



COMMONWEALTH of VIRGINIA

Office of the Governor

John M. Bennett
Secretary of Finance

P. O. Box 1475
Richmond, Virginia 23218

January 1, 2005

MEMORANDUM

TO: The Honorable Mark R. Warner
Governor of Virginia and
Members of the General Assembly

FROM: John M. Bennett 

SUBJECT: Payment Dates for Reimbursing Counties, Cities, and Towns for
Providing Personal Property Tax Relief

In accordance with § 58.1-3912.4, *Code of Virginia*, I am writing to report to you the payment dates that will be used for reimbursing counties, cities, and towns for providing personal property tax relief pursuant to Chapter 35.1 of Title 58.1 of the Code of Virginia, which was enacted as Chapter 1 of Special Session I (2004). As you know, Chapter 1 established a \$950 million limit on the amount the state would appropriate for personal property tax relief, beginning for tax year 2006. It further established that each county, city and, town would receive a fixed percentage of the \$950 million, with payments to begin on or after July 1, 2006 (FY 2007).

To address the timing of payments under the new program, Chapter 1 required that:

“ . . . the Secretary of Finance, in consultation with representatives of the Virginia Municipal League and the Virginia Association of Counties, shall develop a schedule of payment dates (for tax year 2006 and tax years thereafter) for reimbursement payments to localities that is consistent with the parameters for reimbursement payments to localities provided under the provisions of this act. The Secretary of Finance shall, by January 1, 2005, provide to the Governor and to the General Assembly the actual payment dates that will be used for reimbursing counties, cities, and towns for providing tangible personal property tax relief pursuant to Chapter 35.1 of Title 58.1 of the Code of Virginia.”

We have met numerous times over the past several months with representatives from the Virginia Municipal League (VML) and the Virginia Association of Counties (VACO) and a working group consisting of finance directors, Treasurers, and Commissioners of Revenue of numerous local governments. Members of the working group are listed in Appendix B.

Although the statutory mandate for these meetings was the schedule for payments, many related issues were discussed, including:

- The impact on local government financial reporting and budgeting
- Cash flow issues for local governments billing during January through June
- The date on which to determine the fixed share of the \$950 million payment
- A termination date for the 1998 PPTRA program
- Local bill formats and bifurcated rates

These issues are addressed in proposed amendments to the 2004-2006 biennial budget, HB 1500/SB 700.

Payment Schedules

In setting a payment schedule, the principal objective was to implement the new law with as little impact as possible on localities' cash flow. An effort was therefore made to match the payment patterns to which localities have become accustomed, while minimizing state and local administrative costs. The proposed payment schedules were discussed at length with members of the working group. Consensus solutions for these issues are built into the payment schedules or, in some cases, included as language amendments in the Governor's recently introduced budget.

In order to achieve an optimal balance between the need to match existing payment patterns and also minimize state administrative costs, localities were grouped into four categories:

1. Counties and Cities with Spring Billing Dates
2. Counties and Cities Receiving More Than \$20 million per year
3. Counties and Cities Receiving Less Than \$20 million per year
4. Towns

1. Counties and Cities with Spring Billing Dates

Localities which bill and are normally reimbursed between January and June of each year ("Spring Billers") are most significantly affected by the new law. Since their typical due date for payment of local personal property tax falls on June 5, a large portion of the state PPTRA reimbursements received by these localities has historically been received in approximately equal proportions during May and June of each year.

Under the new law, first year payments made pursuant to Spring, 2006 billings are delayed until fiscal year 2007. Under a modified accrual system of accounting, which all cities and counties

employ, revenue for a fiscal year which is received within a locality's availability period (normally 45 or 60 days after June 30) can be counted as having been received by June 30. Accordingly, cities and counties with spring billing dates will receive a portion of their total share of the \$950 million on July 31 of each year.

The July 31 payments will be based on an estimate of the percentage of each city and counties' spring bills that would have normally been collected and paid through June 30. This percentage will be derived based on their collection patterns for calendar year 2005 tax bills collected/paid prior to June 30, 2005. Payments associated with delinquent collections will be excluded from this computation.

Under the July 31 payment plan, May collections are delayed by, at most, 92 days. June collections are delayed by, at most, 61 days. Although the localities appear largely able to absorb this cash flow impact, some have expressed concern over lost interest income on investment balances. To minimize the potential lost investment interest, the balance of each spring billing locality's share of the \$950 million (i.e., the amount not paid by July 31) will be paid in its entirety during the first half of each fiscal year – 40% on August 15 and 60% on November 15.

Appendix A lists the 37 localities included in this payment schedule.

2. Counties and Cities Receiving More Than \$20M per year

The four cities and counties in this category have historically received their PPTRA reimbursements in the following average proportions:

July-September	40%
October-December	49%
January-March	8%
April-June	3%

To balance the goal of matching current cash flow patterns with controlling administrative costs, localities in this category will receive their share of the \$950 million on the following dates and in the following proportions:

August 15	50%
November 15	45%
February 15	3%
May 15	2%

Under this schedule, localities will generally receive a greater share of their total payment at an earlier date than under the existing program.

Appendix A lists the localities included in this payment schedule.

