by Governor Baliles. By virtue of the classifications written into the local income tax law, only

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<sup>2</sup> Harris and Rollins, "Taxation," 56 *Va. L.Rev.* 1376 (1970); McSweeney, "Local Government Law in Virginia, 1870-1970," 4 *U.Rich. L.Rev.* 174 (1970).

the Northern Virginia localities of Arlington, Fairfax, Loudoun, and Prince William Counties and the Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park, as well as the Cities of Norfolk and Virginia Beach, are now empowered to enact the tax. A precondition for imposition of a local income tax is approval of the tax by the local voters by referendum. At this time, no locality has placed the issue before the voters, and no local income tax has been enacted by any locality.

## Local Income Tax Structure

Virginia's local income tax is a "piggy-back" tax based on a percentage of "Virginia taxable income"; an additional .25 percent to 1.00 percent, on top of the state tax rate for individuals and corporations, is authorized. Individual state rates range from 2.00 percent to 5.75 percent, and the corporate state rate is 6.00 percent. "Virginia taxable income" is a term of art and is essentially federal adjusted gross income with Virginia adjustments. This reflects Virginia's policy of conformity with the Internal Revenue Code and gives the taxpayer the benefit of certain personal exemption amounts, the standard or itemized deductions, child and dependent care deduction, and any other additions to or subtractions from federal adjusted gross income as may be provided by the Code of Virginia.

The tax base includes Virginia individuals who are domiciled in or residents of the taxing locality, as well as part-year residents who may reside for 183 days or less in a locality that imposes the tax. Residents are persons who, for an aggregate of more than 183 days in a taxable year, maintain a place of abode in Virginia. The locality where the individual resides, and **not** the locality where the income is earned, is the jurisdiction that may impose the tax. No commuter tax or payroll or occupation tax is permitted by the local income tax law. Estates and trusts are also subject to a local income tax if the fiduciary for such estate or trust is domiciled in the taxing locality or maintains a place of residence or business situs within the tax locality for more than 183 days **and** the estate or trust is principally administered, managed, or controlled from the taxing authority.

Any corporation with income from sources within a taxing locality would be subject to the tax in that locality on that portion of its income subject to state income tax, with one additional limitation. To the extent a corporation had income from more than one locality in Virginia, it would allocate and apportion its income among the localities using various prescribed formulae. Additional record-keeping duties might be faced by many corporate taxpayers.

Localities may impose a local income tax of up to one percent of Virginia taxable income, with required adjustments as appropriate, and individuals, estates, trusts, and corporations are all subject to the same rate of tax. The Virginia Department of Taxation

would administer the local income tax and distribute the local income tax revenues on a quarterly basis back to the localities in which the taxpayers reside, after deducting its administrative costs from the distributions on a prorated basis. The local income tax would be subject to withholding and estimated tax filing and payment requirements.

No local income tax can become effective until January 1 of the year following the calendar year in which the ordinance adopting the tax is adopted. However, after adoption the locality, without a referendum, may either change (increase or decrease, subject to the one percent rate limitation) the tax rate or repeal the tax, effective the following January 1, subject to the condition that no tax can be repealed if the local income tax “revenues are pledged or otherwise committed to pay or secure local debt or other obligations of the locality.” In light of the rejection by the voters of the so-called “local pledge bond” amendment to the Constitution of Virginia (1971) in the November 1990 referendum, the meaning, effect, and continuing viability of this last requirement is not fully known.

Finally, any local income tax levied by a locality automatically expires on a date five years from the effective date of the tax in the locality. Furthermore, localities adopting a local income tax must dedicate and use the revenues exclusively for “transportation purposes.” Transportation purposes include construction, administration, operation, improvement, maintenance, and financing of transportation facilities, a term broadly defined to include highway systems, public transportation or mass transit systems, airports, and port facilities. The law also requires state and local “maintenance of funding efforts”; that is, neither the Commonwealth nor the locality is permitted to reduce its funding of local transportation projects. The local income tax revenues are to augment previous and current transportation funding efforts, not replace them.

