

BUDGET SUMMARY

	FY 04 Adopted	FY 04 Projected	FY 05 Adopted	FY 06 Adopted
Real Estate	\$ 50,034,836	\$ 50,184,836	\$ 53,951,909	\$ 58,018,577
Personal Property	8,680,000	9,375,000	9,800,000	10,950,000
Mobile Homes	70,000	75,000	80,000	75,000
Machinery and Tools	5,209,000	5,000,000	5,100,000	5,200,000
Public Service	1,500,000	1,434,636	1,400,000	1,400,000
Delinquent Real Estate Taxes	1,500,000	1,200,000	1,240,000	1,240,000
Delinquent Personal Property	438,000	337,000	395,000	387,840
Penalties and Interest	740,000	610,000	650,000	650,000
Total	\$ 68,171,836	\$ 68,216,472	\$ 72,616,909	\$ 77,921,417

BUDGET COMMENTS

General Property Taxes include revenues received from levies made on real and personal property of County residents and business establishments.

Real Estate Property Taxes on residential and business land and buildings are based upon a tax rate per \$100 of assessed value, which is adopted by the Board of Supervisors during the budget process. The tax rate is then applied to the assessed value of individual property, as determined by the Real Estate Assessor during the annual assessment. The Commonwealth of Virginia requires localities to assess real property at 100 percent of market value.

The projected FY 2005 revenue, when compared to expected actual collections in FY 2004 represents an increase of 7.5 percent. This is attributed to projected growth due to new construction of 2.5 percent and an average reassessment of 5.0 percent. This projection continues the trends that the County has seen over the past few years as real estate market values have continued to rise.

Personal Property Taxes are assessed by the Commissioner of the Revenue on four major property categories - individual personal property, business personal property, mobile homes, and machinery and tools. The tax rate is \$4.00 per \$100 of assessed value. Individual and business vehicles are assessed at 100 percent of loan value as determined by the National Automobile Dealers Association. Business equipment, machinery, and tools are assessed at 25 percent of capitalized cost. Mobile homes are assessed at current market value and are billed at the real estate tax rate. The State subsidizes localities for taxes on some vehicles used for personal use and, as a result, the collection of personal property taxes is partially shifting from local taxpayers to the State under the State’s “Car Tax” initiative. The chart on page B-3 illustrates the impact:

BUDGET COMMENTS, Continued

	<u>FY 04</u> <u>Adopted</u>	<u>FY 05</u> <u>Adopted</u>	<u>FY 06</u> <u>Adopted</u>
<u>"Car Tax" Impacts</u>			
Local Collections	\$ 8,680,000	\$ 9,800,000	\$ 10,950,000
From the Commonwealth	<u>9,770,000</u>	<u>9,550,000</u>	<u>9,550,000</u>
	<u>\$ 18,450,000</u>	<u>\$ 19,350,000</u>	<u>\$ 20,500,000</u>

Overall, personal property collections are expected to increase 3.6 percent in FY 2005. This is a lower growth rate than in previous years as the values of used cars as of January 1, 2004, has decreased dramatically. That trend is not expected to continue for FY 2006. Changes in the reimbursement by the State, including a cap to be imposed in FY 2006, were adopted by the 2004 General Assembly. The expectation is that these changes will be reexamined and possibly amended by the 2005 General Assembly.

Unaffected by the State’s “Car Tax” initiative are County personal property assessments on boats, airplanes, trucks, trailers, and business personal property.

Public Service Assessments are performed by the State Corporation Commission on property owned by regulated public utilities, which include railroads, electric, telephone, gas, and telecommunications companies. The assessments are based on value and the effective true tax rate. This rate is calculated by multiplying the nominal tax rate of \$.86 by the median sales assessment ratio. The most recent information available is for 2003 where the ratio was 90.35 percent. This ratio has declined making the effective true tax rate \$.77 per hundred. Public Service Assessments are projected to decrease in FY 2005 due to the decline in the effective true tax rate.

Machinery and Tools are those items of business personal property that are used in a manufacturing application and the assessment of machinery and tools is based on costs. Although County manufacturers continue to invest in new and updated equipment, there is a projected decrease in actual collections due to the first full year effect of the closure of both BP Solar and John Deere.