

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 16, 2009

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO #23: TAX ALTERNATIVES

In response to Councilman Wilson's request at the budget work session on revenues on February 11 for staff to provide details on possible revenue alternatives to support the fiscal year (FY) 2010 budget, staff has identified a number of tax categories that could be increased, and therefore add to the City's General Fund revenues. The tax alternatives affect both individual and business taxpayers. In all cases, the City has the statutory authority to increase the tax rates because (1) the current tax rates are not at the State maximum as enumerated in the Code of Virginia, (2) the maximum does not apply to the City, or (3) there is no maximum. This memorandum conveys information for Council's consideration. In addition to these options, in mid-April staff will present revised FY 2010 projections for all revenues.

On March 14, 2009 Council is scheduled to consider the maximum real estate and personal property tax rates it wishes to consider. In the next few weeks, Council also will need to direct staff to prepare any other tax ordinances requiring introduction no later than April 14, with hearing on April 18, and adoption on April 27 to help finance the budget, which is also scheduled for adoption April 27.

A summary table of all the options detailed below can be found at Attachment 1.

**I. REAL ESTATE TAX
PAGE 7-13 FY 2010 PROPOSED BUDGET**

FY 2010 PROPOSED REVENUE	SUMMARY OF REAL ESTATE TAX REVENUE OPTIONS	RATE PER \$100 ASSESSED VALUE	REVENUE IMPACT FY 2009*	REVENUE IMPACT FY 2010
\$291.0 million	A. Keep the average homeowner's bill flat (+4.2 cents)	88.7 cents	\$7.1 million	\$13.9 million
	B. Increase of an additional cent (+5.2 cents)	89.7 cents	\$8.8 million	\$17.2 million

*The proposed budget recommends this be used to fund revenue shortfalls in FY 2009 that developed since the October/November reestimates were provided to the City Council.

The real estate tax is the City's largest source of revenue. For 2009 assessments the total assessments decreased 2.06% with reassessments falling 2.83% and new construction adding 0.76%. Within that reassessment, the average residential real estate assessment dropped 4.75% and, assuming a tax increase of 4.2 cents, would see an average tax bill drop of \$1 in 2009. Breaking that statistic down further, the average single family house dropped 3.46% and would see an increase of \$75, and condominiums dropped by 7.57%, meaning that the average condo tax bill would decrease by \$82 if the tax rate increases to 88.7 cents. Commercial property tax assessments decreased by 0.2% (not including new growth) so that the tax bills for that class of property increase on average by 4.8% if the tax rate increases to 88.7 cents.

Average residential tax bills would increase as noted if the tax rate was changed.

RATE INCREASE	TAX BILL INCREASE	% INCREASE
+4.2 cents	-\$1	0%
+5.2 cents	\$47	1.1%

Each additional cent increase would increase FY 2009 revenues by \$1.7 million, FY 2010 revenues by \$3.3 million, and the average tax bill by \$48.

For the add-on commercial real estate tax to fund transportation initiatives, each 1.0 cent tax raises revenues by about \$1.0 million per year. This tax would not apply to multi-family rental commercial properties. The proposed budget does not recommend this add on tax.

The chart below shows proposed tax rates by other jurisdictions in the region.

Proposed Tax Rates for Residential Properties (by jurisdiction)

Tax Year***	Alexandria	Arlington	Fairfax	Loudoun	Pr. William *
1986	1.380	0.940	1.35	1.02	1.420
1987	1.340	0.920	1.32	0.88	1.300
1988	1.250	0.890	1.30	0.95	1.380
1989	1.100	0.780	1.19	0.88	1.380
1990	1.045	0.765	1.11	0.85	1.360
1991	1.045	0.765	1.11	0.94	1.360
1992	1.045	0.820	1.16	0.96	1.360
1993	1.070	0.860	1.16	1.00	1.360
1994	1.070	0.897	1.16	1.02	1.360
1995	1.070	0.940	1.16	0.99	1.360
1996	1.070	0.960	1.23	1.03	1.360
1997	1.070	0.986	1.23	1.06	1.360
1998	1.110	0.998	1.23	1.11	1.360
1999	1.110	0.998	1.23	1.11	1.360
2000	1.110	1.023	1.23	1.08	1.340
2001	1.110	1.023	1.23	1.08	1.310
2002	1.080	0.993	1.21	1.05	1.230
2003	1.035	0.978	1.16	1.11	1.160
2004	0.995	0.958	1.13	1.1075	1.070
2005	0.915	0.878	1.00	1.04	0.974
2006	0.815	0.818	0.89	0.89	0.8071
2007	0.830	0.818	0.89	0.96	0.8379
2008	0.845	0.848 **	0.92	1.14	0.97
2009	0.887	0.875 **	1.070 ***	1.29	1.253

