

**Caroline County
Board of Supervisors Agenda
Executive Summary**

Meeting Date: **May 5, 2020**

Title: **Consent Agenda – Establishment of PPTRA Rate for Tax Year
2020**

(Check Mark)

<input checked="" type="checkbox"/> Consent	<input type="checkbox"/> Closed Meeting
<input checked="" type="checkbox"/> Action	<input type="checkbox"/> Public Hearing
<input type="checkbox"/> No Action (Information Only)	<input type="checkbox"/> Ordinance
<input type="checkbox"/> Resolution	<input type="checkbox"/> PowerPoint Presentation

Summary: Every year, the Commissioner of the Revenue calculates the rate of personal property tax relief to be provided to County taxpayers as part of the Personal Property Tax Relief Act (PPTRA). Under the PPTRA, which was adopted by the General Assembly in 1998, Virginia residents were to originally pay a decreasing percentage of personal property tax on qualifying vehicles until the entire tax was relieved in 2002. The program relieved the tax up to \$20,000 of a vehicle’s assessed value. Owners with vehicles assessed over \$20,000 pay 100% of the remainder of the tax.

However, implementation of the PPTRA was altered due to fiscal restraints at the state level. The original legislation was amended in 2006 to provide every locality in the Commonwealth with a set amount of funds to be used to provide tax relief on qualified personal property. As a result, the personal property tax relief program is no longer intended to eliminate the personal property tax, but rather to provide a reduction to the taxpayer. Tax bills are reduced by a percentage that is determined annually. The relief is now provided based on an annual cap from the Commonwealth of Virginia, which is \$2,371,896 for Caroline County. Therefore, as the County continues to add new eligible vehicles, the amount of tax relief provided by the Commonwealth diminishes over time.

Commissioner of the Revenue Mark Bissoon has requested that the Board establish the rate of personal property tax relief to be provided to County taxpayers under the PPTRA at 29% of the first \$20,000 in value on qualifying vehicles for tax year 2020. The PPTRA relief percentage in 2019 was 45%.

Below are examples of how the PPTRA funds are applied to vehicles of various values:

Example #1 – Car Valued at \$12,000

$\$12,000/\$100 \times \$3.80 = \456.00 (Annual tax without PPTR)

$\$456.00 \times 29\% = \132.24 (Amount of PPTR)

$\$456.00 - \$132.24 = \$323.76$ (Total annual tax bill)

Example #2 – Car Valued at \$20,000

$\$20,000/\$100 \times \$3.80 = \760.00 (Annual tax without PPTR)

$\$760.00 \times 29\% = \220.40 (Amount of PPTR-also the maximum amount of PPTR that can be given)

$\$760.00 - \$220.40 = \$539.60$ (Total annual tax bill)

Example #3 – Car Valued at \$25,000

$\$25,000/\$100 \times \$3.80 = \950.00 (Annual tax without PPTR)

$\$220.40 =$ Maximum amount of PPTR that can be given annually – See step 2 in example #2)

**PPTRA tax relief applies only up to \$20,000 of the vehicle’s value*

$\$950 - \$220.40 = \$729.60$ (Total annual tax bill)

Although the decrease in the PPTRA percentage from 45% in 2019 to 29% in 2020 appears significant, it really has very minimal impact on the taxpayer. The formula or method used to calculate the 45% PPTRA relief in 2019 had been in place since 2006, the year the General Assembly capped the amount of PPTRA funds sent to localities. The formula involved an extra step (highlighted in red in the attachment), which the Commissioner of the Revenue’s Office now believes is unnecessary. Under the old formula, the percentage of relief did not match the percentage reduction on the taxpayer’s bill. Under the new formula, these two amounts now match.

Below is a comparison of 2019 PPTRA relief to 2020 PPTRA relief for a vehicle with an assessed value of \$12,000.

2019 PPTRA Method (PPTRA % @ 45%)

$\$12,000/\$100 \times \$3.80 = \456 total tax
 $\$12,000 \times 2.5\%$ (tax rate in 2006)* = \$300
 $\$300 \times 45\%$ PPTRA relief = \$135
 $\$456 - \$135 = \$321$ annual tax bill

2020 PPTRA Method (PPTRA % @ 29%)

$\$12,000/\$100 \times \$3.80 = \456 total tax
 $\$456 \times 29\% = \132.24 total tax relief
 $\$456 - \$132.24 = \$323.76$ annual tax bill

**Note: Tax year 2006 is the year the Commonwealth began providing localities with a capped amount to provide personal property tax relief to citizens*

The Commissioner's Office believes the new method, which is used by the majority of localities in the state, is much cleaner and easier to understand.

Actions Requested of the Board of Supervisors: Establish PPTRA rate at 29% for tax year 2020.

2019

Personal Property Tax Relief Calculation	
PPTR Rate = 45%	
Assessed Value of Vehicle	\$12,000
Value Able to Receive PPTR	\$12,000
Annual Tax (3.80%)	\$456.00
Total Tax @ 2.5% (Tax Rate in 2005)	\$300.00
PPTR Tax Reduction (45% X Tax @ 2.5%)	\$135.00
Annual Tax Bill	\$321.00
First and Second Half Bill Amounts	\$160.50

2020

Personal Property Tax Relief Calculation	
PPTR Rate = 29%	
Assessed Value of Vehicle	\$12,000
Value Able to Receive PPTR	\$12,000
Annual Tax (3.80%)	\$456.00
PPTR Tax Reduction (\$456.00 X 29%)	\$132.24
Annual Tax Bill	\$323.76
First and Second Half Bill Amounts	\$161.88