



City of Fredericksburg, Virginia

City Council

AGENDA

Hon. Mary Katherine Greenlaw, Mayor
Hon. Charlie L. Frye, Jr., Vice-Mayor, Ward Four
Hon. Kerry P. Devine, At-Large
Hon. Matthew J. Kelly, At-Large
Hon. Jason N. Graham, Ward One
Hon. Jonathan A. Gerlach, Ward Two
Hon. Timothy P. Duffy, Ph.D., Ward Three

Special Called Meeting

Walker-Grant Center

210 Ferdinand Street

April 5, 2022

7:00 p.m.

Mary Katherine Greenlaw, Presiding

Agenda

1. **Call To Order**

2. **Invocation**

Vice-Mayor Charlie L. Frye, Jr.

3. **Pledge Of Allegiance**

Councilor Jason N. Graham

4. **City Manager Agenda**

- A. Ordinance 22-___, First & Second Read, Eliminating The Annual Motor Vehicle License Fee And Clarifying The Residency Requirement For A Resident Motor Vehicle Decal

Documents:

[4A ELIMINATE MVL FEE.PDF](#)

- B. Ordinance 22-___, First & Second Read, Establishing Certain Motor Vehicles As A

Separate Classification Of Tangible Personal Property, And Adopting A Separate Tax Rate For This Classification, To Offset The Increase In Assessed Values In Motor Vehicles Due To Supply Chain Disruptions Attributed To The Pandemic, For The Fiscal Year 2023; And Suspending Penalties For Late Payment Of Tangible Personal Property Taxes Due On May 15, 2022

Documents:

[4B PPT RATE REVISED.PDF](#)

- C. Resolution 22-___, Setting The Personal Property Tax Relief Percentage For The 2022 Billing In Accordance With The Changes To The Personal Property Tax Relief Act Of 1998

Documents:

[4C PPT RELIEF REVISED.PDF](#)

5. **Adjournment**



MEMORANDUM

TO: Timothy J. Baroody, City Manager
FROM: Tripp Lawrence, Assistant Director of Finance
DATE: April 5, 2022(for April 5, 2022 City Council Special Meeting)
SUBJECT: Ordinance to Eliminate the Annual Motor Vehicle License Fee

ISSUE

City Council is asked to consider eliminating the annual motor vehicle license fee that is included in the May personal property billing cycle.

RECOMMENDATION

Staff recommends approval of this ordinance on first and second read.

BACKGROUND

The global COVID-19 pandemic has disrupted the supply chain associated with motor vehicles, trailers, and semi-trailers, leading to an increase in the value of used vehicles and consequently, higher personal property taxes on these vehicles. If City Council wishes to help offset the increase in taxes, this could be done by eliminating the annual motor vehicle license fee in conjunction with the reduction in the personal property tax rate.

FISCAL IMPACT

Currently, each vehicle registered within the City is assessed a motor vehicle license fee; fifteen dollars on motorcycles and twenty dollars on all other vehicles. This fee is included in the annual May bill cycle. The elimination of the vehicle license tax in tandem with reduction in the tangible personal property tax rate for vehicles will not impact the estimated revenue included in the FY 2023 budget.

Attachments:

Ordinance Eliminating Annual Motor Vehicle License Fee



draft March 31, 2022
Special Meeting
Ordinance No. 22-__

MOTION:

SECOND:

RE: Eliminating the Annual Motor Vehicle License Fee and Clarifying the Residency Requirement for a Resident Motor Vehicle Decal

ACTION: APPROVED: Ayes: 0; Nays: 0

FIRST READ: _____ **SECOND READ:** _____

Sec. I. Introduction.

Virginia Code §46.2-752 authorizes counties, cities, and towns to charge license fees on motor vehicles, trailers, and semi-trailers, subject to the conditions and exemptions set forth in the statute. The City of Fredericksburg charges this annual license fee, as set out in City Code §58-64.

However, the global COVID-19 pandemic has disrupted the supply chain associated with motor vehicles, trailers, and semi-trailers, leading to an increase in the value of used vehicles and consequently, higher personal property taxes on these vehicles. City Council wishes to offset all or a portion of these higher taxes by eliminating the annual motor vehicle license fee and reducing the personal property tax rate on motor vehicles.