3. Localities Receiving Less Than \$20M per year

The 93 cities and counties in this category have historically received their PPTRA reimbursements in the following average proportions:

July-September	2%
October-December	59%
January-March	25%
April-June	14%

To balance the goal of matching current cash flow patterns with controlling administrative costs, localities in this category will receive their share of the \$950 million on the following dates and in the following proportions:

August 15	5%
November 15	75%
February 15	15%
May 15	5%

As with the payment schedule for cities and counties receiving more than \$20 million, cities and counties in this category will generally receive a greater share of their total payment at an earlier date than under the existing program.

Appendix A lists the localities included in this payment schedule.

4. Towns

Given the relatively low amount received in aggregate by towns (i.e., \$8 million) all but seven towns listed in Appendix A will receive their share of the \$950 million in its entirety on August 15. The seven towns listed in the Appendix to this report have spring billing dates and bill for the current tax year. Given the relatively small amounts associated with these seven towns, language amendments included in the introduced budget, HB 1500/SB 700, provide authority and funding to pay these “spring biller” towns during fiscal year 2006. Payments to these seven towns will be made in accordance with past practices.

The Honorable Mark R. Warner
January 1, 2005
Page Five

I would be pleased to discuss the payment schedules or proposed amendments to HB 1500/SB 700 with you in more detail, if you would find that useful.

Appendix A

Counties and Cities with Billing Dates Between January and June (Spring Billers)

(July 31-Estimate and percentage of spring bills normally paid through June 30, 2006, based on TY 2005; Balance of each spring biller's share will be paid during the first half of each fiscal year – 40% on August 15 and 60% on November 15)

Albemarle County	Dinwiddie County	King George County	Richmond City
Buena Vista, City of	Emporia, City of	Lexington City	Roanoke City
Caroline County	Fluvanna County	Loudoun County	Roanoke County
Charlottesville	Frederick County	Nelson County	Salem City
Chesapeake	Fredericksburg, City of	Newport News	Spotsylvania County
Chesterfield County	Greene County	Norfolk	Stafford County
Clarke County	Hampton, City of	Petersburg, City of	Virginia Beach
Colonial Heights	Henrico County	Poquoson	Winchester City
Covington	James City County	Portsmouth	York County
Danville			

Counties and Cities Receiving More Than \$20 Million Per Year

(August 15-50%; November 15-45%; February 15-3%; May 15-2%)

Alexandria
Arlington County
Fairfax County
Prince William

Counties and Cities Receiving Less Than \$20 Million Per Year

(August 15-5% November 15-75% February 15-15% May 15-5%)

Accomack County	Falls Church City	Madison County	Rockingham County
Alleghany County	Fauquier County	Manassas City	Russell County
Amelia County	Floyd	Manassas Park City	Scott County
Amherst County	Franklin City	Martinsville City	Shenandoah County
Appomattox County	Franklin County	Mathews County	Smyth County
Augusta County	Galax City	Mecklenburg County	Southampton County
Bath County	Giles County	Middlesex County	Staunton City
Bedford City	Gloucester County	Montgomery County	Suffolk City
Bedford County	Goochland County	New Kent	Surry County
Bland County	Grayson County	Northampton County	Sussex County
Botetourt County	Greensville County	Northumberland County	Tazewell County
Bristol City	Halifax County	Norton City	Warren County
Brunswick County	Hanover County	Nottoway County	Washington County
Buchanan County	Harrisonburg City	Orange County	Waynesboro City
Buckingham County	Henry County	Page County	Westmoreland County
Campbell County	Highland County	Patrick County	Williamsburg City
Carroll County	Hopewell	Pittsylvania County	Wise County
Charles City County	Isle of Wight County	Powhatan County	Wythe County
Charlotte County	King and Queen County	Prince Edward County	
Craig County	King William County	Prince George	
Culpeper County	Lancaster County	Pulaski County	

Cumberland County
Dickenson County
Essex County
Fairfax City

Lee County
Louisa County
Lunenburg County
Lynchburg City

Radford City
Rappahannock County
Richmond County
Rockbridge County

Towns which Bill Between January and June Each Year

(Paid in the Spring of FY 2006, pursuant to language proposed in HB 1500/SB 700)

Edinburg
New Market
Toms Brook
Vinton

Strasburg
Pamplin
Woodstock

All Other Towns

(By August 15)

Other

Winchester

(Bills for prior 12 months, based on anniversary date of the vehicle license. Language is proposed in HB 1500/SB 700 to extend the potential payments for Winchester.)

Note: Payment dates are based on the latest available information. If a locality is listed above in an incorrect category, actual payments will be determined by the correct billing date(s).

Appendix B
Working Group of Local Officials

Commissioners of the Revenue

Charles D. Crowson, Jr., City of Newport News

Mitchell W. Nuckles, City of Lynchburg

Treasurers

Richard Cordle, Chesterfield County Treasurer

C. William "Bill" Orndoff, Jr. Frederick County Treasurer

Virginia Association of Counties

Virgil Hazelett, County Manager, Henrico County

Kevin Greenlief, Fairfax County

Virginia Municipal League

Elmer Hodge, County Administrator, Roanoke County

Catheryn Whitesell, Budget Director, City of Virginia Beach

Other Local Representatives

Ellen R. Davenport, VACo

Michael L. Edwards, VML

Mary Ann Curtin, Chesterfield County

Alan D. Albert, LeClair Ryan