### **Estimated Revenue Impact**

Based on the Virginia Department of Taxation’s 2005 annual report, if all 11 localities had levied a full one percent income tax effective January 1, 2003, fiscal year 2004 revenues would have approximated \$646 million (excludes revenues from local corporate income tax). Because the tax is imposed at the locality’s option, with a range of tax rates, this amount is an estimate of the maximum revenues that could have been generated.

The estimate of local revenues is reflected in Table 1. Fairfax County’s share of individual income tax revenues would have been approximately 48.3 percent of the total collected.

**Table 1**  
**Revenue Potential from a 1 percent**  
**Local Option Individual Income Tax**

Locality	Estimated Individual Revenue in FY 2004
<b>City</b>	
Alexandria	\$ 40,566,739
Fairfax	\$ 5,583,623
Falls Church	\$ 4,073,270
Manassas	\$ 6,591,131
Manassas Park	\$ 1,797,470
Norfolk	\$ 21,495,374
Virginia Beach	\$ 66,170,210
<b>Total Cities:</b>	<b>\$ 146,277,817</b>
<b>County</b>	
Arlington	\$ 62,216,338
Fairfax	\$ 311,955,200
Loudoun	\$ 61,078,229
Prince William	\$ 61,481,290
<b>Total Counties:</b>	<b>\$ 499,731,057</b>
<b>Total Localities:</b>	<b>\$ 646,008,874</b>

SOURCE: Virginia Department of Taxation Annual Report, 2005.

## Comparison with Other Tax Sources

Table 2 compares potential local individual income tax revenues with the real estate and tangible personal property tax levies in the jurisdictions authorized to impose the local income tax for the period noted.

The real estate and tangible personal property taxes are the leading revenue sources for Virginia's localities. However, if a local income tax were to be adopted, such a tax could approach or exceed the tangible personal property tax in terms of collections.

## Recent Developments

House Bill 1530, introduced during the 1995 Session, would have eliminated the authorization to levy a local income tax if the voters in the locality did not approve the tax in a referendum prior to January 1, 1997. No action was taken on this bill in committee.

There have been other bills over the last several years that would have made minor changes, but nothing truly significant.

**Table 2**  
**Estimated Individual Income Tax Revenue**  
**Compared to Other Tax Sources**

Locality	Estimated Income Tax Revenue for FY 2004	Real Property Collections 2005	Tangible Personal Property 2005
<b>City</b>			
Alexandria	\$ 40,566,739	\$ 227,826,224	\$ 20,539,104
Fairfax City	\$ 5,583,623	\$ 36,257,486	\$ 4,398,889
Falls Church	\$ 4,073,270	\$ 25,757,307	\$ 2,483,363
Manassas	\$ 6,591,131	\$ 41,010,293	\$ 5,618,436
Manassas Park	\$ 1,797,470	\$ 14,541,141	\$ 2,436,487
Norfolk	\$ 21,495,374	\$ 145,781,000	\$ 31,427,253
Virginia Beach	\$ 66,170,210	\$ 375,423,810	\$ 51,699,196
<b>County</b>			
Arlington	\$ 62,216,338	\$ 355,952,313	\$ 42,339,954
Fairfax County	\$ 311,955,200	\$ 1,637,227,420	\$ 245,869,685
Loudoun	\$ 64,078,229	\$ 422,518,209	\$ 62,198,326
Prince William	\$ 61,481,290	\$ 376,259,000	\$ 47,748,000

SOURCE: Virginia Department of Taxation Annual Report, 2005 and Auditor of Public Accounts Report, 2005.

## Issues

### No Locality Has Imposed or Put the Tax Up in Referendum

As previously stated, no locality has imposed the local income tax. Moreover, no locality has even adopted a proposed ordinance and put the issue to the voters in a referendum. Although various complaints about the referendum requirement have been voiced, generally accompanied by the statement that the local governing body should be empowered to enact a local income tax and face the will of the voters at the next election, no bills to remove the referendum requirement have been introduced since the original enabling legislation of 1989. However, there are those who question whether putting tax increases on the ballot is the appropriate purpose of representative government.