City Council proposes to continue to offer the City motor vehicle decal referenced in City Code §58-63, which will indicate that a motor vehicle is owned by a resident of the City. These decals will require proof of residency and proof of motor vehicle registration, in addition to proof of payment of City personal property taxes.

Sec. II. City Code amendment.

1. The name of Chapter 58, Article II of the City Code is amended as follows:

ARTICLE II
~~City License Fees and Taxes~~
Resident Motor Vehicle Decal and License Tax

2. The name of Chapter 58, Article II, Division 2 of the City Code is amended as follows:

DIVISION 2
License Fees
Resident Motor Vehicle Decal

3. City Code §58-61, "Definitions," is amended as follows:

§58-61. Definitions.

The following words, terms and phrases, when used in this article, shall have the meanings ascribed to them in this section, except where the context clearly indicates a different meaning:

CITY DECAL

Any device, such as a sticker or decal, designed to be affixed to a motor vehicle *to indicate that the motor vehicle is registered to a City resident according to the records of the Virginia Department of Motor Vehicles.* ~~as the indicia of payment of the City license tax on a motor vehicle which is normally garaged, stored or parked in the City. The term "parked" refers to parking overnight by residents, not parking on a daily basis by commuters or other non-residents.~~

MOTOR VEHICLE

Every vehicle, except as otherwise defined in this article, which is self-propelled or designed for self-propulsion. ~~Any structure designed, used, or maintained primarily to be loaded on or affixed to a motor vehicle to provide a mobile dwelling, sleeping place, office, or commercial space shall be considered a part of a motor vehicle.~~ For the purposes of this article, any device used as a bicycle, *motorized skateboard or scooter, or moped, or personal delivery device* shall be deemed not to be a motor vehicle.

4. City Code §58-63, "License decals available; general regulations," is amended as follows:

§58-63. Resident motor vehicle License decals available; general regulations.

- A. ~~Unless exempt from taxation under Code of Virginia, § 46.2-755, a~~Any person City resident owning a motor vehicles that is registered as garaged in the City according to the records of the Virginia Department of Motor Vehicles ~~are normally garaged, stored, or parked in the City~~ may procure from the City Treasurer a City decal for each such motor vehicle for \$2 on or before May 15 of each year. ~~If it cannot be determined where the motor vehicle is normally garaged, stored, or parked, the owner may procure a City decal under this section if he is domiciled in the City. In the event the owner is a full-time student attending an institution of higher education, he may procure a City decal under this section if he is domiciled in the City or cannot present sufficient evidence that he has paid a personal property tax on such motor vehicle in his place of domicile.~~
- B. City decals shall be effective until May 15 following their date of purchase. New decals for the approaching year may be used after ~~May~~ April 1.

- C. The City Manager shall, at the expense of the City, procure City decals of such size, color, and design as he shall deem fit and there shall be stamped thereon, in plain letters and figures, the name, "Fredericksburg," and the year for which it was issued.
 - D. City decals shall not be transferred to or used on any other motor vehicle until the owner of such vehicle has applied to and received approval therefore from the Commissioner of the Revenue and payment has been made to the City Treasurer.
 - E. If a City decal has been lost or mutilated or has become illegible, the person entitled thereto may make application for and obtain a duplicate or substitute decal upon furnishing information satisfactory to the City Treasurer.
 - F. Residents purchasing new or used motor vehicles may purchase a City decal upon registering the vehicle with the commissioner of revenue *or the Virginia Department of Motor Vehicles*.
 - G. New City residents may purchase a City license decal upon establishing residency and registering the vehicle with the commissioner of revenue *or the Virginia Department of Motor Vehicles*.
 - H. ~~The City Treasurer shall not issue a~~ ~~no motor vehicle decal shall be issued a decal by the~~ ~~City~~ unless and until the applicant for such license has produced satisfactory evidence (1) of City residence, (2) that the motor vehicle is registered to a City resident by the Virginia Department of Motor Vehicles, and (3) that all personal property taxes for any and all years properly assessed or assessable against the applicant by the City have been paid. Nothing in this subsection shall in any way affect the other requirements and provisions of this section.
- 5. City Code §58-64, "Fee schedule; exemptions and waivers," is repealed in its entirety.
 - 6. City Code Chapter 58, Article II, Division 3, "License Tax on Vehicles Lacking Valid License Plates," is not amended by this ordinance.