* Prince William includes a general tax levy of \$1.19 and two special levies of \$0.063 that are levied throughout the County.

** The Arlington rate includes a County-wide add-on tax of \$0.01 for stormwater management initiatives. The Arlington rate also adds 12.5 cents for commercial properties for transportation purposes for a total commercial tax rate of \$1.00.

*** The Fairfax rate also adds 11 cents for commercial properties for transportation purposes for a total of \$1.18.

II. PERSONAL PROPERTY TAX
PAGE 7-22 FY 2010 PROPOSED BUDGET

FY 2010 PROPOSED REVENUE	SUMMARY OF PERSONAL PROPERTY TAX REVENUE OPTIONS	REVENUE IMPACT
\$31.1 million *	A. Personal property tax rate on vehicles raised by 25 cents.	+\$2.4 million
	B. Business personal property tax raised by 25 cents.	+\$1.0 million
	A&B. Both the vehicle and business personal property tax rate raised by 25 cents.	+\$3.4 million
	C. Personal property tax rate raised on boats from \$0.01 to \$4.75	+\$11,000

*Excludes \$23.6 million state car tax reimbursement.

On March 11, Council is scheduled to consider the maximum personal property tax rates it wishes to consider as that is the date when Council needs to start the proposed rate advertisement and public hearing processes.

II.A. Personal Property Tax (Vehicle Personal Property Base Tax Rate)

The personal property tax for vehicles and trucks (vehicle personal property) is assessed on any vehicle that has been parked, stored or garaged in the City for more than 30 days. The tax rate for vehicle personal property has been fixed at \$4.75 per \$100 of assessed value since 1989. For 2009, it is estimated that the average homeowner (with 1.6 cars per household) will see their vehicular personal property tax fall by \$66 due to a decline in vehicle values. Based on estimated 2009 assessments, a tax rate increase from \$4.75 to \$5.00 per \$100 of assessed value would generate an additional \$2.4 million in revenue. The tax rate would be the same as Arlington County’s current \$5.00 rate, but because the City uses the “trade-in” value for assessment and not the “loan” value which runs about 9% lower, the City’s effective rate would be higher than Arlington’s by \$0.40. (See the second chart following entitled “Effective Personal Property Tax Rate for vehicles among local jurisdictions” for details.) The proposed budget recommends no change in this rate.

CITY CODE	STATE CODE	JURISDICTION	TAX RATE*
§3-2-224 (b)	§58.1-3500	City of Alexandria: \$4.75 per \$100 of assessed value Arlington County: \$5.00 per \$100 of assessed value Fairfax County: \$4.57 per \$100 of assessed value Loudoun County: \$4.20 per \$100 of assessed value Prince William County: \$3.70 per \$100 of assessed value	
State Maximum: none			

***Personal Property tax rate.** Alexandria and Prince William use a different method of valuation (trade-in value) than Arlington and Loudoun (loan value) that values vehicles at a higher share of retail value (86% vs. 78%). Fairfax County values vehicles at the retail value (100%). The tax rates are misleading because they do not factor in differences in computing vehicle values. Adjusting for differences in computing vehicle values, Alexandria has the second highest effective tax rate in the region, behind Fairfax County. If the tax rate were increased to \$5.00 per \$100 of assessed value, the effective rate would be \$4.30.

