

# Tax Impact of Reversion on Martinsville and Henry County Residents and Businesses



*Office of the Commissioner of the Revenue*

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# Summary of Tax Impacts due to Martinsville Reversion

## Martinsville Impacts:

- Modest Decrease in Real Estate Tax
- Estimated 25% Decrease in Real Estate Tax Relief Provided for Elderly and Disabled
- Possible Decrease in Personal Property Tax for Vehicles that Qualify for Personal Property Tax Relief (dependent on tax rate and relief percentage set by Town Council for the Town Tax)
- Town Residents Get a Real Estate and Personal Property Tax Bill from the County and the Town and pay two separate Treasurers for the separate tax liabilities
- Estimated 50% Increase in Tax on Non-qualifying Personal Property (Boats, RVs, Business Vehicles, Trailers, Vehicles Assessed Over \$20,000...)
- Significant Increase (tax doubles or triples depending on Town tax rate set, age of asset, and type of asset) for Business Tangible Personal Property Tax

## Henry County Residents:

- Increase in Real Estate Tax
- Estimated 12% Increase in Personal Property Tax for PPTRA Qualifying Vehicles
- No Change on Business Taxes Except Real Estate

See Following Pages for Details on Increases and Decreases

## Historical Observations in Reverted Localities

- Historically in the localities that have undergone reversion, Town residents pay less in combined real estate taxes than they did before reversion. All County residents realized an increase in their real estate taxes after the reversion.
- Eventually the real estate tax increased within a few years in both the Town and the County to cover the expenses of providing services.
- The combined tax rate that Town of Bedford residents pay is now only 2¢ lower than the real estate tax rate of the City of Bedford at the time of reversion (July 1, 2013.)
- See historical tax rate spreadsheets for the reverted localities on the final 3 pages.

# Comparison of Martinsville & Henry County Depreciation on Original Cost

## City of Martinsville

<u>Year</u>	<u>Business Equipment</u>	<u>Computer Equipment</u>
1 <sup>st</sup>	90%	70%
2 <sup>nd</sup>	80%	50%
3 <sup>rd</sup>	70%	30%
4 <sup>th</sup>	60%	15%
5 <sup>th</sup>	50%	10%
6 <sup>th</sup>	40%	5%
7 <sup>th</sup>	30%	5%
8 <sup>th</sup> & Beyond	25%	5%

## Henry County

<u>Year</u>	<u>Business Equipment</u>	<u>Computer Equipment</u>
1 <sup>st</sup>	97%	97%
2 <sup>nd</sup>	87%	87%
3 <sup>rd</sup>	77%	77%
4 <sup>th</sup>	67%	67%
5 <sup>th</sup> & Beyond	57%	57%

Though the City has a higher tax rate than Henry Co. the City depreciates business property over a longer period and has a lower residual value for older property still in use by the business. Consequently the lowered depreciated value coupled with the City's tax rate results in a lowered tax bill for a business that keeps their property for a long time and does not replace it.



First Piedmont chose the City of Martinsville over Henry County to expand their warehouse space due to the economic incentives that they received in the first few years in an Enterprise Zone in the Clearview Industrial Park and the City's depreciation schedule in the later years.

# Tax on Business Computer Equipment

## Current Martinsville Tax on a \$1200 Computer (Rate is \$2.30/\$100 value)

- 1<sup>st</sup> Year = \$19.32
- 2<sup>nd</sup> Year = \$13.80
- 3<sup>rd</sup> Year = \$ 8.28
- 4<sup>th</sup> Year = \$ 4.14
- 5<sup>th</sup> Year = \$ 2.76
- 6<sup>th</sup> & Subsequent Year  
= \$ 1.38



## Current Henry Co Tax on a \$1200 Computer (Rate is \$1.55/\$100 value)

- 1<sup>st</sup> Year = \$18.04
- 2<sup>nd</sup> Year = \$16.18
- 3<sup>rd</sup> Year = \$14.32
- 4<sup>th</sup> Year = \$12.46
- 5<sup>th</sup> Year = \$10.60
- 6<sup>th</sup> & Subsequent Year  
= \$10.60