Sec. III. Effective date.

This ordinance shall become effective immediately upon adoption.

Votes:

Ayes:

Nays:

Absent from Vote:

Absent from Meeting:

Approved as to form:

Kathleen Dooley, City Attorney

Clerk's Certificate

I, the undersigned, certify that I am Clerk of Council of the City of Fredericksburg, Virginia, and that the foregoing is a true copy of Ordinance No. 22- duly adopted at a meeting of the City Council meeting held Date, 2022 at which a quorum was present and voted.

Tonya B. Lacey, MMC
Clerk of Council



MEMORANDUM

TO: Timothy J. Baroody, City Manager
FROM: Tripp Lawrence, Assistant Director of Finance
DATE: April 4, 2022 (for April 5, 2022 City Council Special Meeting)
SUBJECT: Ordinance to Change Personal Property Rate

ISSUE

City Council is asked to consider creating a separate tax rate for vehicles and changing this tangible personal property rate. This change will impact the valuation effective January 1st, 2022 and first installment due May 15th, 2022 as a result of the unprecedented rise in vehicle valuations.

RECOMMENDATION

Staff recommends approval of this ordinance on first and second read.

BACKGROUND

Personal property taxes are payable in two equal installments, with the first half of the total tax being due and payable on or before May 15 and the second half being due and payable on or before November 15 of each calendar year.

The global COVID-19 pandemic has disrupted the supply chain associated with vehicles, which in turn has led to a shortage of supply in these categories of new personal property and an increase in the value of used personal property. The increase in the value of used personal property, in particular, is reflected in the recognized pricing guides which form the basis for personal property tax valuation; this increase in value is contrary to the general trend of personal property values depreciating over time.

Per HB1239 signed into law on March 22, 2022 by Governor Youngkin, localities are now able to create a separate classification within tangible personal property for vehicles. This emergency legislation was passed with the intent to assist tax payers with the unprecedented rise in vehicle valuations caused by supply chain issues and new car inventory shortages. This bill will expire on January 1, 2025.

The attached ordinance lowers the current tax rate for vehicles from \$3.40 to \$2.95. This new rate will bring taxes levied on assessed values closer to levels traditionally seen throughout the City in recent years. All other categories of tangible personal property will remain at their current rates.

City staff believes that the increase in value will be temporary and that values for used vehicles in particular should decrease in the future. Staff and City Council will need to re-evaluate the new rate in March 2023 with next year's value to try and maintain revenue stability.

FISCAL IMPACT

At the current rates, it is anticipated that citizens will see an increase in bills due to the growth in values. Temporarily reducing the rate will help offset this rise, thus reducing the impact felt by tax payers. A reduction in the rate in tandem with the elimination of the vehicle license tax will not impact the estimated revenue included in the FY 2023 budget.

Attachments:

Ordinance revising Tangible Personal Property Tax Rate



Draft March 30, 2022
Special Meeting
Ordinance No. 22-__

MOTION:

SECOND:

RE: Establishing Certain Motor Vehicles as a Separate Classification of Tangible Personal Property, and Adopting a Separate Tax Rate for this Classification, to Offset the Increase in Assessed Values in Motor Vehicles Due to Supply Chain Disruptions Attributed to the Pandemic, for the Fiscal Year 2023; and Suspending Penalties for Late Payment of Tangible Personal Property Taxes Due on May 15, 2022

ACTION: APPROVED: Ayes: 0; Nays: 0

FIRST READ: _____ **SECOND READ:** _____

Sec. I. Introduction.

The City imposes and levies a tax upon all non-exempt personal property at the rate of \$3.40 for every \$100 of the assessed value thereof, for general City and school purposes, in City Code §§70-131 et seq. The Commissioner of Revenue assesses the value of personal property in accordance with the methods prescribed by the Virginia Code, including, for automobiles, trucks, motorcycles, mopeds, and all-terrain vehicles, by means of a recognized pricing guide. The Commissioner of Revenue records the value of personal property in the official book and applies the appropriate tax rate, and then delivers the book to the Treasurer, who bills the taxpayer.

