



Legislation Text

File #: 23-0091, Version: 1

Resolution to Apply an Assessment Ratio to the Value of Certain Automobiles and Trucks as Authorized by Code of Virginia §58.1-3503(B) for the Calendar Tax Year Beginning January 1, 2023

PURPOSE/BACKGROUND:

See Discussion below.

Discussion:

The COVID-19 pandemic caused wide spread closures and market disruptions. The automobile industry experienced shortages in workers, and equipment, particularly computer chips, which are one of the key components of every modern passenger vehicle. The inevitable result of that industry shortage is a shortage in the supply of new vehicles. That shortage lead to a substantial increase in the demand for used automobiles and passenger trucks. That demand has drove fair market values higher, for an asset that generally trends down in value over its useful life.

The Commissioner of the Revenue ("Commissioner") is required to value all taxable property at its fair market value. Pursuant to Code of Virginia §§58.1-3503(A)(3) and (A)(4), automobiles and trucks of less than 2 tons ("trucks") described therein must be valued by using a recognized pricing guide, or a percentage of cost if a vehicle is not yet listed in any such pricing guide. Those classifications include the majority of passenger vehicles driven by Hampton citizens. The Commissioner utilizes the pricing guide produced by the National Automobile Dealers Association (NADA), and 90% of total original cost (for the initial year) for automobiles and trucks not yet represented in that guide. In the normal course, automobiles and trucks are taxed based on 100% of the fair market value determined by the Commissioner. By action of Council last May, the tax rate applicable to automobiles and trucks for calendar year 2023 is \$4.50 per \$100 of assessed value.

For 2023, the Commissioner reports that while there has been a decrease in the value of automobiles and trucks as compared to last year, values are still trending higher than occurred in 2021, but for the continued impact of the increase in demand for the used vehicles described above. It is expected that used vehicle values will continue to trend downward over the course of this year. Code of Virginia §58.1-3503(B) allows the Commissioner, with the concurrence of the City Council, to apply an assessment ratio to fair market value. An assessment ratio effectively functions as a component of the tax rate, and when that assessment ratio is anything less than 100%, the net impact is an effective tax rate that is less than the nominal rate.

For the Tax Year beginning January 1, 2023, the Commissioner recommends, and Council concurs, that an assessment ratio of ninety-three percent (93%) should be applied to the automobile class described in Code of Virginia §58.1-3503(A)(3) and the truck class described in Code of Virginia §58.1-3503(A)(4).

Impact:

Tax Relief for Hampton Citizens. An assessment ratio, when combined with the adopted tax rate, will produce a lesser effective tax rate. In addition, the lower taxable values that result when the assessment ratio is applied will be the basis for the allocation of Personal Property Tax Relief, and therefore also affording a greater benefit to taxpayers than if the tax rate was applied to 100% of fair market value.

Recommendation:

Approve the Resolution.

WHEREAS, the COVID-19 pandemic caused widespread closures and market disruptions;

WHEREAS, the automobile industry experienced a shortage in workers, necessary parts, and equipment, including vitally important computer chips;

WHEREAS, the unexpected challenges in new automobile production have led to a decreased supply of new automobiles, and a substantially increased demand for used automobiles;

WHEREAS, historically, used car values progressively decline over the life of a vehicle;

WHEREAS, because of the shift in demand, used car fair market values have increased over the 2021 average;

WHEREAS, that increase is uncharacteristic and material, and is also expected to be short-lived;

WHEREAS, the majority of Hampton citizens own and operate vehicles categorized in two distinct statutorily defined classes for valuation purposes;

WHEREAS, pursuant to Code of Virginia §58.1-3503(A)(3), the Commissioner of the Revenue must annually determine the fair market value of automobiles described therein by using a recognized pricing guide, or by a percentage of cost if an automobile is not in any such pricing guide;

WHEREAS, pursuant to Code of Virginia §58.1-3503(A)(4), the Commissioner of the Revenue must annually determine the fair market value of trucks of less than 2 tons described therein by using a recognized pricing guide, or by a percentage of cost if an automobile is not in any such pricing guide;

WHEREAS, those automobiles and trucks have historically been assessed at 100% of fair market value;

WHEREAS, Code of Virginia §58.1-3503(B), authorizes the Commissioner of the Revenue, with the concurrence of City Council, to apply an assessment ratio of less than 100% to one or more of the classes described in Code of Virginia §58.1-3503(A);

WHEREAS, the Commissioner of the Revenue and the City Council concur that due to the current circumstances, an assessment ratio of ninety-three percent (93%) shall be applied to the fair market value of each of those automobiles valued by the Commissioner in accordance with Code of Virginia §58.1-3503(A)(3), and each of those trucks of less than 2 tons valued in accordance with Code of Virginia §58.1-3503(A)(4), which are the classifications that include the majority of passenger vehicles driven by Hampton citizens;

NOW THEREFORE, be it ordained by the City Council of the City of Hampton, Virginia, in concurrence with the Commissioner of the Revenue of the City of Hampton, Virginia that, in accordance with Code of Virginia §58.1-3503(B), as assessment ratio of ninety-three percent (93%) shall be applied to all those automobiles valued by the Commissioner of the Revenue in accordance with Code of Virginia §58.1-3503(A)(3) and trucks valued in accordance with Code of Virginia §58.1-3503(A)(4) for the calendar tax year beginning January 1, 2023.

AND, be it further ordained that the assessment ratio adopted herein shall apply solely to qualifying assessments for the calendar tax year beginning January 1, 2023, and no other.