Under Reversion the Town Business Owner would pay business personal property tax to **both** the Town of Martinsville **and** Henry Co. using the County assessed value on computer equipment:

**Assumed Town Rate is lowered to \$1.92/\$100**

- 1<sup>st</sup> Year = \$22.34
- 2<sup>nd</sup> Year = \$20.04
- 3<sup>rd</sup> Year = \$17.74
- 4<sup>th</sup> Year = \$15.44
- 5<sup>th</sup> Year = \$13.13
- 6<sup>th</sup> & Subsequent Year  
= \$13.13



**Combined Tax Paid By Town Business**

- 1<sup>st</sup> Year = \$18.04 + \$22.34 = \$40.38
- 2<sup>nd</sup> Year = \$16.18 + \$20.04 = \$36.22
- 3<sup>rd</sup> Year = \$14.32 + \$17.74 = \$32.06
- 4<sup>th</sup> Year = \$12.46 + \$15.44 = \$27.90
- 5<sup>th</sup> Year = \$10.60 + \$13.13 = \$23.73
- 6<sup>th</sup> & Subsequent Year  
= \$10.60 + \$13.13 = \$23.73



# Tax on Business Equipment (Desks, Filing Cabinets, and other Equipment Used in the Course of Business)

**Current City Tax \$2.30/\$100 of value  
Assume Original Cost of \$10,000**

- 1<sup>st</sup> Year = \$207.00
- 2<sup>nd</sup> Year = \$184.00
- 3<sup>rd</sup> Year = \$161.00
- 4<sup>th</sup> Year = \$138.00
- 5<sup>th</sup> Year = \$115.00
- 6<sup>th</sup> Year = \$ 92.00
- 7<sup>th</sup> Year = \$ 69.00
- 8<sup>th</sup> & Subsequent Year  
= \$ 57.50

**Current County Tax \$1.55/\$100 of value  
Assume Original Cost of \$10,000**

- 1<sup>st</sup> Year = \$150.35
- 2<sup>nd</sup> Year = \$134.85
- 3<sup>rd</sup> Year = \$119.35
- 4<sup>th</sup> Year = \$103.85
- 5<sup>th</sup> Year = \$ 88.35
- 6<sup>th</sup> Year = \$ 88.35
- 7<sup>th</sup> Year = \$ 88.35
- 8<sup>th</sup> & Subsequent Year  
= \$ 88.35

Under Reversion the Town Business Owner would pay business personal property tax to **both** the Town of Martinsville **and** Henry Co. using the County assessed value on business equipment:

**Assumed Town Rate is lowered to \$1.92/\$100**

- 1<sup>st</sup> Year = \$186.24
- 2<sup>nd</sup> Year = \$167.04
- 3<sup>rd</sup> Year = \$147.84
- 4<sup>th</sup> Year = \$128.64
- 5<sup>th</sup> Year = \$109.44
- 6<sup>th</sup> & Subsequent Year  
= \$109.44



**Combined Tax Paid By Town Business**

- 1<sup>st</sup> Year = \$150.35 + \$186.24 = \$336.59
- 2<sup>nd</sup> Year = \$134.85 + \$167.04 = \$301.89
- 3<sup>rd</sup> Year = \$119.35 + \$147.84 = \$267.19
- 4<sup>th</sup> Year = \$103.85 + \$128.64 = \$232.49
- 5<sup>th</sup> Year = \$ 88.35 + \$109.44 = \$197.79
- 6<sup>th</sup> Year & Subsequent Year  
= \$ 88.35 + \$109.44 = \$197.79



# Tax on Machinery & Tools (Conveyors and Other Heavy Equipment Used in the Manufacturing Process)

**Current City Tax Rate \$1.85/\$100 of value  
Assume Original Cost of \$10,000**

- 1<sup>st</sup> Year = \$166.50
- 2<sup>nd</sup> Year = \$148.00
- 3<sup>rd</sup> Year = \$129.50
- 4<sup>th</sup> Year = \$111.00
- 5<sup>th</sup> Year = \$ 92.50
- 6<sup>th</sup> Year = \$ 74.00
- 7<sup>th</sup> Year = \$ 55.50
- 8<sup>th</sup> & Subsequent Year  
= \$ 46.25

