



Waynesboro City Council Agenda Briefing

Meeting Date:	October 12, 2022	Staff/Council Member(s): Michael G. Hamp II, City Manager/ Cameron S. McCormick, CPA, Assistant City Manager
Agenda Item #	7	
Ordinance		
Department:	City Manager's Office/Finance Department	
Subject:	Proposed Tax Rate Ordinance for Calendar Year 2022 – Motor Vehicles	

Background: As part of the annual budget process, the City Council adopts various tax rates. Key tax rates include personal property, machinery and tools, and real estate. The Adopted Fiscal Year 2023 Budget includes a Personal Property Tax rate of \$2.75.

During the presentation, discussion, and subsequent consideration of the personal property tax rate, the Commissioner of Revenue and municipal staff alerted the City Council to indications that motor vehicle assessments were increasing substantially, and, absent adjustment to the rate, individual tax burdens would likewise increase substantially. The city manager's recommended budget was based on a reduction in the personal property tax (\$3.25 to \$2.75). Additionally, the city manager committed to reporting back to Council once the Commissioner of Revenue had completed or nearly completed the process and there was more clarity regarding aggregate revenues and individual tax burdens.

On September 28, the Council held a special called meeting and received the most current information regarding the assessment of motor vehicles and the likely revenue and tax implications. At that meeting, after further review of the motor vehicle tax reassessment, the Council introduced an ordinance that, if adopted, would establish the personal property rate at \$2.65.

At the October 12 meeting, Council will hold a public hearing on the proposed alternative rate of \$2.65. Following the public hearing, which is required by law, City Council may:

- 1) Take no action, in which case the current, lawfully adopted rate of \$2.75 will remain in effect.
- 2) Vote to adopt the previously introduced, seconded and discussed rate of \$2.65.
- 3) Move to amend the introduced ordinance to establish a rate less than \$2.65. Doing so would require a second, discussion and a vote.

City Manager's Recommendation: Hold the public hearing and consider the attached ordinance according to the guidance above. Understanding the prioritization by Councils of affordability, the Commissioner of Revenue and staff have done a very good job alerting the Council to the unexpected significant increase in motor vehicle assessments and the associated impacts on individual tax liability and General Fund revenues. Determining tax rates is an exercise in calibrating community service preferences with the community's ability and willingness to provide the requisite revenue to deliver desired services.

I recommend that revenue generated by the motor vehicle tax that exceeds what has previously been appropriated be applied according to the budget's guiding principles and Council's budget priorities.

Motor Vehicle Tax Rate	Additional Revenue
\$2.75	\$700,000
\$2.65	\$500,000
\$2.55	\$300,000

It is important to note that historically, under the Code of the Commonwealth, the business personal property and motor vehicle rates must be the same. Recognizing the exceptional circumstance involving assessments, the General Assembly enacted legislation that allows localities to “decouple” these rates and adopt a lower motor vehicle rate. **The legislation has a sunset clause and the ability to have separate rates expires in 2025. At that time, presumably the business personal property rate and the motor vehicle rate will have to be unified.**

Suggested Motion(s): The attached ordinance has been properly introduced and discussed. As such, the Council may vote on the ordinance. If the body wishes to consider a rate lower than \$2.65, a motion to amend the ordinance is required. Finally, if the Council fails or elects not to act, the lawfully adopted rate of \$2.75 will remain in effect.

Attachments:

Illustrative Vehicle Assessments and Tax Liability

Personal Property Tax Rate Ordinance