Effective Personal Property Tax Rate for vehicles among local jurisdictions

JURISDICTION	TAX RATE	VALUATION	EFFECTIVE RATE
Alexandria	\$5.00 (option)	86%	\$4.30
Alexandria	\$4.75	86%	\$4.09
Arlington	\$5.00	78%	\$3.90
Fairfax	\$4.57	100%	\$4.57
Loudoun	\$4.20	78%	\$3.28
Prince William	\$3.70	86%	\$3.18

II.B. Personal Property Tax (Business Personal Property Tax Rate)

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

Based on the total tax assessed in 2008, less machinery and tools, raising the base tax rate for BPP from \$4.75 to \$5.00 per \$100 of assessed value could generate an additional \$1.0 million in tax revenue. This rate increase could only occur if the City also raised the personal property tax on vehicles to \$5.00. The Business Personal Property tax can be equal to or lower than the vehicle personal property tax, but it cannot be higher. The proposed budget recommends no change in this rate.

CITY CODE	STATE CODE	JURISDICTION	TAX RATE
§3-2-221	§58.1-3500	City of Alexandria: \$4.75 per \$100 of assessed value Arlington County: \$5.00 per \$100 of assessed value Fairfax County: \$4.57 per \$100 of assessed value Loudoun County: \$4.20 per \$100 of assessed value Prince William County: \$3.70 per \$100 of assessed value	
State Maximum: none			

II.C. Personal Property Tax (Personal Property Tax Rate for Boats)

The current tax rate for recreational boats and watercraft is \$0.01 per \$100 of assessed value. In 1998, citizens began to complain about the process and cost for obtaining a boat slip in the City’s marina, including the personal property taxes charged for recreational boats. In response, City Council reduced the tax rate from \$4.75 per \$100 of assessed value to the current rate of \$0.01 per \$100 of assessed value. Using the 2008 assessed value for boats, staff estimates that raising the tax rate on recreational boats and watercraft to \$4.75 per \$100 of assessed value could result in \$11,000 in additional revenue. However, if the City raised its tax rate on boats many boat owners would remove their boats from the City marina during cold weather months to avoid the tax, making the City marina appear less appealing to City waterfront visitors. At the time the

City lowered the tax on boats, it also increased marina slip fees. Those fees have since been comparable to similar fees in the area. The proposed budget recommends no change in this rate.

CITY CODE	STATE CODE	JURISDICTION	TAX RATE
§3-2-224 (d)	§58.1-3500	City of Alexandria: \$0.01/\$4.75 for large boats Arlington County: \$5.00 for all boats Fairfax County: \$0.01/\$4.57 for large boats Loudoun County: \$4.20 all boats Prince William County: \$0.00001 for all boats	
State Maximum: none			

**III. CONSUMER UTILITY TAX (RESIDENTIAL UTILITY TAX)
PAGE 7-34 FY 2010 PROPOSED BUDGET**

FY 2010 PROPOSED REVENUE	SUMMARY OF REVENUE OPTIONS	REVENUE IMPACT
\$10.6 million	Increase residential cap on: (A) Electricity by \$0.60 from \$2.40/month to \$3.00/month (B) Gas by \$0.60 from \$2.40/month to \$3.00/month (C) Water from 15% Of the monthly bill to 20% of monthly bill to a maximum of \$3.00.	\$0.5 million \$0.5 million \$0.4 million

The City levies a tax against consumers of utility services (electricity, natural gas, and water). The tax is levied and collected by the utility companies through the billing process and is remitted to the City. The City tax for residential customers is currently set by Council at \$2.40 per month for electricity and gas services. There is no City cap for water service. The State allows localities to impose a tax rate up to \$3.00 per month for each service.

Arlington County established a residential utility tax on the amount of electricity and natural gas consumed by residential properties during FY 2008 budget process in order to generate revenue for their Environmental Sustainability Fund. The tax rate is capped at \$3.00 per month for each utility. Arlington does not impose a utility tax on water for either residential or commercial users, as water service is provided by the county.

In FY 2008, utility tax revenue collected by the City from all gas and electricity consumers was \$8.0 million. If the City increases the rate on the utility tax rate by \$0.60 per month to \$3.00 per month on residential gas and electricity consumers, and by 5% on the City's estimate for a typical household bill of water consumers, as allowed by State law, it is projected that the City

would collect an additional \$1.4 million in revenue. This means that a customer who uses gas and electricity could see a monthly bill increase of \$1.20 per month or \$14.40 per year. Given that consumer utility tax rates are capped and given how much gas and electricity each household likely uses, it is likely that nearly all households are paying at the monthly cap rate regardless of utility use. This means that the tax is not an incentive to energy conservation and is in all intent a “flat tax” with an inherently regressive structure. As such, the tax also does not act as an incentive to reduce consumption.