**Current County Tax Rate \$1.55/\$100 of value  
Assume Original Cost of \$10,000**

- 1<sup>st</sup> Year = \$150.35
- 2<sup>nd</sup> Year = \$134.85
- 3<sup>rd</sup> Year = \$119.35
- 4<sup>th</sup> Year = \$103.85
- 5<sup>th</sup> Year = \$ 88.35
- 6<sup>th</sup> Year = \$ 88.35
- 7<sup>th</sup> Year = \$ 88.35
- 8<sup>th</sup> & Subsequent Year  
= \$ 88.35

Under Reversion the Town Business Owner would pay business machinery & tools tax to **both** the Town of Martinsville **and** Henry Co. using the County assessed value on machinery & tools:

**Assumed Town Rate remains at \$1.85/\$100**

- 1<sup>st</sup> Year = \$179.45
- 2<sup>nd</sup> Year = \$160.95
- 3<sup>rd</sup> Year = \$142.45
- 4<sup>th</sup> Year = \$123.95
- 5<sup>th</sup> Year = \$105.45
- 6<sup>th</sup> & Subsequent Year  
= \$105.45



**Combined Tax Paid By Town Business**

- 1<sup>st</sup> Year = \$150.35 + \$179.45 = \$329.80
- 2<sup>nd</sup> Year = \$134.85 + \$160.95 = \$295.80
- 3<sup>rd</sup> Year = \$119.35 + \$147.84 = \$267.19
- 4<sup>th</sup> Year = \$103.85 + \$123.95 = \$227.18
- 5<sup>th</sup> Year = \$ 88.35 + \$105.45 = \$193.80
- 6<sup>th</sup> Year & Subsequent Year  
= \$ 88.35 + \$105.45 = \$193.80

# Tax on Personal Use Vehicle that Qualifies for Personal Property Tax Relief

Current City Tax Rate is \$2.30/\$100 of value

Current County Tax Rate is \$1.55/\$100 of value

Relief rate was 51.04% in 2018

Relief rate was 41.12% in 2018

Average Value of City Qualifying Vehicle in 2018 was \$4,902.69

Average Value of County Qualifying Vehicle in 2018 was \$4,647.62

2018 Total Average Tax After Relief: \$54.80

2018 Total Average Tax after Relief:\$42.42



# Estimated Impact on Henry County PPTRA Relief Percentage When the City's Vehicles Are Added to the County's for Tax Assessment

- Henry County's pro rata share of the capped tax relief amount from the Commonwealth is \$1,771,828
- In FY2019 total assessed value of Henry County's fleet was \$323,917,241
- In FY 2019 total assessed value of Martinsville's fleet was \$67,568,840
- Conservatively adding Martinsville's fleet to Henry County's could reduce the County's PPTRA relief percentage to around 34.12% resulting in an increase in the total tax paid by a County resident (an accurate calculation could not be made due to the lack of specific breakdown of qualifying vehicles in Henry County's fleet. Assumptions were made based on Martinsville's breakdown.)

# Tax on Personal Use Vehicle that Qualifies for Personal Property Tax Relief

Henry County Tax Rate for Martinsville Town resident would be: \$1.55/\$100

Relief rate would be: 34.12%

Average Value of Town Qualifying Vehicle in 2018 would have been \$4,902.69

2018 Total Average Tax After Relief: \$50.06 (a decrease of \$4.74, but you still have to pay the town personal property tax too)



Current County Tax Rate is \$1.55/\$100 of value

Relief rate adjusted for Martinsville Fleet: 34.12%

Average Value of County Qualifying Vehicle in 2018 was \$4,647.62

2018 Total Average Tax after Relief: \$47.46 (an increase of \$5.04)



The pro rata share of the annual \$950 million personal property tax relief allocation was based on the effective tax rate for each locality as of July 1, 1997. The effective tax rate for Martinsville at that time was \$1.92/\$100 of assessed value. In order to continue to get annual PPTRA allocation (\$626,428) from the Commonwealth, the Town of Martinsville must still have a personal property tax, but it can't be lower than \$.86/\$100 which is the rate to provide 100% relief on the first \$20,000 of assessed value for qualifying vehicles in Martinsville's fleet in FY 2019.



