

**BUDGET SUMMARY**

	FY 05 Adopted	FY 05 Projected	FY 06 Adopted Plan	FY 06 Adopted
Real Estate	\$ 54,202,538	\$ 54,258,094	\$ 58,018,577	\$ 61,082,995
Personal Property	9,800,000	10,200,000	10,950,000	10,600,000
Mobile Homes	80,000	80,000	75,000	75,000
Machinery and Tools	5,100,000	5,100,000	5,200,000	5,200,000
Public Service	1,400,000	1,400,000	1,400,000	1,400,000
Delinquent Real Estate Taxes	1,240,000	1,240,000	1,240,000	1,840,000
Delinquent Personal Property	395,000	395,000	387,840	389,840
Penalties and Interest	650,000	650,000	650,000	550,000
Total	\$ <u>72,867,538</u>	\$ <u>73,323,094</u>	\$ <u>77,921,417</u>	\$ <u>81,137,835</u>

**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 2006 revenue, when compared to the adopted FY 2005 figure represents an increase of 12.7 percent. This increase is attributed to projected growth due to new construction of 5.1 percent and an average reassessment of 7.6 percent. The projection continues the trends that the County has seen over the past few years as real estate market values continue to rise and new construction activity increases in both the residential and commercial sectors.

**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 has partially shifted 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 05</u> <u>Adopted</u>	<u>FY 06</u> <u>Adopted Plan</u>	<u>FY 06</u> <u>Adopted</u>
<u>"Car Tax" Impacts</u>			
Local Collections	\$ 9,800,000	\$ 10,950,000	\$ 10,600,000
From the Commonwealth	<u>9,550,000</u>	<u>9,550,000</u>	<u>9,557,223</u>
	<u>\$ 19,350,000</u>	<u>\$ 20,500,000</u>	<u>\$ 20,157,223</u>

However, the 2005 General Assembly permanently capped the State’s share of the “Car Tax” beginning in 2006. The State currently pays approximately 70 percent of the “Car Tax” for an eligible personal use vehicle. This percentage will decline in subsequent years as the State’s reimbursement to the County remains the same. Beginning with the April 2006 bills, taxpayers will be responsible for a higher percentage of the total assessment on personal use vehicles due to the State action.

Overall, personal use vehicle property collections are expected to grow by 4.2 percent in FY 2006, a slight increase from FY 2005 that can be attributed to increased stability in used car values and growth in the number of personal use vehicles.

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 \$.825 by the median sales assessment ratio. The most recent information available is for 2004 when the ratio was 86.1 percent. This ratio has declined making the effective true tax rate \$.71 per hundred. Public Service Assessments are projected to remain unchanged in FY 2006 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. FY 2006 collections are expected to increase slightly as new manufacturing operations offset a decline from closure of two manufacturing companies in previous years.