The City estimates that a typical residential household’s water bill is \$9.82/month, generating \$1.47 in revenues. A tax increase of 5% would increase the typical monthly tax liability by \$0.49 per month or \$5.88 annually. The average tax would increase to \$1.96 per month, well under the maximum \$3.00 cap rate. The proposed budget recommends no change in these rates.

Electricity and Gas

CITY CODE	STATE CODE	JURISDICTION	TAX RATE
§3-2-373 to §3-2-374	§58.1-3814	City of Alexandria: Max \$2.40 per month Arlington County: Max \$3.00 per month Fairfax County: Max \$4.00 per month Loudoun County: Max \$2.70 per month Prince William County: Max \$3.00 per month	
State Maximum: \$3.00 per month			

Water

CITY CODE	STATE CODE	JURISDICTION	TAX RATE
§3-2-61 to §3-2-64	§58.1-3814	City of Alexandria: 15% Arlington County: None Fairfax County: None Loudoun County: None Prince William County: None	
State Maximum : \$3.00 per month ; other jurisdictions’ water service is provided by public entities.			

**IV. CONSUMER UTILITY TAX (COMMERCIAL UTILITY TAX)
PAGE 7-34 FY 2010 PROPOSED BUDGET**

FY 2010 PROPOSED REVENUE	SUMMARY OF COMMERCIAL UTILITY TAX REVENUE OPTIONS	REVENUE IMPACT
	Increase tax rate on: (A) Electricity for commercial consumers by 10% from \$0.97 + .004610 per Kilowatt Hours (kWh) to \$1.07 + 0.005071 per kWh (B) Electricity for industrial consumers by 10% from \$0.97 + .003755 per Kilowatt Hours (kWh) to \$1.07 + 0.004131 per kWh (C) Water for Commercial consumers from 15% of the first \$150 to 20% of the first \$150.	\$0.4 million \$10,000 \$0.3 million

In FY 2008, utility tax revenue collected by the City from all electricity consumers was \$5.8 million. Based on FY 2008 collections, if the City increases the utility tax rates as shown above on commercial and industrial electricity, and water consumers, the City could expect to collect an additional \$0.7 million. While the State Code is not clear, it appears that the City is already at the State maximum rate for commercial gas usage.

Electricity

CITY CODE	STATE CODE	JURISDICTION	TAX RATE
§3-2-373 to §3-2-374	§58.1-3814	City of Alexandria: \$.97 + \$.004610 per kWh Arlington County: \$1.15 + \$.00649 per kWh Fairfax County: \$.92 + \$.00594 per kWh Loudoun County: \$.92 + \$.005393 per kWh Prince William County: \$2.29 + \$.013487 per kWh	
State maximum : none			

Water

CITY CODE	STATE CODE	JURISDICTION	TAX RATE
§3-2-61 to §3-2-61	§58.1-3814	<p>City of Alexandria: 15% on first \$150 Arlington County: None Fairfax County: None Loudoun County: None Prince William County: None</p>	
State maximum : None			

**V. BUSINESS LICENSE TAXES
PAGE 7-28 FY 2010 PROPOSED BUDGET**

FY 2010 PROPOSED REVENUE	SUMMARY OF BUSINESS LICENSE TAX REVENUE OPTIONS	REVENUE IMPACT
\$32.3 million	A. Business license tax rate for business service, personal service, and repair service increased by \$0.01	\$0.3 million
	B. Business license tax rate for financial services increased by: (1) \$.05 to \$0.40 (2) \$0.10 to \$0.45 (3) \$0.23 (to cap of \$0.58)	\$0.2 million \$0.4 million \$1.0 million

V. A. Business License Taxes (Business Service, Personal Service and Repair Service)

The City of Alexandria, as do all Virginia localities, levies a business professional occupational license tax (business license tax on gross receipts) on any person, firm, corporation, or partnership that engages in business in the City. The tax rate for each business is based on the assigned business categories: Professional Services, Financial Services, Repair, Personal and Business Services, Retail Merchants, Retail/Wholesale Merchants, and Wholesale Merchants. The City currently charges the State maximum rate for all license categories except Business Services and Financial Services. The tax rate is multiplied by business' gross tax receipts to determine the tax due.