# Tax on Non-Qualifying Vehicle (RVs, Campers, Trailers, Boats, Business-Use Vehicles)

Current Tax for City of Martinsville \$2.30 per \$100 of assessed value. These vehicles DO NOT qualify for tax relief and pay the full personal property tax. Current tax on property assessed at \$10,000 = \$230

Town of Martinsville Property Owners will pay the FULL Henry Co. tax PLUS the FULL Town of Martinsville tax. Assume property with assessed value of \$10,000. Henry Co. Tax is \$155. Town Tax rate is assumed to be lowered to \$1.92, which was the tax rate effective in 1998, so Town Tax on same vehicle is \$192.

Combined tax on the property for  
Town Residents: \$347



# Real Estate Tax

## Martinsville Tax Rate

Current Rate is \$1.0621 per \$100 of assessed value

## Henry County Tax Rate

Current Rate is \$.555 per \$100 of assessed value

- Under reversion, Henry County would assess all real estate in the Town of Martinsville and Henry County on a four-year cycle. The Town values would be provided to the Town Treasurer for billing at the Town tax rate. Town residents would receive and pay both the Town real estate tax bill and the Henry County real estate tax bill based on Henry County's value assessment but at the two separate rates and to the two separate localities.
- Previous reversion studies indicate that the Town real estate tax rate will decrease due to the elimination of some services previously provided by the City (schools and constitutional offices). Henry County residents will see an increase in their real estate tax bills to cover the additional expenses of the expanded services that the County must provide.
- Estimated rates for both localities will be determined on the annual budget requirements for the cost of services each locality provides.

# Real Estate Tax Relief for the Elderly & Disabled

City of Martinsville Income Brackets & Relief Percentage  
(Maximum Amount of Relief is \$400 Annually)

Income Bracket	Relief Percentage
\$0 - \$12,500	100%
\$12,501 - \$14,500	90%
\$14,501 - \$15,825	80%
\$15,826 - \$17,500	70%
\$17,501 - \$19,150	60%
\$19,151 - \$20,825	50%
\$20,826 - \$22,500	40%
\$22,501 - \$24,150	30%
\$24,151 - \$25,825	20%
\$25,826 - \$27,500	10%

Henry County Income Brackets & Relief Percentage  
(Maximum Amount of Relief is \$300 Annually)

Income Bracket	Relief Percentage
\$0 - \$9,000	90%
\$9,001 - \$9,961	80%
\$9,962 - \$11,000	70%
\$11,001 - \$12,000	60%
\$12,001 - \$13,000	50%
\$13,001 - \$14,000	40%
\$14,001 - \$15,000	30%
\$15,001 - \$16,000	20%
\$16,001 - \$17,000	10%

# Impact on Qualifying Martinsville Residents

- 39 of our current qualifying residents would not qualify for any relief because they have total household income over \$17,000
- These relief recipients received anywhere from 10% to 70% relief on their real estate tax bill in the City
- Average relief for these 39 individuals is \$243.28 annually that they would now have to pay
- It is unknown what the real estate rate for the Town of Martinsville would be. If the Bedford model is followed real estate owners are only paying 2 cents less per \$100 of assessed value now (combined rate of town and county is currently 84¢ per \$100) as opposed to the City's real estate tax rate prior to reversion in July 2013 (86¢ per \$100)

## How is Relief Administered in Other Reverted Localities:

- Bedford Co. Commissioner of the Revenue administers the relief for the Town of Bedford and sends a data file to the Town with the relief applied
- Alleghany Co. provides a list of relief recipients to the Town of Iron Gate
- Alleghany Co. provides a list of relief recipients to Clifton Forge to make sure they aren't missing anyone that qualifies with Alleghany Co. but the relief recipients have to qualify with both the Commissioner of the Revenue in Alleghany County and the Finance Director of the Town of Clifton Forge who administers the relief program for the Town of Clifton Forge.
- Halifax Co. Commissioner of the Revenue administers the relief for the Towns and sends a data file to the Towns with the relief applied