### Available Only to a Limited Number of Localities

Next, although written in general language, the power to adopt local income tax ordinances has only been granted to 11 of Virginia's local jurisdictions. In times of fiscal constraint and crisis for all levels of government and the continuous shifting of financial responsibilities to smaller units of government, the question is whether the power to tax incomes should be granted to all Virginia localities to give them the maximum flexibility possible. Some ask, if it is good for Northern Virginia and the Cities of Norfolk and Virginia Beach, why is it not good for all localities in the Commonwealth?

### **Imposition of Payroll Taxes**

Finally, many of the local income taxes permitted by other states are essentially payroll taxes collected only from individuals. Such taxes are collected by the employer where the income is earned, not based on where the employee-taxpayer resides. The theory is that a payroll tax is easy to administer and that the locality where the employer is located is entitled to additional tax revenues, not the locality where the employee-taxpayer resides. Historically, Virginia has prohibited payroll or commuter taxes based on an urban-suburban dichotomy. As fiscal stress facing many of Virginia's cities continues to increase, as well as transportation concerns, this historical reluctance to impose payroll taxes may moderate.

### **Summary**

The local income tax, enacted in 1989, offers the potential, to the localities authorized to enact it, to reduce the historic reliance on property taxes and to make the local tax structure more "progressive"; that is, to impose taxes on those persons with the greatest ability to pay them. In addition, the taxing mechanism would be easily administered, from a locality's point of view, while producing significant amounts of new local tax revenue. However, despite these advantages, no locality has attempted to enact the tax.

Issues surrounding the local income tax include (i) eliminating the requirement for a referendum before imposing the tax, (ii) extending the authorization to impose the tax from the current 11 jurisdictions to all Virginia localities, and (iii) imposing a payroll tax in the locality where the income is earned, rather than where the employee lives.

# ***Administration of Local Taxes***

## **Introduction**

## **History**

## **Local Tax Officials**

**Commissioner of the Revenue**

**Treasurer**

## **Recent Developments**

**Set-off Debt Collection Act**

## **Issue**

**Collection of State Income Taxes**

## **Summary**

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## **Introduction**

The Constitution of Virginia requires the election of five local officials, including a commissioner of the revenue and a treasurer. The Code of Virginia explains the process for electing these officials, their duties, and their powers. The commissioner of the revenue and the treasurer are primarily responsible for assessing and collecting all local taxes and some state taxes.

In order to understand the local taxation system, it is helpful to understand how the taxes are administered and by whom. That is the purpose of this chapter.

## **History**

"There shall be elected by the qualified voters of each county and city a treasurer, a sheriff, an attorney for the Commonwealth, a clerk, who shall be clerk of the court in the office

of which deeds are recorded, and a commissioner of the revenue. The duties and compensation of such officers shall be prescribed by general law or special act."<sup>1</sup>

These five officers are known as constitutional officers and they have existed in the Commonwealth for more than 200 years. They first appeared in the 1776 Constitution of Virginia with clerks, sheriffs, justices of the peace, coroners, and constables. Then in the 1851 Constitution, commissioners of the revenue were added, followed by treasurers in the 1870 Constitution.

There has been discussion from time to time about whether the local officials should be named in the Constitution at all. The issue was settled for the time being when the Commission on Constitutional Revision in 1969 recommended enumerating the five officers and that recommendation became part of the 1971 Constitution of Virginia, which we still have today.