Business Services is one of the largest business license tax categories and includes both personal services and repair services. The current tax rate for the Business Services category is \$0.35 per \$100 of gross receipts. The State cap is \$0.36 per \$100 of gross receipts for this category. Based on FY 2007 collections from approximately 4,096 business licenses issued for this classification, raising the tax rate by \$0.01 to the State maximum would generate \$0.3 million in additional tax revenue.

If the City was to raise the business license tax rate for this category, it would have the highest business license tax rate for this category when compared to all the other major Northern Virginia jurisdictions. Business license taxes have been the one local tax on businesses that the business community historically has wanted lowered. Raising this tax would telegraph a negative message to the business community in the region about Alexandria. The proposed budget recommends no change in these rates.

CITY CODE	STATE CODE	JURISDICTION	CURRENT TAX RATE
§9-1-72 §9-1-71.1	§58.1-3706	<p align="center">City of Alexandria: \$0.35 per \$100 of gross receipts Arlington County: \$0.35 per \$100 of gross receipts Fairfax County: \$0.19 per \$100 of gross receipts Loudoun County: \$0.16/\$0.17 per \$100 of gross receipts Prince William County: \$0.21 per \$100 of gross receipts</p>	
State Maximum: \$0.36 per \$100 for Business Services			

V. B.1-3. Business License Taxes (Financial Services)

In the mid-1990s, the Code of Virginia was amended to allow for a separate business license category entitled “Financial Services.” At that time, the Code of Virginia authorized jurisdictions to set the tax rate for “Financial Services” at \$0.58 per \$100 of gross receipts. Alexandria citizens and taxpayers complained that “Financial Services” was a broad category containing business activities that were not completely “Professional” in nature and therefore did not warrant the same tax rate as “Professional Services.” The City Council then established a separate “Financial Services” category at the same tax rate as business services and assigned a tax rate of \$0.35 per \$100 of gross receipts.

If the City was to raise the business license tax rate for this category, it would have the highest business license tax rate for this category by far when compared to all the other major Northern Virginia jurisdictions. Business license taxes have been the one local tax on businesses that the business community historically wants lowered. Raising this tax would telegraph a negative message to the business community in the region and would be counterproductive to the City’s economic development efforts. In particular, the financial services sector is a potential “niche” growth sector in the City as it includes venture capital and investment management businesses. The proposed budget recommends no change in these rates.

CITY CODE	STATE CODE	JURISDICTION	CURRENT TAX RATE
§9-1-72 §9-1-71.1	§58.1-3706	City of Alexandria: \$0.35 per \$100 of gross receipts Arlington County: \$0.36 per \$100 of gross receipts Fairfax County: \$0.31 per \$100 of gross receipts Loudoun County: \$0.33 per \$100 of gross receipts Prince William County: \$0.33 per \$100 of gross receipts	
State Maximum: \$0.58 per \$100 for Financial Services			

VI. CIGARETTE TAX
PAGE 7-37 FY 2010 PROPOSED BUDGET

FY 2010 PROPOSED REVENUE	SUMMARY OF CIGARETTE TAX REVENUE OPTIONS	REVENUE IMPACT
\$2.8 million	(A) Cigarette tax increasing 5 cents per pack	\$0.2 million
	(B) Cigarette tax increasing 10 cents per pack	\$0.4 million

The City levies a tax on every person who sells, distributes, or uses cigarettes. The tax rate is \$0.70 for each package of 20 cigarettes. The tax is currently administered by the Northern Virginia Cigarette Tax Board, a regional, inter-jurisdictional enforcement authority. The cigarette tax rate has been increased six times since 1990. The last tax rate change was in 2005. There is no tax rate cap for the City unlike counties such as Fairfax (\$0.05 per pack) and Arlington (\$0.30 per pack) whose cigarette tax rates are capped by state law at no more than \$0.30 per pack. However, the State maximum for counties is \$0.30 per pack. Based on FY 2008 collections, raising the tax rate from \$0.70 to \$0.75, the City could generate an additional \$0.2 million in tax revenue. Raising the rate to \$0.80 would generate \$0.4 million in tax revenue. This projection is based on the assumption that cigarette purchasers will continue to purchase cigarettes in the City at the same rate as in FY 2008. The proposed budget recommends no change in this rate.