The City assesses the personal property tax on a fiscal year basis, beginning July 1 and ending June 30 of each such year. Personal property taxes are payable in two equal installments, with the first half of the total tax being due and payable on or before May 15 and the second half being due and payable on or before November 15 of each calendar year.

The global COVID-19 pandemic has disrupted the supply chain associated with motor vehicles, which in turn has led to a shortage of supply in these categories of new motor vehicles and an increase in the value of used motor vehicles. The increase in the value of used motor vehicles is reflected in the recognized pricing guides which form the basis for personal property tax valuation; this increase in value for used motor vehicles is contrary to the general trend of personal property values depreciating over time.

Virginia Code §58.1-3012 authorizes and empowers any local governing body to change the rate of its tax on tangible personal property during any calendar year, provided such change is made prior to the date on which the personal property books are delivered to the treasurer. Furthermore, 2022 Acts of the Assembly Chapter 30 authorizes the separate classification of certain motor vehicles for local taxation. This new law authorizes the adoption of a separate rate of taxation for this classification of tangible personal property, for any tax year beginning on or after January 1, 2022, but before January 1, 2025.

It is City Council's desire to employ this authority to change the rate of the City's tax on motor vehicles so as to offset the general increase in value of this classification of tangible personal property, for annual installments due and payable on or before May 15, 2022 and November 15, 2022. The Commissioner of Revenue reports that she has not yet delivered the personal property books to the Treasurer as of the date of the adoption of this ordinance.

Finally, this change in classification and tax rate may result in a delay in the billing of personal property taxes due and owing on May 15, 2022. Therefore, in order to hold taxpayers harmless from any such delay, the City Council will provide a seven-day period during which the penalty for failure to pay this tax by its due date shall be suspended.

Sec. II. City Code amendment.

1. City Code §70-131, [Tangible Personal Property Taxes] Levied, is therefore amended as follows:

§70-131 Levied.

- A. For each and every fiscal year, beginning July 1 and ending June 30 of each such year, unless otherwise changed by the City Council, there is hereby imposed and levied upon all personal property not exempt from taxation, a tax of \$3.40 for every \$100 of the assessed value thereof, for general City and school purposes.
- B. Tangible personal property taxes shall be based upon all such property owned by the taxpayer on January 1 of each calendar year. Every taxpayer owning property subject to taxation under this section shall file a personal property tax return with the Commissioner of Revenue on or before February 15 of each year, reflecting ownership of such property as of January 1 of that year.

- C. Personal property taxes shall be payable annually in two equal installments, with the first half of the total tax being due and payable on or before May 15 and the second half being due and payable on or before November 15 of each calendar year.
- D. *For the annual installments due and payable on May 15, 2022 and November 15, 2022 only, there is hereby imposed and levied upon the following classification of personal property not exempt from taxation, a tax of \$2.95 for every \$100 of the assessed value thereof, for general City and school purposes:*
1. *Automobiles as described in subdivision A 3 of Virginia Code §58.1-3503;*
 2. *Trucks of less than two tons as described in subdivision A 4 of Virginia Code §58.1-3503;*
 3. *Trucks and other vehicles as described in subdivision A 5 of Virginia Code §58.1-3503;*
 4. *Motor vehicles with specially designed equipment for use by the handicapped as described in subdivision A 9 of §58.1-3503; and*
 5. *Motorcycles, mopeds, all-terrain vehicles, off-road motorcycles, campers, and other recreational vehicles as described in subdivision A 10 of §58.1-3503.*
2. City Code §70-34, "Penalty for failure to pay tax by due date," shall be amended as follows:

Sec. 70-34. Penalty for failure to pay tax by due date.

Except as otherwise specifically provided by law, any person who fails to pay a tax imposed pursuant to this chapter or to pay any installment thereon by the due date shall be assessed a penalty of 10% of the tax past due or \$2, whichever is greater; provided, however, that the penalty in no case shall exceed the amount of the tax assessable. Such penalty shall be assessed on the day after the tax or first installment thereof is due; *except that no such penalty shall be assessed for seven days for failure to pay the personal property tax installment due on May 15, 2022.* Any such penalty when assessed shall become a part of the tax.

Sec. III. Effective date.

This ordinance takes effect immediately upon adoption.