Whether such officers should be appointed or elected has also been debated throughout the years. Those favoring appointment suggested the need for technical knowledge and skills as well as freedom from fear or favor of the electorate. However, neither the General Assembly nor the Commission on Constitutional Revision thought there was any advantage to abandoning the election process for such officials.<sup>2</sup>

## Local Tax Officials

### Commissioner of the Revenue

The commissioner's job is comparable to that of the state Tax Commissioner, only on a more limited basis. His jurisdiction is in the county or city in which he is elected. One of the commissioner's main duties is to ascertain and assess all subjects of taxation located in his county or city on the first day of January every year. The taxes for which he is specifically responsible are those taxes imposed only by localities, which include taxes on real property, tangible personal property, machinery and tools, merchants' capital, and business licenses (BPOL).<sup>3</sup> In doing so, the commissioner is required to provide in writing to the taxpayer (i) the assessment amount with property description; (ii) the valuation method used; (iii) the due date for the taxes; and (iv) a description of the procedures and records required in case the taxpayer decides to appeal the assessment.

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<sup>1</sup> Article VII, § 4, Constitution of Virginia (1971).

<sup>2</sup> A. E. Dick Howard, *Commentaries on the Constitution of Virginia*, Vol. II (Charlottesville: University Press of Virginia, 1974), pp.827-828.

<sup>3</sup> There are other local taxes that are collected by someone other than the commissioner. They include the recordation tax and tax on wills and administration, which are collected by the Clerk of the circuit court, and the consumer utility tax, admissions tax, transient occupancy tax, and meals tax, which are paid by the consumer and collected by a third party business, which then remits them to the locality.

Another major duty of the commissioner of the revenue is to obtain completed tax returns from all taxpayers residing in his jurisdiction for all taxes assessed by the commissioner. It is also the commissioner's duty to assist taxpayers in preparing tax returns and to advertise when and where taxpayers may receive such assistance. Such returns include state income tax returns as well as returns for numerous local taxes (i.e. BPOL, personal property, real property, merchants' capital, machinery and tools, admissions, and transient occupancy).

The commissioner is responsible for maintaining the personal property tax books as well as the land books. These are records containing information on the personal property and real property, respectively, located within the commissioner's county or city. Such information includes the owner's name, the property's assessed value and address of its location, and the amount of taxes levied on such property. The original copy of the personal property book is kept by the commissioner with a second copy sent to the treasurer. If the Department of Taxation requests a copy of the book, it is also sent there.

Commissioners of the revenue are the first avenue of appeal for both individual and business taxpayers who do not agree with an assessment or the amount of tax levied. With regard to personal property, individuals may appeal their assessment to the commissioner and then to the local circuit court. Real estate is a little different in that the individual begins with the local commissioner of the revenue or assessor, then proceeds to the board of equalization and finally, the circuit court (or the taxpayer may choose to go directly to the court, bypassing the commissioner and the board of equalization).

Section 58.1-3983.1 of the Code explains the appeals and rulings process for local business taxes. In brief, businesses must first appeal to the local commissioner of the revenue who must respond within 90 days. If the business taxpayer is still not satisfied, he may next appeal to the State Tax Commissioner. If the Tax Commissioner determines he has jurisdiction in the case, he has 90 days to issue a final determination unless he notifies the taxpayer and commissioner of the revenue that he needs a longer period of time, which shall not exceed an additional 60 days. Once the Tax Commissioner issues a final determination in the matter, the taxpayer or commissioner of the revenue, if not satisfied, may then apply to the circuit court for judicial review.

## **Treasurer**

The primary task of the treasurer<sup>4</sup> is to receive the revenues, levies and other amounts payable into the treasury of the locality in which he was elected and to disburse moneys in accordance with the Code of Virginia. In addition, the treasurer maintains correct accounts of all

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<sup>4</sup> The term "treasurer" also includes the director of finance or other local official who performs the same duties described in the Code of Virginia as the treasurer does.

the moneys he receives and disburses. Within the parameters of the secrecy of information provisions of § 58.1-3, he also must keep all books, papers and moneys related to his job ready to be inspected by his locality's Commonwealth's Attorney or governing body or any taxpayer in his locality. In carrying out these duties, the treasurer may summons anyone to his office to answer questions, under oath, about tax liabilities.