CITY CODE	STATE CODE	JURISDICTION	TAX RATE
§3-2-102	§58.1-1001 §58.1-3830 §58.1-3840	City of Alexandria: \$0.70 Arlington County: \$0.30 Fairfax County: \$0.05 Loudoun County: N/A Prince William County: N/A Fairfax City: \$0.50 Falls Church \$0.70	
State Maximum: none for the City, \$0.30 for Counties			

**VII. TRANSIENT LODGING TAX
PAGE 7-32 FY 2010 PROPOSED BUDGET**

FY 2010 PROPOSED REVENUE	SUMMARY OF TRANSIENT LODGING REVENUE OPTIONS	REVENUE IMPACT
\$10.7 million	A. Transient tax to 7%/\$1: B. Transient tax to 7%/\$1.50:	\$0.7 million \$0.9 million

VII.A. Transient Lodging Tax (Base Tax Rate)

The City’s transient lodging tax is assessed on persons who rent rooms from any public or private hotel, inn, or motel within the City for 90 days or less. The tax rates have varied over the years from 2.0% to 5.65% percent of the room charge. In FY 2009, the tax rate was increased to 6.5% of the room charge plus \$1 per room per night. Under the Code of Virginia, there is no tax rate cap for cities and towns that assess the transient lodging tax. However, counties are limited by various caps ranging from two percent to six percent of the room charge. These transient lodging taxes are in addition to the 5% state sales tax of which the City receives revenues of 1% of the rate.

In 1999 when Council lowered the transient lodging tax from 5.65% to 5.5% plus \$1 per night, it also increased ACVA’s funding substantially. While the \$1 portion of the transient lodging tax never was, nor is now, a dedicated tax, there was some quid pro quo for the ACVA budget increase in the year the \$1 per night tax was established. Budget Memo #15 describes the relationship between the most recent increase in this rate and the King Street trolley. Similarly, if Council wished to raise the transient lodging tax rate, then it might want to consider setting aside some of the increased revenues for expanded marketing activities, or for other City budget priorities. The proposed budget recommends no change in this rate.

CITY CODE	STATE CODE	JURISDICTION	TAX RATE
	§58.1-3819	City of Alexandria: 6.5% +\$1/night Arlington County: 5.25% Fairfax County: 4.0% Loudoun County: 5.0% Prince William County: 5.0% Fairfax City: 4.0% Falls Church: 5.0%	
State Maximum: none for cities; 2.0% for counties, with exceptions. Most local counties are allowed a higher transient occupancy rate.			

**VIII.A-B. RESTAURANT MEALS TAX
PAGE 7-31 FY 2010 PROPOSED BUDGET**

FY 2010 PROPOSED REVENUE	SUMMARY OF RESTAURANT MEALS TAX REVENUE OPTIONS	REVENUE IMPACT
\$15.3 million	(A) Restaurant Meals Tax to 4.5% (B) Restaurant Meals Tax to 5.0%	\$1.8 million \$3.6 million

The City of Alexandria levies a 4% meal and beverage tax on the purchase of food and beverages. The tax rate was increased to 4% in FY 2009. Under the Code of Virginia, there is no tax rate cap for cities and towns that assess the meal sales tax. However, counties are limited by a 4% cap, and many (but not all) counties can only establish the restaurant meals tax via referenda. This tax is in addition to the 5% State sales tax on restaurant meals.

Staff estimates that a tax increase of one half percent would produce an additional \$1.8 million in tax revenue and a one percent increase in the tax rate would generate an additional \$3.6 million in tax revenue. The proposed budget recommends no change in this rate.