# Using the Henry County Total Income Ranges Below is the Impact on Current Qualifying Martinsville Residents:

Total H.C. Income Range	Percentage Exemption	Martinsville Residents Affected	Average Annual City Relief Allocated/ Recipient	What Average Annual Relief / Recipient Would Be Under H.C. Model
\$0 - \$9,000	90%	50	\$362.74	\$284.02
\$9,001 - \$9,961	80%	7	\$315.20	\$240.74
\$9,962 - \$11,000	70%	15	\$319.42	\$242.68
\$11,001 - \$12,000	60%	7	\$400.00	\$299.84
\$12,001 - \$13,000	50%	12	\$357.60	\$207.06
\$13,001 - \$14,000	40%	13	\$339.36	\$213.28
\$14,001 - \$15,000	30%	13	\$317.36	\$144.00
\$15,001 - \$16,000	20%	7	\$326.46	\$89.18
\$16,001 - \$17,000	10%	8	\$358.74	\$74.26
\$17,001 - \$27,500 (Martinsville Range not provided by HC)	0%	39 will not qualify at all	\$243.26	\$0
		<b>Total Relief</b>	<b>\$55,405.46</b>	<b>\$29,972.86</b>





# Tax Rate History Bedford City/Town

Date of Reversion July 1, 2013	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Real Estate Tax Rate of City/Town	\$0.76	\$0.76	\$0.76	\$0.80	\$0.80	\$0.82	\$0.83	\$0.81	\$0.81	\$0.81	\$0.86	\$0.86	\$0.86	\$0.86	\$0.30	\$0.30	\$0.30	\$0.32	\$0.32	\$0.32	\$0.32
Real Estate Tax Rate of County	\$0.59	\$0.67	\$0.70	\$0.73	\$0.66	\$0.65	\$0.65	\$0.65	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.52	\$0.52	\$0.52	\$0.52	\$0.52	\$0.52
Combined Real Estate Tax Rate for Town Residents															\$0.80	\$0.82	\$0.82	\$0.84	\$0.84	\$0.84	\$0.84
Personal Property Tax Rate of City/Town	\$1.80	\$1.80	\$1.80	\$1.80	\$1.80	\$1.80	\$1.80	\$1.80	\$1.80	\$2.17	\$2.43	\$2.43	\$2.43	\$2.43	\$2.35	\$2.43	\$1.06	\$1.06	\$1.06	\$1.06	\$1.06
Personal Property Tax Rate of County	\$8.50	\$8.50	\$8.50	\$8.50	\$8.50	\$8.50	\$8.50	\$8.50	\$8.50	\$2.35	\$2.35	\$2.35	\$2.35	\$2.35	\$2.35	\$2.35	\$2.35	\$2.35	\$2.35	\$2.35	\$2.35
Combined PP Tax Rate for Town Residents															\$4.70	\$4.78	\$3.41	\$3.41	\$3.41	\$3.41	\$3.41
Business Personal Property Tax Rate of County																			\$1.70	\$1.70	\$1.70
Business Personal Property Tax Rate of City/Town																			\$0.000001	\$0.000001	\$0.000001
Combined Business PP Tax Rate for Town Businesses																					
M & T Tax Rate of City/Town	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	N/A	\$1.30		\$0.0000010	\$0.0000010	\$0.0000010
M & T Tax Rate of County	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20		\$1.20	\$1.20	\$1.20
Combined M & T Tax Rate for Town Businesses															\$1.20	\$2.50			\$1.20	\$1.20	\$1.20
Business Equipment Tax Bedford Co.																			\$1.70	\$1.70	\$1.70
Town of Bedford provides 100% relief on 1st \$20,000 of assessed value for qualifying vehicles Businesses in the Town paid the full town and county taxes on their vehicles. M&T tax rate in town essentially a place holder. (An assessed value of M&T equipment would generate a \$10 tax bill. Unsure if Town Treasurer sends out those tax bills.																					

Source: Virginia Department of Taxation Annual Tax Rate Report