The local treasurer must maintain a warrant book showing all legally drawn warrants presented for payment, including the amount, number, in whose favor the warrant is drawn, and the date it was issued. When paying any lawfully drawn warrants, he may first deduct all taxes and other charges due from the person receiving the warrant and if the amount of taxes exceeds the warrant amount, then he must credit the bill for the taxes by the amount of the warrant. As often as the local governing body requires, he must provide a statement of accounts showing the receipts and expenditures for which he is responsible. In short, the local treasurer is his locality's bookkeeper/accountant.

## **Recent Developments**

### **Set-Off Debt Collection**

Counties, cities, and towns are authorized to collect delinquent local taxes and other debts through participation in the setoff debt collection program administered by the Department of Taxation. Under the program, the Department will forward the amount of any state income tax refund otherwise owed to the debtor to the respective county, city, or town for payment on any delinquent local tax or debt. Upon receipt of such amount, the locality will then reduce the delinquent debt accordingly.

A county, city, or town wishing to participate in the Department's program must notify the Department of its intent and must furnish information identifying the debtor whose state income tax refund is being sought. If a state income tax refund to the debtor is pending, the Department will notify the county, city, or town. Within 10 days of the Department's notice, the locality must provide written notice to the debtor informing him of the locality's intent to apply the tax refund to the outstanding delinquent debt. The debtor may preserve his right to appeal the locality's action by giving written notice to the locality, within thirty days of the locality's notice, of his intent to appeal.

Officials of the local government will hear the taxpayer's appeal. The scope of the appeal hearing is limited to determining whether the delinquent local debt is due and owing to the locality, and shall not address the underlying basis of the debt obligation. No action in regard to the refund shall be taken by the Department of Taxation while an appeal is pending. The taxpayer may appeal the locality's final determination to the appropriate circuit court.

For the 2003 taxable year, counties, cities, and towns received a total of \$10.5 million otherwise owed as refunds to income tax filers, which was used for payment on delinquent local taxes and other local debts.

## **Issue**

### **Commissioner's Role in Collecting State Tax Returns**

From time to time, the commissioners of the revenue strive to become more involved in assisting with the preparation and collection of state income tax returns. Currently, § 58.1-305 requires the local commissioner of the revenue to obtain income tax returns from every individual or fiduciary in his jurisdiction if they have not filed the returns with the Department of Taxation. Once the local commissioner has audited the returns and completed the proper assessment sheets and forms, he must forward such returns to the Department. Because the majority of taxpayers do file with the Department of Taxation, organizations representing the commissioners of the revenue have sought legislation requiring individuals and fiduciaries to file income tax returns only with local commissioners of the revenue. Thus far, their legislation has not been successful.

## **Summary**

Commissioners of the revenue and treasurers are vital officials in local government. Both have been part of local government, by way of the Constitution of Virginia, for more than 130 years and are elected by the residents of the locality in which they serve. The role each of them plays in the assessment, levy and collection of taxes and other revenues on behalf of the Commonwealth and their respective localities is essential to the unhindered operation of government.

Commissioners of the revenue assess and levy taxes on personal property, real property, business licenses, merchants' capital, and machinery and tools. They also assist taxpayers in the preparation of state income tax returns, which they may collect on behalf of the State Tax Commissioner. It is the responsibility of the commissioner of the revenue to keep the land book and the personal property book that contain assessed values, taxes levied, taxpayer/owner names and addresses, and location of the taxable property.

The local treasurer is the locality's bookkeeper/accountant. He collects the actual tax payments for most local taxes and payments, records them, and disburses payments by way of warrants on behalf of the locality. He and the commissioner of the revenue work closely together in managing local government tax revenues and other payments, such as disbursements of state and federal funds to the localities.

Another method of collecting local tax revenues is through participation in the set-off debt collection program administered by the Department of Taxation. The commissioner of the revenue sends delinquent taxpayer information to the Department and if the delinquent taxpayer is entitled to receive a state income tax refund, the Department will notify the commissioner of the revenue and the refund amount equal to the local tax liability will be sent to the locality, pending any appeal the taxpayer may file.