Votes:

Ayes:

Nays:

Absent from Vote:

Absent from Meeting:

Approved as to form:

Kathleen Dooley, City Attorney

Clerk's Certificate

I, the undersigned, certify that I am Clerk of Council of the City of Fredericksburg, Virginia, and that the foregoing is a true copy of Ordinance No. 22- duly adopted at a meeting of the City Council meeting held Date, 2022 at which a quorum was present and voted.

Tonya B. Lacey, MMC
Clerk of Council

MEMORANDUM

TO: Timothy J. Baroody, City Manager
FROM: Richard E. Lawrence, Assistant Direct of Finance
DATE: April 4, 2022 (for the April 5, 2022 Council Special Meeting)
RE: Setting the Personal Property Tax Relief Percentage for 2022

ISSUE

The City Council must approve a resolution setting the Personal Property Tax Relief Percentage for the 2022 Personal Property Tax Billing.

RECOMMENDATION

Staff recommends approval of the attached resolution confirming the Commissioner's assessment of the relief percentage at 31%.

BACKGROUND

In order to send out the spring personal property tax bills, the Treasurer and the Commissioner of the Revenue need a resolution adopted by the City Council setting the percentage of Personal Property Tax Relief, in accordance with Ordinance 05-28.

The Commissioner of the Revenue has calculated a tax relief rate based upon the amount of relief that the state will provide to the City. The Commissioner recommends the relief percentage be set at 31% to fully exhaust the block grant. The rate was set at 34% in 2021, 35% in 2020, 37% from 2019 – 2017, and 36% 2016 through 2014.

The City receives the same amount for relief from the state every year. The recommended level of relief should ensure that the block grant is exhausted.

Personal property taxes are billed in two installments – one in spring and one in fall. The spring billing is due on May 15th and the fall billing is due November 15th.

FISCAL IMPACT

The percentage of relief must be set to a level that will exhaust the block grant for PPTRA Relief of \$1.728 million. Overall bills will increase if the relief percentage decreases. Individual bills will rise or fall depending upon the assessment of individual vehicles.

Attachment: Resolution

cc: Brenda Wood, Treasurer
Lois Jacob, Commissioner of the Revenue



**April 5, 2022
Regular Meeting
Resolution 22-__**

MOTION:

SECOND:

**RE: Setting the Personal Property Tax Relief Percentage for the 2022 Billing in
 Accordance with the Changes to the Personal Property Tax Relief Act of 1998**

ACTION: APPROVED: Ayes: 0; Nays: 0

The Personal Property Act of 1998, Va. Code Section 58.1-3523, et seq. ("PPTRA") requires the City to provide for the computation and allocation of relief provided pursuant to the PPTRA.

The Commonwealth of Virginia now provides to the City, commencing in 2006, a fixed sum to be used exclusively for the provision of tax relief to owners of qualifying personal use vehicles that are subject to the personal property tax on such vehicles. In response, the City enacted Ordinance Number 05-28, "An Ordinance Implementing the 2005-2006 Changes to the Personal Property Tax Relief Act of 1998."

The Commissioner of the Revenue has a projection based upon the City's change in personal property tax values of the level necessary to fully exhaust the PPTRA relief fund provided to the City by the Commonwealth, as called for in the Ordinance.

The Personal Property Tax Relief Percentage in 2021 was set at 34%. Past years' percentages:

Year	PPTRA Percentage
2020	35%
2019	37%
2018	37%
2017	37%
2016	36%
2015	36%

It is necessary to set by resolution the Personal Property Tax Relief Percentage for the tax billing of 2022.

It is RESOLVED by the City Council of the City of Fredericksburg, that the Personal Property Tax Relief Percentage is set at 31% of the first \$20,000 of market value for qualifying vehicles valued at over \$1,000, in accordance with Ordinance 05-28.

Votes:

Ayes:

Nays:

Absent from Vote:

Absent from Meeting:

Clerk's Certificate

I, the undersigned, certify that I am Deputy Clerk of Council of the City of Fredericksburg, Virginia, and that the foregoing is a true copy of Resolution No. 20- duly adopted at a meeting of the City Council meeting held April 5, 2022 at which a quorum was present and voted.

Tonya B. Lacey, MMC
Clerk of Council