CITY CODE	STATE CODE	JURISDICTION	TAX RATE
§3-2-242	§58.1-3833 §58.1-3840	City of Alexandria: 4.0% Arlington County: 4.0% Fairfax County: N/A Loudoun County: N/A Prince William County: N/A Fairfax City: 4.0% Falls Church: 4.0%	
State Maximum: none for cities; 4.0% for counties			

IX. ADMISSION TAX
PAGE 7-39 FY 2010 PROPOSED BUDGET
(Other Miscellaneous Local Tax Revenues)

FY 2010 PROPOSED REVENUE	SUMMARY OF ADMISSION TAX REVENUE OPTIONS	REVENUE IMPACT
\$1.0 million	(A) admission tax cap increase to \$1.00 (B) admission tax cap increase to \$0.75	\$0.8 million \$0.5 million

The City's admission tax was enacted into law on July 1, 2005. The tax rate was established as 10% of the admission charge, not to exceed \$0.50 for each admission sold. The admission tax is collected by any person who owns, operates, conducts, promotes or produces an event for which an admission fee is charged. The majority of the City's admission tax revenue is generated by two large movie theaters. In FY 2008, the City collected \$1.1 million in admission tax revenue. Staff estimates that raising the tax rate to 10 percent of the admission charge, not to exceed \$1.00, would produce about \$0.8 million in additional revenue. A \$0.75 tax cap would raise \$0.5 million. The proposed budget recommends no change in this rate.

CITY CODE	STATE CODE	JURISDICTION	TAX RATE
§3-2-383	§58.1-3817 §58.1-3840	City of Alexandria: 10% on the first \$5.00 Arlington County: N/A Fairfax County: N/A Loudoun County: N/A Prince William County: N/A Fairfax City: N/A Falls Church N/A	
State Maximum: none for cities; 10% for counties			

Attachment 1

		From	To	Change
I.	Real Estate Tax			
I.A.		\$0.845/\$100	\$0.887/\$100	+13.9 million
I.B.		\$0.845/\$100	\$0.897/\$100	+\$17.2 million
II.	Personal Property Tax			
II.A.	Vehicle Personal Property Tax	\$4.75/\$100	\$5.00/\$100	+\$2.4 million
II.B.	Business Personal Property Tax	\$4.75/\$100	\$5.00/\$100	+\$1.0 million
II.A&B.	Vehicle + Business	\$4.75/\$100	\$5.00/\$100	+\$3.4 million
II.C.	Boats Personal Property Tax	\$.01/\$100	\$4.75/\$100	+\$11,000
III.	Residential Consumer Utility tax			+\$1.4 million
III.A.	Electricity Cap	Max \$2.40/month	\$3.00/month	+\$0.5 million
III.B.	Gas cap	Max \$2.40/month	\$3.00/month	+\$0.5 million
III.C.	Water	15%/monthly bill	20%/monthly bill	+\$0.4 million
IV.	Commercial Consumer Utility tax			
IV.A.	Electricity for commercial consumers	\$0.97 +.004610 per Kilowatt hour	\$1.07 per +.005071 per kWh	+\$0.4 million
IV.B.	Electricity for industrial consumers	\$.97 + .003755 per kWh	\$1.07 +.004131 per kWh	+\$10,000
IV.C.	Water for Commercial consumers	15% of first \$150	20% of first \$150	+\$0.3 million
V.	Business License Tax			
V.A.	Business Services	\$0.35/\$100	\$0.36/\$100	+\$0.3 million
V.B.1.	Financial Services	\$0.35/\$100	\$0.40/\$100	+\$0.2 million
V.B.2.	Financial Services	\$0.35/\$100	\$0.45/\$100	+\$0.4 million
V.B.3.	Financial Services	\$0.35/\$100	\$0.58/\$100	+\$1.0 million
VI.	Cigarette Tax			
VI.A.	Cigarette tax increase	\$0.70/pack	\$0.75/pack	+\$0.2 million
VI.B.	Cigarette tax increase	\$0.70/pack	\$0.80/pack	+\$0.4 million
VII.	Transient Lodging			
VII.A.	Base Tax Rate	5.5%	6%	+\$0.7 million
VII.B.	Room Per Night	\$1	\$1.50	+\$0.9 million
VIII.	Restaurant Meals Tax			
VIII.A.	Restaurant Meals Tax	3%	3.5%	+\$1.8 million
VIII.B.	Restaurant Meals Tax	3%	4.0%	+\$3.6 million
IX.	Admissions Tax			
IX.A.	Admissions Tax	Max \$0.50	Max \$1.00	+\$0.8 million
IX.B.	Admissions Tax	Max \$0.50	Max \$0.75	+\$0.5 million

